

Strategic management, corporate responsibility and stakeholder management

Integrating corporate responsibility principles and stakeholder approaches into mainstream strategy: a stakeholder-oriented and integrative strategic management framework

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Abstract

Purpose – *The purpose of this article is to establish a strategic management framework that supports the integration of corporate social responsibility principles and stakeholder approaches into mainstream business strategy.*

Design/methodology/approach – *A top-down and bottom-up approach was used to develop the proposed framework. The top-down approach focused on analyzing the main strategic management theories including social responsibility movements to identify complementary concepts and create a relevant topology. The bottom-up approach was based on empirical research on the views of business companies on corporate social responsibility, a review of best practices and case studies mainly in Greece.*

Findings – *The paper describes a stakeholder-oriented integrative strategic management framework linking the main strategic management theories across value, responsiveness and responsibility dimensions. A mathematical model is presented describing the synergistic development of advantage-creating knowledge and advantage-creating stakeholder relations in accordance with the criteria of the resource-based theory.*

Research limitations/implications – *The proposed management framework is based on the results of research projects and is not fully developed and tested. The approach will be refined, exploiting results from ongoing research including further empirical research and testing in business organizations.*

Originality/value – *The paper defines a novel conceptual framework extending the resource- and stakeholder-based approaches by introducing two interlinked concepts: advantage-creating knowledge and advantage-creating stakeholder relations.*

Keywords *Strategic management, Stakeholder analysis, Social capital, Corporate social responsibility*

Paper type *Research paper*

Introduction

Since the early 1990s, corporate responsibility issues have attained prominence in the political and business agenda. The need for a more pro-active role by states, companies and communities in a development process aimed at balancing economic growth with

environmental sustainability and social cohesion has motivated the following three interlinked business movements:

1. Corporate social responsibility (CSR).
2. Corporate sustainability.
3. Worldwide reforms on corporate governance.

CSR and corporate sustainability involve assessment of the company's economic, social and environmental impact, taking steps to improve it in line with stakeholder requirements and reporting on relevant measurements. Corporate governance reflects the way companies address legal responsibilities and therefore provides the foundations upon which CSR and corporate sustainability practices can be built to enhance responsible business operations.

The CSR and corporate sustainability movements are building an impressive momentum with support from governments and the investment community through socially responsible investing (SRI) and associated corporate sustainability indexes. There is no doubt that businesses are doing far more than ever before to tackle the sustainability challenge by recognizing their social responsibilities, reducing their environmental impacts, guarding against ethical compromises, creating governance transparency and becoming more accountable to their stakeholders. However, it is widely recognized that CSR and corporate sustainability as business practices remain isolated from mainstream strategy and therefore mainstreaming has become the key challenge for the corporate responsibility movement.

Theoretical developments in the field of business in society have focused in two areas, the ethical and accountability responsibilities (Sethi, 1975; Carroll, 1979) and the stakeholder approaches to strategic management (Freeman, 1984; Donaldson and Preston, 1995). The stakeholder theory provides the foundations of a strategic view of corporate responsibility issues and advocates a single strategic management framework. However, stakeholder approaches can be regarded as another strand of strategic management theories and do not attempt to define a single strategic management framework, which is the objective of this paper. The motivation for the paper is therefore to establish a strategic management framework that could contribute from a methodological perspective to charting ways for corporate responsibility mainstreaming.

The baseline of the proposed framework is the 4CR classification of strategic management theories against criteria of value, responsiveness and responsibility.

The main theories included in the 4CR classification are:

- industrial organization/environmental approaches;
- resource based view (RBV) and related theories of core competencies and dynamic capabilities;
- business networking and relational perspectives;
- knowledge view of the firm;
- corporate responsibility and sustainability; and
- stakeholder approaches.

A reference model for stakeholder-oriented integrative strategic management is derived from the 4CR classification illustrating the interaction of the above theories in developing a single strategic management capability. The concepts for advantage-creating knowledge and advantage-creating stakeholder relations are developed according to resource based theory, and a baseline descriptive mathematical model is outlined specifying their composition and clarifying key interactions between constituent elements.

To resolve the issues surrounding the impact of corporate social responsibility strategies on performance we differentiate between the instrumental elements of stakeholder approaches that are integrated in the value and responsiveness dimensions of strategic management and become an integral part of competitive strategy. The ethical aspects or intrinsic

elements of stakeholder approaches are dealt with in the responsibility dimension enabling integration through contextual links with the competitive dimensions.

