Integration of Total Quality Management into Stakeholder Management Policy and Harmonization of their Interests

Dalia Susnienė, Povilas Vanas

Kauno technologijos universitetas
K. Donelaicio g. 73, LT-44029, Kaunas

The paper presents the organization as a collaboration of multiple and diverse constituencies and interests, referred to as stakeholders. Stakeholder view of the organization integrates stakeholder relationships within a company’s resource base, industry setting, and sociopolitical arena into a single analytical framework. Although it is not that difficult to envision a stakeholder focus in running a business, it is exceedingly difficult to implement such a focus. The key relationships for a business go far beyond the relationships with its customers to include the relationships with its employees, as well as those with suppliers and partners, investors and market analysts, and even government regulators, trade associations and other entities that influence the general business climate in which a given business operates. The paper introduces an integrated strategy for building a network of collaborative stakeholder relationships based on a fundamental shift in management philosophy and attention. Singular needs and interests of stockholders are replaced by a focus on understanding and balancing the interests of all company’s key stakeholders. It is not easy to find mutually beneficial relationship between organization and its stakeholders. Quite often building a network of reciprocal relationships with all stakeholders is not simple. In most companies, competitive pressures keep all eyes focused on the short term goals, making it extremely difficult to bring long-term issues to the forefront. Traditional accounting systems based on financial measures of performance make it difficult to assess the impact of intangibles like relationships or reputation. And collaboration means letting go out of control, which is always difficult for corporate managers schooled in the art of competition. There comes total quality management which can throw the new light on cooperation between stakeholders and organization offering new solutions in harmonization of these relationships. Comparing the characteristics of total quality management it is further deducted that the business aim of long term success will be accomplished if management acts to optimise quality of product and service to customers, subject to meeting the needs and expectations of non-customer stakeholders. Thereby it can be deducted that total quality management focus on customers together with emphasis on employees, suppliers, shareholders and other stakeholders aims to safeguard mutual wealth consequently strengthening the priority of all stakeholders. That means there must be found optimum in quality, when it does not threaten to violate the needs of other stakeholders. From total quality management perspective there are three different concepts on how to satisfy different stakeholder interests: accommodation of interest, alignment of interest and balancing of interest.

Establishing ground rules to ensure respectful interpersonal communication helps create a “safe” environment within which individuals feel free to express their views, without fear of “looking stupid”, being criticized, or otherwise sanctioned. Through positive long-term relationships, companies identify “win-win” opportunities that serve the corporation as well as stakeholders and society.

Keywords: stakeholders, harmonization of stakeholder needs and interests, total quality management, cooperation, relationships, satisfaction.

Introduction

The paper presents the organization as a collaboration of multiple and diverse constituencies and interests, referred to as stakeholders. Stakeholder view of the organization integrates stakeholder relationships within a company’s resource base, industry setting, and sociopolitical arena into a single analytical framework. Although it is not that difficult to envision a stakeholder focus in running a business, it is exceedingly difficult to implement such a focus (Walker and Marr, 2001; Hill, 1992; Evan, 1993). If we try a word association game with a typical businessperson and say the word “business” what will we hear first? Chances are it won’t be “people” or “relationships”. Instead we may hear “profits”, “management” or “stock-market” because business still tends to be associated mainly with money and performance. However, in the new economy driven by knowledge assets and technology with evolving channels of goods and services, “the leading business organizations are already beginning to focus on people more than on the traditional elements and indicators of business success” (Donaldson, 1995).

The key relationships for a business go far beyond the relationships with its customers to include the relationships with its employees, as well as those with suppliers and partners, investors and market analysts, and even government regulators, trade associations and other entities that influence the general business climate in which a given business operates (Galbreath, 2002; Donaldson, 1998; Mitchell, 1997). All of these relationships constitute a complex relationship network where a change in any particular relationship can readily cascade throughout all of the other relationships (Gass, 1997). There comes total quality management “where quality means successfully meeting internal and external customer (or in other words
Organization-stakeholder relationship based on the principles of total quality management

Modern organizational cooperation with stakeholders diagram reveals multidimensional relationship between them (Figure 1).

