Impact of Stakeholders’ Analysis on Organizational Performance: A Study of Nigerian Financial Organizations

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ABSTRACT

Businesses have grown to the realization that no individual sector can make a significant, sustainable difference alone. Also, several studies have indicated the extensive use of stakeholder analysis within most organizations to improve their businesses. However, this depends on how well organizations can align and fulfill the needs of most if not all stakeholder concerns. This paper is based on a comparative case study of two organizations in the Nigeria financial sector in relation to their stakeholder management practices. The aim is to study the impact of stakeholder analysis on the performance of these selected organizations. The stakeholders of each organization were identified based on their respective mission and vision statements, including their core values and how their stakeholder management practices have impacted on each of their financials and social performances were also examined. The study confirms the importance of stakeholder analysis in the improvement of organization performance and also asserts that the achievement of an organization’s set objectives is dependent on how well the organization can represent the interest of its key stakeholders. It was thus concluded that if an organization can align and fulfill the needs of all its stakeholders successfully, its performance can be improved significantly. It is recommended that management of organizations should not only ensure that their business activities are committed to addressing their stakeholder concerns and needs effectively, but must also be committed to the long-term survival of the organizational goals.

KEYWORDS
Customers, Firms, Nigeria, Performance, Shareholders, Stakeholders

1. INTRODUCTION

A business, even a very successful one, cannot exist in a vacuum (Matteson & Metivier, 2015) and this growing recognition has brought businesses to the realization that no individual sector can make a significant, sustainable difference alone but rather has to work collectively with numerous individuals and groups so as to improve its own competitiveness, growth and profitability while simultaneously creating value for the society (Mondi Group Sustainable Development Report, 2013). An organization is therefore not self-contained or self-sufficient. It depends on its environment for needed resources,

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information or social legitimacy, and these are most often through exchange relationships with its stakeholders (Marcinkowska, 2013). For instance, an organization depends on investors for financing, customers to buy its products, employees to attend to customers and perform other roles, suppliers for raw materials and other resources necessary to run the business, and the community within which they can thrive. Matteson and Metivier (2015) opined that if any of these groups are absent, the business cannot be successful. However, Popa, Oancea- Negescu and Popescu (2012) argued that, though there are numerous situations in which these stakeholders’ rights are affected by the businesses’ activities, sometimes, these stakeholders’ interests may also affect the purposes, objectives and development of these businesses, even to the extent of jeopardizing their existence, especially if a conflict of interest arose between the shareholders and other stakeholders. For many companies, managing their stakeholders represent the key to success in terms of the current economic environment (Popa, et al., 2012; Wu, and Wokutch, 2015); if each of their preferences could be satisfied, the interests of all would be better represented, but this success depends on how well the organizations can align and fulfil the needs of most or all stakeholders, because it is that organization that could do this to the fullest that will be most successful and survive longer (Bourne, 2014). This paper aims to contribute to related literature, with the main purpose of providing more understanding into the link between stakeholders’ analysis and organizational performance with selected Nigerian financial institutions as examples.

2. REVIEW OF RELATED LITERATURE

2.1. Who Are Stakeholders?

Diverse definitions of stakeholders have been stated in literature; however, one thing that is obvious among these definitions is the fact that stakeholders have one sort of relationship with the organization but the degrees of responsibilities differs and varies according to stakeholders’ contributions and commitments (Carisio de Paula, Yang, Korzenowski & Cortimiglia, 2011; Shahzad, Xiu, and Shahbaz, 2017; Lau, and Lim, 2018; Silvius, and De Graaf, 2019).

Rais and Goedegebuure (2009) explained these differences as follows: whereas Carroll (1996) focuses on the ‘stake’ notion; Freeman (1984) adopted ‘the affect or is affected by’ approach; Thompson, (2007) stresses ‘claims’ or ‘rights’; and Mondi Group (2013) on ‘desire’ to create wealth. Popa, et al., (2012) describes stakeholders as “those entities that represent a part of the microenvironment of the company that could manifest certain interests in direct relations with a public held company”. Freeman (2010) cited in Marcinkowska, (2013, p. 118) explained that these groups or individuals can affect or be affected by the achievement of the organization’s objectives and without their support the organization would cease to exist (Elhadi, 2011). Stakeholders therefore have something to gain or lose through the outcomes of some organization’s activities (Yawson & Greiman, 2014; Napitupulu, 2018), hence they depend on organizations in fulfilment of their own goals and, in turn, the organization depends on them in the achievement of its objectives (Bruch and Walter (2005), cited in Agwu & Taylor, 2014, p. 31). Stakeholders exist at various levels – organizational to project levels (Allen, 2008), and the choice of the ones whose expectations are to be fulfilled depends to a great extent on the organization’s vision and mission, with the values of its management (Marcinkowska, 2013). Therefore each company could have its own unique set of stakeholders, as depicted in Figure 1, but the typical ones for any organization include the society wherein the organization operates, with its customers, investors/shareholders, government, owners, suppliers, creditors and employees. However, for most commercial enterprises, the employees, customers and shareholders are by far the most important, and the scope of the performance measurement is usually focused on them, but this can be broadened, (Curtice, 2006; Agwu & Taylor, 2014).

As shown in Figure 1, the shareholders and owners can be said to have some greatest influence on any organization, because they are the main financiers and can influence the success of any strategy adopted by organization; but from the typical stakeholders’ perspective, there are other stakeholders
Thinking in Terms of Design Decisions When Developing Maturity Models
www.igi-global.com/article/thinking-terms-design-decisions-when/48836?camid=4v1a

Conditions Determining the Success of Public E-Procurement
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