Background research

The work reported in this paper is based on research carried out initially in the CSRQuest project and subsequently in the ongoing 4CR research and development program.

The CSRQuest project (2004-2006) entitled "A customisable e-learning environment for CSR" was a collaborative research project with seven partners co-ordinated by K-NET SA and funded by the Greek General Secretariat for Research and Technology – Research and Technology in the Information Society (www.csrquest.net). The main CSRQuest objective was to develop e-learning services supporting the Greek business community to adopt CSR strategies and practices efficiently and effectively.

Research was focused in the following areas:

- market research on CSR trends particularly in Greek businesses;
- evaluation, collation and development of support and training content for corporate social responsibility;
- review of methodological frameworks for corporate responsibility, stakeholder approaches and strategic management;
- knowledge management in the context of the "responsible" organization and stakeholder networks;
- learning CSR related models; and
- e-learning services with customization facilities and integration with operational business processes.

A major project output was the CSRQuest methodology, developed by Athens University of Economics and Business in co-operation with other project partners, which provided the basis for the e-learning services. The CSRQuest methodology was developed combining a top down investigation on the interrelationships between strategic management theories and CSR related concepts and principles with a bottom up approach looking at industrial practices and expectations. The market research was carried out in two individual phases: the qualitative phase and the quantitative phase of investigation. The combination of the two phases produced a complete picture of CSR interests, needs and attitudes in the Greek companies. The sample of companies that participated in the qualitative research was representative from all the sectors: industrial, commerce, services, as well as from companies that played a leading part in the promotion of corporate social responsibility in Greece. The information that was drawn from the qualitative phase of investigation guided the definition of the questionnaires used in the quantitative investigation. The quantitative phase identified the perceptions and behavior of Greek companies with regards to corporate social responsibility and management intentions on adoption of CSR programs and prevailing challenges.

The CSRQuest methodological framework was presented and debated in special workshops with different stakeholder groups such as CSR managers, CSR consultants and business managers that helped in the exploration of frontier developments in selected subjects. Furthermore, a number of case studies with large and small companies were conducted helping to illustrate different aspects of the methodology in practical settings and to obtain an initial evaluation.

The CSRQuest methodology is being currently developed by the 4CR network representing a group of organizations and individuals dedicated to advancing the initial work into a full methodology to support primarily educational courses and corporate training. Currently the 4CR methodological framework provides the basis of the course "Business strategy and corporate social responsibility" of the AUEB MSc in applied economics and finance for executives.

The reference 4CR strategic management classification

The reference 4CR classification of strategic management theories against value, responsiveness and responsibility criteria (Katsoulakos and Katsoulakos, 2006) is summarized in Table I. Each strategic element in the classification is linked to the strategic management theory dealing with it.

Six strategic management theories are included in the classification with corporate responsibility and sustainability and stakeholder-oriented approaches being considered as two separate strands of strategic management. Corporate responsibility and sustainability represents the strategic issues arising from CSR, corporate sustainability and corporate governance. Stakeholder-oriented strategies represent strategies to enhance value, responsiveness and responsibility capabilities by utilizing enhanced stakeholder relations.

In general, all three dimensions of strategic management must be addressed through an iterative process supporting refinement and convergence between the various elements. Importantly, responsibility and stakeholder strategic elements that impact competitiveness are included in the value and responsiveness dimensions. This allows the responsibility dimension to contain only intrinsic responsibility elements related to ethical issues and accountability, thus differentiating clearly between competitive and responsibility strategies.

Each strategic management theory focuses in one or two dimensions (italicized areas in Table I). In contrast stakeholder approaches address all three dimensions, possibly with equal weight, and could therefore provide the central link to an integrative strategic management framework.

The main contributions of each theory along the value, responsiveness and responsibility dimensions are analyzed in the following sections.

The value dimension of strategic management

In general, a firm's profitability depends jointly on the attractiveness of its industry/markets and its success in creating more value than its competitors. A recent survey by McGahan and Porter indicate that industry accounts for 19 percent of profit variations while the competitive position accounts for 32 percent and a large component of 43 percent represents variation that cannot be accounted for by any systemic influence.