![Stakeholder system of organization](image)

Figure 1. Stakeholder system of organization.

There is a significant advantage in taking a more integrated company-wide approach and identifying as well as building strategically important stakeholder relationships. In addition to increasing organizational effectiveness and consistency of response, this kind of holistic approach also allows an organization to build on the synergies that occur when positive relationships with one stakeholder group, such as a local community, starts to have a beneficial impact on other stakeholder group, such as customers (Elias, 2001). The following table summarizes the characteristics of the old approach to organization-stakeholder relations and introduces new one integrated with total quality management concepts where management of the relations is seen as a collaboration process (Table 1).

<table>
<thead>
<tr>
<th>Characteristics of old and new approaches to corporate-stakeholder relations</th>
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<tbody>
<tr>
<td><strong>Stakeholder management</strong></td>
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<tr>
<td>Fragmented</td>
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<tr>
<td>Focus on managing relationships</td>
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<tr>
<td>Emphasis on buffering the organization</td>
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<tr>
<td>Linked to short-term business goals</td>
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<tr>
<td>Idiosyncratic implementation dependent on division interests and personal style of manager</td>
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</table>

A collaborative approach to building stakeholder relationships sees it as being reciprocal, evolving, and mutually defined (Conti, 2003; Priem, 2001). The manager is not separate from stakeholder relationship but is part of it. Thus the idea of “managing” relationships is not only untenable but is viewed as being counterproductive for both the corporation and its stakeholders in the long run.

**Conceptual viewpoint on the strategies of collaboration between organization and stakeholders**

It is not easy to find mutually beneficial relationship between organization and its stakeholders. Quite often building a network of reciprocal relationships with all stakeholders is not simple (Svendsen, 1998). In most companies, competitive pressures keep all eyes focused on the short term, making it extremely difficult to bring long-term issues to the forefront. Traditional accounting systems based on financial measures of performance make it difficult to assess the impact of intangibles like relationships or reputation. And collaboration means letting go out of control, which is always difficult for corporate managers schooled in the art of competition (Svendsen, 1998; Margolis, 2001; Jones, 1999). However, despite these barriers, for many companies, stakeholder relationships do offer enormous potential. For some, stakeholder relationships may even be a source of competitive advantage.

Considering the characteristics of the contemporary business enterprise, it is deducted that in pursuit of long-term success the latter will act to satisfy the needs and expectations of its stakeholders (Foley, 2001; Mayer, 1995). Comparing the characteristics of total quality management it is further deducted that the business aim of long-term success will be accomplished if management acts to optimise quality of product and service to customers, subject to meeting the needs and expectations of non-customer stakeholders. Thereby it can be deducted that total quality management focus on customers together with emphasis on employees, suppliers, shareholders and other stakeholders aims to safeguard mutual wealth consequently strengthening the priority of all stakeholders. That means there must be found optimum in quality, when it does not threaten to violate the needs of other stakeholders.

Stakeholder theory does not present a conceptual viewpoint about mutual agreement between organization and its stakeholders consequently leaving the companies themselves to decide about collaboration and thus leaving
much space for their self-will. To be successful in the long term, collaborative partners must find third-way solutions preventing conflicts. Creating integrative solutions provides an alternative to domination or compromise (De Geus, 1997). As management theorist Mary Follett (Follett, 1918) recognized over fifty years ago, domination is not usually successful in the long run because the side that is defeated will simply wait for its chance to dominate. Similarly, with compromise, neither side gets what it wants, and hence the conflict will occur again and again in some other form.

While groups need to develop strategies and procedures for managing conflict in the early stages, the ongoing, sometimes time-consuming and difficult struggle to define common ground is extremely important in the long term. The common idea and the common will are born together in the social process.

