

Stakeholder engagement in the manufacturing industries in Nigeria: A tool for national development

BETHEL U. IHUGBA, LLB (Hons), BL, LLM
University of Wales Doctoral Researcher , Greenwich School of
Management London
bethelihugba@yahoo.com

ICONS 2010, University of Kent, United Kingdom.

Objective of the study

- To achieve National Development through sustainable CSR in Nigeria some form of structure/ strategy should be introduced. This is necessary to (1) ensure full participation of stakeholders (2), maintain peaceful coexistence between business and the community and (3) encourage a sustainable CSR practice.

This work contributes to the debate on structuring of CSR management to positively improve the lives of the citizens' e.g. by setting out positive environment and instituting sustainable strategies that gives external stakeholders balanced voice in commercial/business activity.

BACKGROUND

Businesses have realised that good reputation which can be translated to legitimacy or vice versa is very essential for its survival (Enron scandal, Shell and Brent spar, Bhopal gas disaster, Nike child labour scandal, Shell Niger delta Crisis etc).

- However, some still contend that “few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of social responsibility other than to make as much money for the stockholders as possible” (Friedman, M 1962, p 135)
- But unfortunately, many businesses have by their disreputable activities perpetuated mistrust and justified the call for their activities to be checked (Enron scandal, Shell and Brent spar, Bhopal gas disaster, Nike child labour scandal, Shell Niger delta Crisis, Kraft in UK etc) and hence the call for CSR.

CSR is “a company’s positive *impact on society* and the *environment* through its *operations*, *products* and *services* and through its *interaction* with key stakeholders such as employees, customers, investors, communities and suppliers” (Business in the Community). *Stakeholders* are “those groups and individuals who can affect, or are affected by the achievement of an organization’s purpose”(Freeman 1984. p 46)

Major corporate reasons/objectives for Engagement

Reasons For Stakeholder Engagement

- ▶ **Managerialist orientation: (Zadek 1997)** Organisational decision- makers seek to understand the perceptions and requirements that stakeholders have of the organisation with a view to pre-empting the possible effects that these opinions may have on the future business activities of the organisation or what may be called **Control: (Ihugba 2010)** Both legislative capture and redefining prevailing topics of social and political discussion.
- ▶ **Public Interest: (Zadek 1997)** Some organisations might be pursuing stakeholder engagement because legislative and opinion driven pressure made it expedient for them to publicly respond to social and ethical issues.
- ▶ **Value Shift: (Zadek 1997)** Some organisations are undergoing a fundamental culture shift as to what their role and indeed, their responsibilities to society should be.
- ▶ **Control: Both legislative capture and redefining prevailing topics of social discussion**

Theoretical foundations

Stakeholder Engagement: (1) *Andriof and Waddock* (2002 p.42) define it as “trust-based collaborations between individuals and/or social institutions with different objectives that can only be achieved together”. (2) *Gable and Shireman* (2005 p.9) describe it as “a process of relationship management that seeks to enhance understanding and alignment between company and their stakeholders”

Why Engage?

- ▶ **Legitimacy theory** (*Suchman (1995, p 574)*) ‘Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’
- ▶ **Stakeholder theory** (*Freeman, 1984:246*) where he defined stakeholders as “...those groups and individuals who can affect, or are affected by the achievement of an organization’s purpose”.
- ▶ **Enlightened self interest theory** “(*Moyer 1974 pp. 6-7*)“undertaking of social investment may be consistent with the shareholders' interest ”