Table I The 4CR reference strategic management classification

	<i>Value</i>	<i>Responsiveness</i>	<i>Responsibility</i>
Industry	<i>Market analysis</i>	<i>Trajectories of industry change and strategic options</i>	Industry level sustainability analysis
Organization	<i>Strategic positioning and value propositions</i>		Fair globalization
Environment-based theories	<i>Advantage-creating resources (valuable, rare, inimitable and non-substitutable)</i>	<i>Core competencies</i>	Responsibility impact and improvement capabilities
Resource-based view	<i>Core competencies</i>	<i>Dynamic capabilities</i>	Responsibility competencies mainstreaming
Business networking	Relation-specific assets Complementary assets Transactional cost minimization	<i>Flexible resource accessibility</i>	Sustainable development support networks
Learning perspective	Advantage-creating knowledge Learning curve	<i>Business intelligence</i> <i>Innovation support</i> <i>Change implementation support</i>	Human capital/professional development Stakeholder training
Corporate responsibility and sustainability	(Self) regulation SRI-related strategies Green products strategies Responsibility positioning	<i>Transparency</i> <i>Risk management</i> <i>Brand and reputation</i>	<i>Ethics</i> <i>Accountability</i>
Stakeholder-oriented strategic management	<i>Stakeholder instrumental value-related strategies</i>	<i>Stakeholder engagement</i> <i>Social capital</i>	<i>Stakeholder intrinsic approaches</i>

The traditional focus of strategic management to position the company where it can leverage its resources to deliver superior economic value (perceived customer benefits and cost) is addressed in a complementary way by industrial organization/environmental and resource based theories. Environmental based strategies focus on market characteristics and examine how best a company can configure its value chain to obtain a competitive advantage (Porter, 1980, 1985). Resource based theories address how companies can perform activities within the value chain more efficiently utilizing firm-specific resources which must be valuable, rare, imperfectly imitable and non-substitutable, the so called VRIN criteria (Barney, 1991). Firms adopting a resource-based approach begin the strategy process by identifying their core resources, how they can be leveraged and developed to achieve the corporate mission, cost efficiency and differentiation strategies.

From the beginning of the 1990s resource related strategies were elaborated through the concept of leveraging core competencies and distinctive capabilities to exploit economies of scope. Core competencies represent what a company does better than any competitors and are based on the concept of resource recombination (Schumpeter, 1934; Penrose, 1959) or in other words on the collective knowledge and learning capacity in the organization (Prahalad and Hamel, 1990). A distinct characteristic of core competencies is that it can be leveraged widely in many products and markets.

Strategies for developing core competencies are frequently combined with networking and knowledge management strategies. Resource based strategies will identify networking requirements regarding relation-specific assets and complementary assets (Dyer and Singh, 1998). Resource based strategies will also determine the knowledge requirements for core competencies in the context of networking strategies and organizational design. It has been suggested that the resource based theory may be too narrow by concentrating on the acquisition and protection of critical resources and that knowledge of how resources are brought together, coordinated, integrated, and put into use is the essence of the successful firm (Spender, 1993, 1996). More specifically, productivity is dependent on the learning capabilities of the firm (learning curve) with the obvious implications on value. Networking strategies should combine a "competence" perspective for the acquisition and development of knowledge and capabilities with a perspective of "governance", for the management of "relational risks" and the minimization of transaction costs[1] (Williamson, 1999).

The management of networking risks and the development of knowledge based capabilities is dependent on the relational view of the organization which is addressed both by industrial network theory and stakeholder approaches to strategic management. From a value perspective, instrumental stakeholder approaches view stakeholders as controlling resources that can facilitate or slow down the implementation of strategies and therefore must be managed to create competitive advantage (Donaldson and Preston, 1995). Development of special relations to support advantage-creating resources such as employee motivation, customer loyalty, influence on sector regulation, local license to operate, etc. are dependent on stakeholder instrumental strategies aimed at trust development.

Trust is a key enabling condition for stakeholder management (Bachmann, 1998) and can be sub-divided into:

- competence trust (confidence in the capacity of other actors to perform);
- business trust (confidence in reliability of transactions); and
- emotional trust (personal confidence based on personal relationships).

Under current macro-economic developments trust is seen as a moderating mechanism facilitating coordination of expectations and interactions between economic actors (Zucker, 1986).

By considering the industry attractiveness in the value dimension, responsibility-driven self-regulation and responsibility strategies to meet investor and consumer demands

become important elements of the strategic positioning of the company. With regard to the latter, strategic responsibility positioning should be based on:

- understanding stakeholders' perceptions on the company's responsibility strategies and performance in relation to competition;
- consumers' clusters of ideal points on green products and competitor positions in specific industries; and
- investors' clusters of ideal points on responsible behavior and competitor positions.