A lot of cases are witnessed on corporate governance attempt to increase managerial responsibility for shareholder value creation and to reconcile this wealth orientation with stakeholder management. The reports may be viewed partly as a reaction to the success of shareholder value and economic value maximization strategies. A key feature of these cases is that wealth creation and stakeholder interest reconciliation will occur in some ill-defined “long term” (Windsor, 1999). The Peters Report (1997) explicitly endorses a balancing notion: “Companies must seek a good balance between the interests of the providers of risk capital (investors) and the other stakeholders. In the long term this should not mean a conflict of interests”. This may imply that balancing action is necessary (“must”), but that any resulting short-term interest conflict are resolvable (“should not mean”) in the long term. The Dey Report (1994) states that “the principal objective of the corporation is enhancing shareholder value and the longer term interests of shareholders will not be well served if the interests of other stakeholders are not addressed”. This suggests short-term balancing of interests. The report’s presumption, however, is that “creating shareholder wealth in a market economy will usually be in the best interests of stakeholders generally”. It suggests that those “best interests” are also “longer term”. The American Law Institute accepts stakeholder reasoning: “The modern corporation by its nature creates interdependencies with a variety of groups with whom the corporation has a legitimate concern, such as employees, customers, suppliers, and members of the communities in which the corporation operates”. The long-term profitability of the corporation generally depends on meeting the fair expectations of such groups. Its principles suggest costing of social impacts: “It is now widely accepted that the corporation should at least consider the social impact of its activities, so as to be aware of the social costs those activities entail. By implication, the corporation should be permitted to take such costs into account, within reason.” The term “reason” suggests balancing of some sort.

Total quality management approach in harmonization of stakeholder interests

All the above mentioned statements can be understood as with increase of shareholder value there is a positive influence on other stakeholder interests from the long-term perspective leaving the company itself to decide whether to cooperate or not. This attitude could not be accepted from total quality management perspective which distinguishes three different concepts on how to satisfy different stakeholder interests:

1. Accommodation of interest suggests that supply of benefits meets or exceeds demand for benefits. As on a bus, there are at least as many seats as passengers (multiple parties are “chartering” a bus for common use). Accommodation shows interest accommodation through long term expansion of benefits. Each stakeholder group gains something relative to the present, and there are fixed proportions over time, there should be no interest conflict. It is assumed that fixed proportions are fair proportions, if not, expansion of benefits may ameliorate but cannot resolve injustice.

2. Alignment suggests that interests move in the same general direction. Bus riders might get on and off at different points or two buses might convoy together for a trip. Alignment, which is more akin to accommodation than to balancing, is different from either. Goodstein et al. (1993) depict an organization that has both a strategic direction or plan and its stakeholders aligned with the direction. They visualize alignment in terms of overall direction shown by a large arrowhead and alignment of various actors shown by various arrowheads pointing in the same direction.

3. Balancing preserves the possibility of competition among interests that must be reconciled without full resources to do so. Some tradeoffs must be achieved. There are more passengers than seats but some minimally satisfactory solution is found, as standing in the aisle or changing seats periodically.

Respectful communication also depends on setting ground rules early in the process that are accepted and followed by all members. Establishing ground rules to ensure respectful interpersonal communication helps create a “safe” environment within which individuals feel free to express their views, without fear of “looking stupid”, being criticized, or otherwise sanctioned (Smith, 2000; Lijander, 1992). Respectful communication can cover a range of verbal as well as non-verbal actions. Often it is the details that matters.

Organization should establish the ground rules for communication and conflict resolution before problems arise so that members will feel free to engage in debate and so that problems will be dealt immediately and not be ignored. Ideal partners are those with excellent communication and conflict resolution skills who are committed to cooperation and collaboration (Jones, 1992). The following are some of the questions partners should discuss to ensure appropriate communication:

- How frequently should we communicate?
- Who will communicate with whom?
- What communication channels are most appropriate?
- What types of information will be shared?
- What information is private?
- How will be dealt with communication problems?
- What aspect of our respective corporate cultures might hinder communication?
- How can we overcome those barriers?
Because of the cyclical and evolving nature of developing relationships, the length and significance of the stages will depend on the complexity of the issues, the type of collaborative venture, and the preexisting level of understanding between the parties (Blair, 1995).

Developing the relationship between stakeholders it is very important to carry stakeholder analysis and implement conflict management system. The paper introduces conceptual framework to assist in solving key issues occurring in stakeholder relationships (fig. 2). This framework is derived from a review of the literature across many field of study. These include organizational management; knowledge systems and systems thinking; stakeholder salience theory; sociology of development; negotiation and social conflict; natural resource management; interactive policy-making; organizational learning, and total quality management.

