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**Deposited in *Repositório ISCTE-IUL*:**

2019-04-24

**Deposited version:**

Post-print

**Peer-review status of attached file:**

Peer-reviewed

**Citation for published item:**

Fonseca, L., Ramos, A., Rosa, A., Braga, A. & Sampaio, P. (2016). Stakeholders satisfaction and sustainable success. *International Journal of Industrial and Systems Engineering*. 24 (2), 144-157

**Further information on publisher's website:**

10.1504/IJISE.2016.078899

**Publisher's copyright statement:**

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## STAKEHOLDER SATISFACTION AND SUSTAINABLE SUCCESS

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### Abstract:

The relationship between Stakeholder Satisfaction and Organizational Sustainable Growth and Success is investigated focusing on the importance of a firm's relationships with critical stakeholders that may lead to better performance, as organizations while integrating business and societal considerations create value for their stakeholders.

Framed on Stakeholder Theory an online survey was administered to Managers of Portuguese organizations with certified management systems by APCER. The findings suggest that Competitive position is strongly correlated with Shareholders, Suppliers and Partners, Employees and Customers satisfaction, legitimating Freeman's Stakeholder Theory.

In an overall final remark, the importance of Shareholders, Partners/Suppliers, Employees and Customers satisfaction for organisational Sustainable Success is highlighted in this study results.

**Keywords:** Organisations, Stakeholder Theory, Sustainable growth,

### INTRODUCTION

The issue of whether there is a link between Corporate Social Performance/Stakeholder Satisfaction and Corporate Financial Performance/Organizational Sustained Success remains the most controversial area in the business-in-society field (Barnett, 2007).

In recent years Corporate Social Responsibility has become a relevant concept that frames the business contributions to sustainability (Commission of the European Communities, 2002). Although there is no consensus concerning the concept of CSR (nature, motivations, impacts) and the results of the research, literature review allow us to conclude that most definitions take into consideration a economical, social and environmental dimensions (Hediger, 2006).

Scholars within the neoclassical economics tradition argued theoretically that Corporate Social Responsibility strategies unnecessarily increase firm's costs therefore creating a competitive disadvantage compared to competitors( (most notably Friedman, 1970).

However, many other scholars have argued that companies that satisfy the expectations of their stakeholders have higher economic benefits than competitors and achieve positive differentiation (Hilman and Keim, 2001, Berrone, Surroca and Tribó, 2007). According to other

studies, improved social performance may also lead to positive effect on Employees (Brammer, Millington and Rayton, 2005; Ahamad, O'Regan and Ghobadian, 2003) and Customers (Folkes and Kramins, 1999; Maigan et al. , 1999; Crever and Ross, 1997).

Previous studies researching the impact of Social Responsibility and financial performance have achieved mixed results, pointing to a positive relationship (Margolis and Walsh, 2001) but have to be analyzed carefully due to potential methodological concerns ((McWilliams, Siegel e Wright 2006; Margolis and Walsh 2001).

In this work, we try to investigate if Stakeholder Satisfaction can contribute to the sustained growth and success of Organizations (ability to achieve and maintain their objectives in the long term), by consistently meeting the needs and expectations of the interested parties, in a balanced way, over the long term (ISO 9004:2009).

### THEORETICAL FRAMEWORK

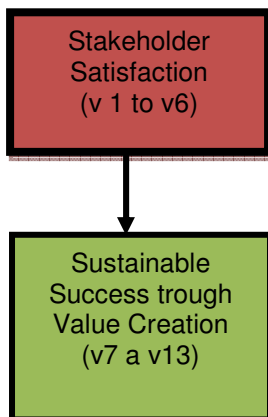
Stakeholder theory (Freeman, 1984) is the main theory supporting the business case for the Satisfaction of the Organizations Stakeholders by focusing on the importance of a firm's relationships with critical stakeholders that may lead to better performance, as organizations that integrate

business and societal considerations create value for their stakeholders.

Another theoretical approach that can support this argument is the Resourced Based View of the Firm (Barney, 1991; MacWilliams and Siegal, 2001) by advancing that if the organizational resources and capabilities of a firm are valuable, rare, inimitable and nonsubstitutable, they will translate into competitive advantages that can in turn generate operational results and generate sustainable value. But in order to achieve sustainable competitive advantage, an organisation must assure the satisfaction of all relevant stakeholders.