The responsiveness dimension of strategic management

In recent years there is strong interest on "dynamic strategies" associated with enhanced organizational responsiveness. Dynamic strategies can be subdivided into:

- those associated with flexibility and agility (reconfigurable processes and products, integration technologies, shareable services, resource pools) addressed by core competencies and business networking strategies; and
- those associated with detection and reaction speed addressed by dynamic capabilities and learning/innovation strategies.

Dynamic capabilities represent a firm's ability to integrate, build and reconfigure competences to address rapidly changing environments and include business intelligence capabilities for scanning and interpreting new technological fields and new markets. Dynamic capabilities can be characterized as trajectories of competence development combining flexibility constrained by the firm's history which makes them tacit and idiosyncratic (Teece *et al.*, 1997). Dynamic capabilities are needed both to integrate and reconfigure resources and to allow the firm to acquire and release resources (Eisenhardt and Martin, 2000).

Dynamic capabilities are closely linked to the firm's inter-organizational relationships, which are idiosyncratic and difficult for competitors to imitate and to substitute and they allow a firm to adapt to changing opportunities and challenges by tapping into a broad and diverse base of network resources (Gulati, 1998; Gulati *et al.*, 2000). Networks vary in terms of the structure and relational characteristics such as pattern of ties, nodal diversity or variation in the mix of relationships (McEvily and Zaheer, 1999). We can identify two distinct categories of networks reflecting the theory of mechanistic and organic management systems (Burns and Stalker, 1961). Mechanistic networks are characterized by rules, stability, formal standardization, specialization and loyalty. Organic networks are characterized by loose and adaptive links governed by mutual adjustment, participative knowledge and commitment to progress. Generally, mechanistic networks are more suitable for value strategies where organic networks are best suited for responsiveness strategies. Arguably companies need to adopt a layered model for business networking comprising of an inner layer representing long term alliances linked to value strategies, a number of intermediate layers of progressively looser relations and an outer layer comprising of "on demand" service providers linked to responsiveness strategies. Each layer may be characterized by different quality of relations and strategic convergence requirements (Koza and Lewin, 2000) that should be reflected in the corresponding stakeholder engagement strategies.

Beyond flexibility addressed by networking strategies, responsiveness is dependent on the learning and innovative capacity of the organization. As companies are under continuous pressure to improve their products and services, learning is ultimately "the only sustainable source of competitive advantage" (Williams, 1992; De Geus, 1988). Empirical evidence suggests that firms survive longer depending on learning capacities (Jovanovic, 1982) and on the rate of learning that intrinsically supports innovation (Jovanovic and Lach, 1989; Jovanovic and MacDonald, 1994). Organizational learning depends on the "capacity for knowledge absorption" by the members of knowledge networks and their "collaboration motivation" which can be facilitated by stakeholder engagement strategies.

Stakeholder engagement is closely related with the concepts of social capital described by OECD as "... networks, together with shared norms, values and understandings which

facilitate cooperation within or among groups". Social capital can be defined by characteristic properties along the following three dimensions (Nahapiet and Ghoshal, 1998):

1. The structural quality of a relationship referring to the structure of the social network in which the relationship is embedded.
2. The relational quality of the relationship associated with the levels of mutual trust and reciprocity.
3. The cognitive quality of the relationship reflecting the levels of common understanding and shared values and goals.

Responsiveness is also facilitated by transparency as advocated by responsibility strategies as it encourages broad stakeholder participation in risk management processes aimed at early identification of risks and vulnerabilities and even contribution in corrective and mitigation actions.

The responsibility dimension of strategic management

The need for changing the relations between corporations and society is highlighted by the proposal for an "enterprise strategy" to enhance a company's societal legitimacy (Ansoff, 1979) and the "redefined corporation" seen as an institution engaged in mobilizing resources to create wealth and benefits for all its stakeholders (Post *et al.*, 2002).

As indicated in the introductory section, the two main business responsibility movements are corporate social responsibility and corporate sustainability. CSR as a business movement is specifically associated with ethical issues – doing what's right and fair, and avoiding harm. More specifically, CSR represents commitments and activities that extend applicable laws and regulations on trading, health and safety, human rights, consumer and environmental protection and reporting. As such CSR can be seen as a way of corporate self-regulation. According to the UN Research Institute on Social Development, the CSR approach to regulation is nowadays evolving to public-private partnerships and multi-stakeholder initiatives for standard setting, reporting, monitoring, auditing and certification.

Related CSR concepts are corporate citizenship and social accountability. Corporate citizenship emphasizes the contribution a company makes to society through its core business activities, its social investment and engagement in good causes. Social accountability is primarily concerned with the management and reporting of quantitative and qualitative aspects of social, ethical and environmental performance to both internal and external stakeholders.