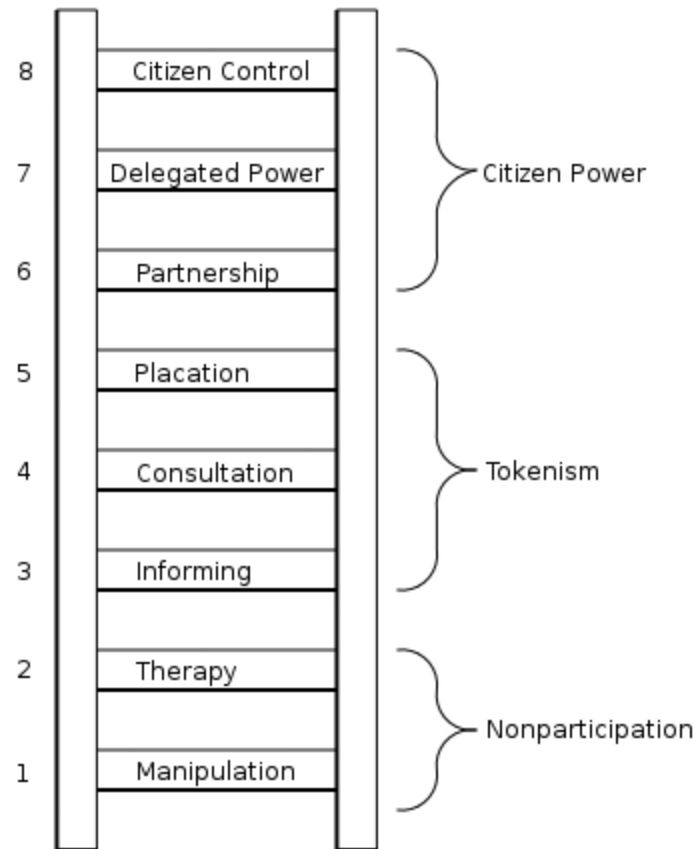
METHODOLOGY

Case study using qualitative content analysis of published 7 years social reports.

Chose an industry less in the public eye, but going to be a major issue as the populace gets more enlightened on the health issues. E.g. The UK and USA are going through the same phase now.

Working the stakeholder engagement magic

Arnstein 1962- sustainable participation requires stakeholders engagement to reach at least the partnership level.



Levels and features of stakeholder engagement

S/N	Level of Engagement	Features of engagement	Reasons for engagement
1	Manipulation	(1) Non participatory (2) No input from Stakeholders (3) PR Tools (4) One way traffic (5) Powerlessness (6) Educate & bully	Control Mangerialist orientation
2	Therapy	1 to 6 above plus, (7) Feeling of inadequacy & guilt (8) Extensive fruitless activity	Control PR Mangerialist orientation
3	Information	(1) First Level of participation (2) One way info traffic (3) Unsanctioned voice labelled as deviant (4) Both loose	Mangerialist orientation
4	Consultation	(1) Second level of participation (2) First 2 way traffic Dangers– (a) Mere participation for participation (b) Box ticking (c) Ignoring stakeholder voice	PR Mangerialist orientation

Levels and features of stakeholder engagement

S/N	Levels	Features	Reasons for engagement
5	Placation	<ul style="list-style-type: none"> (1) Some voice in decision making (2) But subject to veto (3) Overwhelmed by technicalities (4) Usually obtained after struggle 	Public Interest
6	Partnership	<ul style="list-style-type: none"> (1) Exercise some power of demands and interests (2) Negotiated distribution of power (3) Mutually agreed arbiter (4) Accountability of representatives. 	Public Interest Value Shift
7	Delegation	<ul style="list-style-type: none"> (1) Majority power over specific Projects–(a) Directly responsible (b)Power to enforce accountability (2) Separate but parallel groups– (a) majority power over aspect of project (b)veto if not resolved by regulation 	Value Shift Public Interest

Levels and features of stakeholder engagement

S/N	Levels	Features	Reasons of Engagement
8	Citizen control	<ul style="list-style-type: none">(1) In full power and control over a project(2) Power to negotiate and decide on conditions of relationship(3) No intermediary(4) Not absolute control, still subject to rules.	Value Shift Public Interest

Stakeholder Engagement Matrix Culled from Arnstein 1969

Benefits		Setbacks/ Challenges
Empowerment		Bubble syndrome
Building beneficiary capacity		Arbitrarily set framework
Increased effectiveness		Technical Knowhow
Cost sharing		With holding of information
Improved Project efficiency		Ignorance on part of stakeholders

FINDINGS

- ▶ On Stakeholder Engagement : Tokenism, Control, PR and Managerialist orientation
e.g. Arbitrary choice of participants, one-sided decision on issues to discuss, restricted time to respond, Lopsided representation from government agencies and business partners, little or no representation from NGOs and Communities.
- ▶ On CSR Objective : (1) Few Initiatives e.g. Water bore holes, scholarships, HIV aids awareness (for staffs) (2) Unsustainable (3)Box ticking e.g. Supposedly fulfilling MDGs
- ▶ Control regulation- interest in counterfeiting, donating vehicles to customs service, Lobbying against tobacco legislation etc.

IMPLICATION

For external stakeholders and nation building.

Regulation : Involving stakeholders and setting framework for participation, proof of engagement and fulfilment of agreements e.g. As CAC requirements.

Education: Government, NGOs, Universities, Individuals, Civil society/liberty organisations- like this ICONS forum.

Rule of Law: Revitalising moral responsibility, unbiased enforcement of the law, personal responsibility etc.

Significance/Benefit: A more involved partnership, under a equitable platform will be more rewarding for all- Companies, Governments, Communities and other stakeholders.

Caveat: This is not suggested as a single panacea to our problem but as one of the approaches that could prove effective.

THANK YOU