**CONCEPTUAL MODEL AND RESEARCH HYPOTHESES**

Building on literature and managerial contribution, the following Conceptual Model and Research Hypotheses have been proposed to be empirically tested:



**Table 1. Research Question**

H1	Stakeholders Satisfaction has a positive relation with Sustainable Success
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**METHOD**

Sampling frame consisted of Quality, Environmental and/or Safety Managers of organizations with Management Systems certified by APCER ([www.apcer.pt](http://www.apcer.pt)). Of the 2906 Managers

contacted by email, 375 responses were received (with 204 full complete responses).

**INSTRUMENT**

A self-administered on line questionnaire was used (Lime Survey). Following literature review and managerial contributions an exploratory study was performed with key Quality, Environmental and Safety and Sustainability Managers. A pre test of the questionnaire was made and the respondents were contacted by email to fulfil the final questionnaire via web.

**RESULTS**

Stakeholder Satisfaction is the independent variable (with 6 dimensions, v1 to v6) and Sustainable Success s the dependent one, composed with 8 dimensions (v7 to v14). All variables were measured with a 1 to 7 Likert scale and construct reliability was tested with Cronbach Alpha.

**Table 2. Correlation coefficients**

Correlations (Spearman's rho)	V1	V2	V3	V4	V5	V6
V7	,387**	,487**	,550**	,469**	,357**	,415**
V8	,275**	,394**	,510**	,327**	,232**	,338**
V9	,327**	,400**	,430**	,451**	,332**	,393**
V10	,309**	,390**	,477**	,398**	,257**	,367**
V11	,288**	,404**	,421**	,406**	,221**	,298**
V12	,321**	,436**	,474**	,398**	,258**	,291**
V13	,423**	,485**	,544**	,518**	,345**	,345**

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 3. Legend**

V1	Customer Satisfaction has continuously increased over last 3 years
V2	Employees satisfaction has continuously increased over last 3 years
V3	Shareholders satisfaction has continuously increased over last 3 years

V4	Quality of Suppliers and Partners relationship has continuously improved over last 3 years
V5	Relationship with Community and Society has continuously improved over last 3 years
V6	Relationship with Authorities has continuously improved over last 3 years
V7	Our Profitability has increased over the last 3 years
V8	Our Profitability is very positive
V9	Our Profitability should continue to increase over the next 3 years
V10	Our Revenues have grown over the last 3 years
V11	Our cost reduction results have improved over the last 3 years
V12	Our results to catch new customers have improved over the last 3 years
V13	Our competitive position has increased over the last 3 years

## DISCUSSIONS AND CONCLUSIONS

As is illustrated in Table 2, all the results show a positive medium to moderate correlation between Stakeholder Satisfaction and Sustainable Success ( correlations are significant at the 0.01 level (2-tailed).

Concerning Profitability, Shareholders Satisfaction, Employees Satisfaction and Quality of Suppliers and Partners relationships show the highest correlations.

As for Revenues increase it is noted that Shareholder Satisfaction has the highest correlation leading to the question of what is the cause and effect relationship. Quality of Suppliers and Partners, Employees satisfaction and Customer satisfaction are also relevant.

Cost reduction show a strong correlation with Shareholder Satisfaction, Employee Satisfaction and Quality of Suppliers and Partners relationship. While it might be argued that Stakeholders are pleased with cost reductions, we can also argue that satisfied Employees, Suppliers and Partners are eager to work more lean and efficient.

New Customers seem to be best attracted by Satisfied Employees, Shareholders and Best run Suppliers and Partners.

Finally, Competitive position is strongly correlated to organizational relevant Stakeholders Satisfaction, mainly Shareholders, Suppliers and Partners, Employees and Customers, legitimating Freemans Stakeholder Theory.

In an overall final remark, the importance of Shareholders, Partners/Suppliers, Employees and Customers satisfaction for organisational Sustainable Success is highlighted in this study results.

## THEORETICAL AND PRACTICAL CONTRIBUTIONS

In this work we find evidence that according to a large number of Portuguese managers that belong to organizations with a certified management system, stakeholder satisfaction is relevant for the organizational sustainable success. as suggested by Freeman (1984) Stakeholder theory. This work also has relevant contributions for management practice highlighting the importance of Shareholders, Employees and Partners/Suppliers satisfaction for Sustainable Success.

## LIMITATIONS AND SUGGESTIONS FOR FUTURE WORK

One of the research limitations of this works is that the respondents were Managers from organizations with a certified management system from APCER and the analysis is based on their perceptions. Additional research should extend this study to certified organizations by other Certification Bodies and also with non certified organizations. In addition it might be useful to replicate the study with Managers from other countries.

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