Corporate sustainability is associated with support for sustainable development and the long term performance stability and survival of the corporation. It addresses the needs of present stakeholders while seeking to protect, support and enhance the human and natural resources that will be needed by stakeholders in the future as proposed by the 1987 report "Our common future" by the World Commission on Environment and Development (known as the Brundland Commission).

Corporate sustainability performance can be measured by a company's economic, social and environmental impact and associated stakeholder satisfaction. Sustainability impact can be defined as follows:

- *Economic impact.* Sustainability of the businesses and its "human capital" and engagement in sustainable wealth creation processes at global, national and local levels.
- *Social impact.* The impact of products or operations on human rights, labor, health, safety, regional development and other community concerns.
- *Environmental impact.* The impact of products or operations on environmental degradation including the company's related emissions and waste.

Key dimensions of corporate responsibility and sustainability are support for fair globalization and active participation in the development of regions in which a company

operates. Fair globalization[2] requires productive and equitable markets and fair rules supporting equitable opportunity and access for all countries recognizing the diversity in national capacities and developmental needs. A shared responsibility therefore emerges between countries and corporations to assist countries and people excluded from or disadvantaged by globalization. At a local level, companies are expected to participate in the communities in which they operate by responding to critical social issues such as regional development, education and health and taking care to maximize the impact of their donated money, time, products, services, influence, knowledge and other resources.

The corporate responsibility and sustainability movement is backed by UN initiatives such as the global compact and the millennium goals that have defined goals and principles for responsible corporate behavior in the following areas:

- human rights;
- labor standards;
- environment;
- health;
- anti-corruption; and
- economic responsibility.

The motivations of companies to address corporate responsibility and sustainability varies widely from instrumental approaches using responsible practices as a means of maximizing profits, to intrinsic approaches, committing the company to upholding its values and principles irrespective of the impact on financial performance. KPMG's 2005 survey of corporate responsibility reporting highlights the diverse motivations for corporate responsibility (74 percent economic and 53 percent ethical) and the following important business drivers:

- to have a good brand and reputation;
- to be an employer of choice;
- to have and maintain a strong market position;
- to have the trust of the financial markets and increase shareholder value; and
- to be innovative in developing new products and services and creating new markets.

Corporate responsibility is closely associated with stakeholder based strategic management (Freeman, 1984) where companies recognize and address their responsibilities to all their stakeholders for mutual benefit or even purely on ethical/moral grounds in contrast to the agency theory of the firm where directors of an organization are duty bound to act to maximize the interests of those owners.

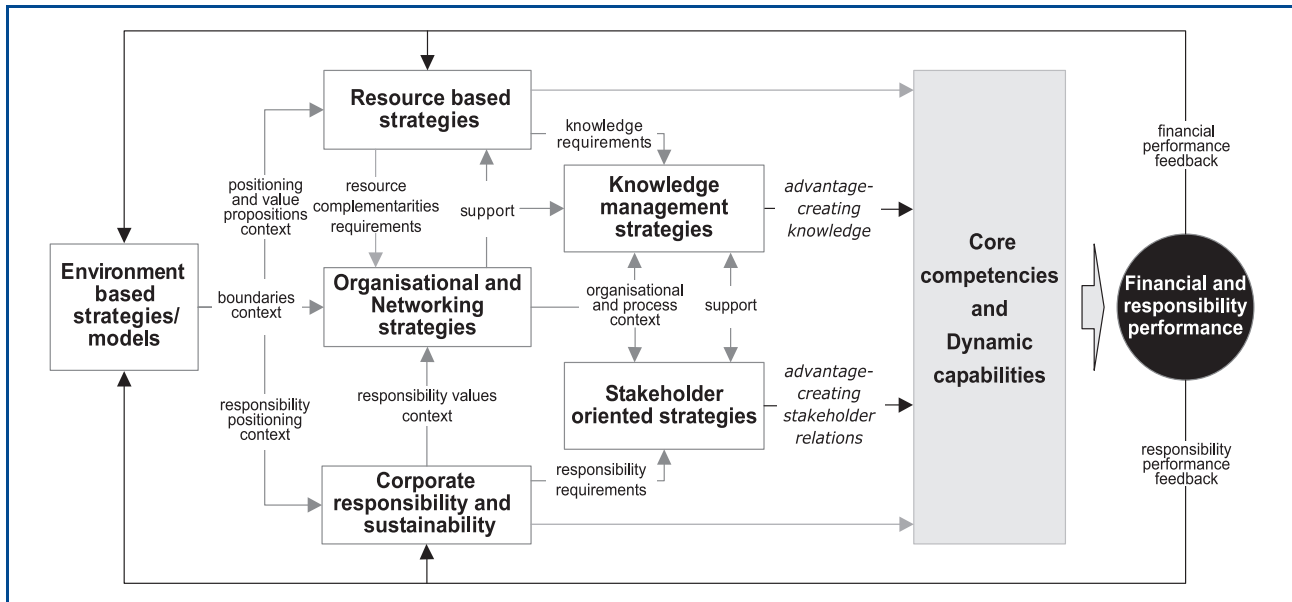
Freeman's definition of stakeholder – "any group or individual who can affect or who is affected by the achievement of the company's objectives" provides the baseline position of who are stakeholders. Stakeholders have been defined more narrowly as risk-bearers based on the argument that a stakeholder should have some form of capital at risk, either financial or human, and therefore has something to lose or gain depending on a company's behavior (Clarkson, 1995). They can be classified according to whether they have, or perceived to have one, two, or all three of the following attributes: power to influence, legitimacy of their claim and urgency of their claim (Mitchell *et al.*, 1997).

A stakeholder-oriented integrative strategic management framework

Basic principles

The basic principles of the stakeholder-oriented integrative strategic management framework are illustrated in Figure 1. Essentially, environment based strategies, resource based strategies, networking strategies and corporate responsibility strategies feed knowledge management and stakeholder oriented strategies to deliver advantage-creating

Figure 1 Stakeholder oriented integrative strategic management reference model



knowledge and advantage-creating stakeholder relations as part of the company's core competencies and dynamic capabilities. These capabilities determine the company's financial and responsibility performance which could be controlled through feedback loops to the originating strategies.

The main principles underlying the approach are:

- environmental-based strategies determine competitive and responsibility context for the resource based strategy, the networking strategy and the responsibility strategy;
- resource based strategies are supported by network strategies (with different requirements for relational quality – layered model) designed in the context of responsibility and sustainability strategies particularly to ensure values convergence;
- resource-based strategies determine the primary requirements for knowledge management strategies;
- corporate responsibility and sustainability strategies determine the primary requirements for stakeholder oriented strategies;
- organizational and networking strategies provide a common context that guides the formulation of unified strategies for knowledge and stakeholder management;
- knowledge and stakeholder management strategies guide the synergistic development of advantage-creating knowledge and advantage-creating stakeholder relations;
- core competencies and dynamic capabilities are supported by advantage-creating knowledge and advantage-creating stakeholder relations and reflect broader requirements from both resource based strategies and responsibility strategies;
- if the responsibility strategy represents an instrumental stakeholder approach, optimized financial and responsibility performance is based on the conditions for sustainable competitive advantage which implies that responsibility strategies represent company responses to responsibility related opportunities or threats/constraints as any other strategic issue;
- optimized financial and responsibility performance in companies adopting intrinsic approaches would imply suboptimal financial performance. However it should be recognized that positive “second order” effects of intrinsic responsibility on investor demand and on social capital may offset or reduce the responsibility related costs;

- intrinsic stakeholder approaches could generate preferential demand from investors resulting in higher levels of share value particularly if the company outperforms their rivals in responsibility performance; and
- financial and responsibility performance feedback loops to environment, resource and responsibility strategies provide the means for performance control.

Advantage-creating knowledge and stakeholder relations

A central premise of the outlined approach is the synergistic development of advantage-creating knowledge and advantage-creating stakeholder relations in accordance with the resource based theory VRIN criteria as summarized in Table II.

Knowledge value

The business value of knowledge increases according to the importance of the processes it supports (i.e. support, core, strategic processes). Advantage-creating knowledge can be defined as knowledge supporting strategic processes that in this paper reflect strategies along the three dimensions of value, responsiveness and responsibility. Accordingly, the value of advantage-creating knowledge (AKV) is a function of the knowledge value associated with supporting the elements of the reference 4CR classification customized or weighted according to the specific priorities of different companies. We can differentiate between the competitive value of advantage-creating knowledge AKV_c (i.e. support for value and responsiveness strategies) and the responsibility value of advantage-creating knowledge AKV_r (i.e. support for responsibility strategies). The advantage-creating knowledge value can be expressed by a matrix of the form AKV_{ij} , where $i = 1$ to 6 represents the strategic management theories in the 4CR classification and $j = 1$ to 3 represents the value, responsiveness and responsibility dimensions.

Stakeholder relations value

Stakeholder oriented strategies starts with identifying the company's key stakeholders and then defining their characteristics (threat or collaboration potential, influence and interest, importance to company's survival, urgency of response, etc.) which will determine the type of relation the company should build with them. Typical stakeholder relationships include:

Table II Advantage-creating knowledge and stakeholder relations		
<i>Resource-based theory VRIN criteria</i>	<i>Advantage-creating knowledge</i>	<i>Advantage-creating stakeholder relations</i>
Valuable: enabling a firm to create and/or implement strategies that improve its efficiency or effectiveness	The business value of knowledge increases according to the importance of the processes it supports. Advantage-creating knowledge supports strategic processes along the three dimensions of value, responsiveness, and responsibility	Advantage-creating relations value is a function of "relations quality" as determined by the value, responsiveness and responsibility strategies
Rare: valuable firm resources possessed by only a few of competing firms	Tacit, collective valuable knowledge is inherently rare and becomes rarer with increased levels of specialization on strategic elements	Relations become rarer with increasing relational strength (number of ties, shared values, trust and embedded ties)
Imperfectly imitable: characterized by a combination of unique attributes which prevents imitation by competitors	Inimitability and immobility can be safeguarded with patents and IPR; otherwise it increases with knowledge context complexity and specificity	Inimitability and immobility can be safeguarded with increasing levels of stakeholder engagement in the value, responsiveness and responsibility strategies
Non-substitutable: there must not be strategically equivalent valuable resources that are themselves either not rare or imperfectly imitable	Reliance on rare and inimitable knowledge	Reliance on rare and inimitable relations

- participative (stakeholders involvement in decision making);
- advisory (stakeholders involvement as reviewers or advisors);
- collaborative (stakeholders complementing specific capabilities);
- informative (stakeholders involved in one or two way communications); and
- defending (intelligence response, negotiation).

Advantage-creating stakeholder relations can be defined as relations supporting strategic processes contributing to value, responsiveness and responsibility capabilities. The value of advantage-creating stakeholder relations (ARV) is defined as a function of stakeholder support in each element of the 4CR classification along the following four dimensions:

1. Knowledge development support.
2. Change support.
3. Enhanced influence.
4. Enhanced trust based exchanges.

Knowledge development support through enhanced stakeholder relations. The firm can be viewed as a network of knowledge communities providing repositories of useful knowledge embedded in day-to-day work and their relationships. Through knowledge exchange each community creates common cognitive platforms and common social norms which guide newcomers' learning and behaviors. Interaction between communities creates broader cognitive platforms and common social norms which facilitates the development of the company's core competencies and dynamic capabilities. The value of enhanced stakeholder relations in knowledge development (KD) can be measured by knowledge resource access (Ra), learning motivation (Lm) and collaboration motivation (Cm). KD can be defined as a function of collaborative programs (Cp), trust (T), mutual learning potential (Lm), value convergence (Vc) and goal convergence (Gc):

$$KD(Ra, Lm, Cm) = f(Cp, T, Lm, Vc, Gc)$$

Change support through enhanced stakeholder relations. Dynamic capabilities support change management utilizing appropriate human and technological resources. The main difficulty is change resistance by stakeholders affected by the change. Therefore, the value of enhanced stakeholder relations in change support (CS) can be measured by change resistance reduction (Cr), participation in identification of change requirements (Ci), contribution to and commitment to change resolutions (Cw). CS is dependent on transparency (Tr) and on facilities for the active participation of all stakeholders in the change process (Pf):

$$CS(Cr, Ci, Cw) = f(Tr, Pf)$$

Enhanced influence through enhanced stakeholder relations. Companies wish to influence decisions at political, regulatory, sectoral and regional levels aimed at increasing the attractiveness of markets in which the company operates (Ma) and/or establishing advantageous resource dependence conditions (Ra). Enhanced influence (IE) depends on the company's responsibility performance (Rp), participation in multi-stakeholder initiatives for regulation or standard setting (Ss) and participation in partnerships for sustainable development (Sd):

$$IE(Ma, Ra) = f(Rp, Ss, Sd)$$

Enhanced trust-based exchanges through enhanced stakeholder relations. Enhanced trust based exchanges (TE) can be measured by the motivation of stakeholders to "do their best" which affects production efficiency (Pm), customer royalty (Cl) and supplier co-operation

(Bc). TE depends on historic experience (He), value convergence (Vc) and integrity reputation (Ir):

$$TE(Pm, Cl, Bc) = f(He, Vc, Ir)$$

Advantage-creating stakeholder relations value. Similar to the formulation used for the value of advantage-creating knowledge, advantage-creating relations value can be expressed by a matrix of the form ARV_{ijk} , where $k = 1$ to 4 represents the stakeholder relations value dimensions (knowledge development support, change support, enhanced influence, enhanced trust based exchanges).

Rare knowledge and rare stakeholder relations

Tacit, collective valuable knowledge is inherently rare. With reference to the proposed strategic management framework knowledge becomes rarer with increased levels of specialization of business units / teams in the elements of the 4CR classification.

The level of rare knowledge can be defined by an index KR as a function of specialization (Sp):

$$KR = f(Sp)$$

A knowledge rarity matrix KR_{ij} can be defined in the same way as the advantage-creating knowledge value matrix AKV_{ij} .

Stakeholder relations are intrinsically rare in terms of company specificity and become rarer with increasing relational strength as determined by the number of ties (Nt), shared values (Sv), trust (T), and embedded ties (Te).

The level of rare stakeholder relations can be defined by an index RR as a function of the above parameters:

$$RR = f(Nt, Sv, T, Te)$$

A relations rarity matrix RR_{ij} can be defined in the same way as the advantage-creating stakeholder relations value matrix ARV_{ijk} .

Imperfectly imitable and non-substitutable characteristics for advantage-creating knowledge and stakeholder relations

Knowledge inimitability and immobility (KI) can be safeguarded with patents and IPR otherwise it increases with knowledge context complexity (Cc) that represents historical influence factors, causal ambiguity, social complexity, etc., and with specificity (Sp):

$$KI = f(Cc, Sp)$$

Rare and inimitable knowledge creates non-substitutable characteristics. In the context of advantage-creating knowledge a knowledge inimitability matrix KI_{ij} can be defined in the same way as the advantage-creating knowledge value matrix AKV_{ij} .

Relations inimitability and immobility (RI) can be safeguarded with increasing levels of stakeholder engagement particularly participation of stakeholders in company processes (Se):

$$RI = f(Se)$$

In the context of advantage-creating stakeholder relations a relations inimitability factor RI_{ij} can be associated with the advantage-creating stakeholder relations value matrix ARV_{ijk} .

Knowledge and stakeholder relations advantage indicators. An advantage-creating knowledge indicator is given by the following equation:

$$AKI_{ij} = f(AKV_{ij}, KR_{ij}, KI_{ij}, ARV_{ij1})$$

where ARV_{ij1} represents the effect of relational factors on knowledge development.

An advantage-creating stakeholder relations indicator is given by the following equation:

$$ARI_{ijk} = f(ARV_{ijk}, RR_{ij}, RI_{ij})$$

Conclusions

The stakeholder oriented integrative strategic management framework presented in this paper provides a contextual approach linking strategic management theories across value, responsiveness and responsibility dimensions. Essentially it describes a single strategic management capability representing the strategic intellectual capital of the organization. In this context intellectual capital is defined as the knowledge that can be exploited by organizations in setting and managing their competitive and responsibility strategies. Strategic intellectual capital includes the strategic structural capital (the knowledge that is embedded in the strategic management elements), human capital (the human resources involved in strategic management within the organization and its network) and social capital representing the company's knowledge and relationships with its stakeholders.

The approach allows instrumental elements of corporate responsibility to be fully integrated in the competitive strategy (value and responsiveness dimensions) and therefore to contribute to sustainable competitive advantage. It also highlights that optimized financial and responsibility performance in companies adopting intrinsic approaches would imply suboptimal financial performance but positive "second order" effects of intrinsic responsibility on investor demand and on social capital may offset or reduce the responsibility related cost.

A baseline descriptive mathematical model defining the constituent elements of advantage-creating knowledge and stakeholder relations has been presented supporting:

- the development of advantage-creating knowledge and stakeholder relations; and
- the maturity assessment and development of a strategic management approach incorporating corporate responsibility principles.

Notes

1. According to transaction cost theory the total cost incurred by a firm can be grouped largely into two components – transaction costs and production costs. Transaction costs, often known as coordination costs, are the costs of "all the information processing necessary to coordinate the work of people and machines that perform the primary processes," whereas production costs include the costs incurred from "the physical or other primary processes necessary to create and distribute the goods or services being produced".
2. WSCDG Report of the Working Party on the Social Dimension of Globalisation.

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