The first set of steps (from 1 to 5 inclusive) is particularly relevant to situations in which there is no crisis, but rather where one part is seeking to understand the dynamics of a natural resource management issue or to intervene it. Steps 6 to 9 are more specific to decision making behavior by groups faced with social conflict. Almost all steps relate to each other; hence the conceptual framework can be read beginning anywhere.
A stakeholder management policy is needed and has a hard task of defining the share of benefits among stakeholders in ways that are fair to them and fit the strategic goals of the organization. When talking of share of benefits, traditionalists become suspicious, thinking in terms of economic benefits only (Gregory, 2003). These are important, but stakeholder expectations can be satisfied in different ways. For example, employees are very sensitive to quality of the physical and social environment, self-fulfillment opportunities, job enrichment, and the long-term success of the enterprise; suppliers look for long-term relationships, information, and cooperation.

**Conclusions**

1. When the organizations acknowledge that their interests could be best achieved through positive relationships with others and tend to expand organization interests involving the needs and interests of all stakeholders, the opportunities to develop mutually beneficial relationships increase dramatically.

2. Harmonization of internal systems and structures of organization in order to satisfy the needs and interests of organization stakeholders is an everlasting, continuous, and multidimensional process. Top management should be permanently focused on cooperation with stakeholders, workers should recognize their responsibility in the relationship process, all possible communication systems should be easily accessed to the relevant groups, and incentive system should be closely related to the cooperation success with stakeholders but not with the short-term financial indicators.

3. There are many different stakeholders or stakeholder groups. Very often they bring different resources and expectations to start and develop cooperation. Thus can cause a lot of problems in relationship process.

4. In order to develop successful long-term cooperation partners must find mutually defined solutions to solve arising conflicts. Partners in successful relationships learn how to deal with the conflicts, pursue mutual consensus because each stakeholder or its groups are interdependent, benefits from the success of the other though retains its identity. Establishment of integrated solutions on the basis of the principles of total quality management offers alternative solutions to the prevailing majority when minority is left unsatisfied or to the compromise between the parties when both ones are left unsatisfied: accommodation of interests, alignment or balancing.

**References**


3. Blair, M. Ownership and Control: Rethinking Corporate Governance
Koncepciaus nuostatos dėl strateginių bendrąjįvaimo ryšių tarp organizacijų ir suinteresuotųjų šalių


Kadangi nėra aiškų kriterijų, kompanijoms apie tai galbūt įtikėtų, kad galima ieškoti bendro pagrindo. Intereses principai leidžia suprasti, kad akcininkų nulemia kitų požiūrių. Nors grupės, paremtos įvairiais srityse, nebuvo kongruentios galvos, savo galimybes būtų priskirti ir pradėti dominuoti. Įtikėtina, kad ši nuostata prieštarauja visuotinių tenkinimų.

Sutinkamas, kad bendrąjįvaimo ryšių tarp suinteresuotųjų šalių perspektyvas požiūriu. Bendra ideja ir bendri ketinimai gimsta kartu socialiniame procese.

Suinteresuotųjų šalių interesų harmonizavimas visuotinėse kokybėse vadybos aspektais

Daugelis mokslo straipsnių, besirenkamų įvairios vadybos principai, leidžia suprasti, kad akcininkų vertės didinimas teigiamai nulemia kitų suinteresuotųjų šalių interesų ilgalaikės perspektyvos požiūrių ir palieka mano, ar jie norėtų bendradarbiuoti, ar ne, o ūkine transformacijų ir kaip jie tampa prieštaraujančios. 

1. Interesus priimti(yi)akymas (accommodation), kai naudos pasitaikė ar vištaliai jos poreikis. Interesus priimkimas įmanomo, jei esate aišku, kad kitų suinteresuotųjų šalių interesus įsitikinti ir pasiūlyti perspektyvos požiūrių, ir tai galima priežiūrėti mažiau dažnai. Suinteresuotoji šalis turi įvertinti įtaką jai, ar jie mažiau naudos ir mažiau sąlygai išvengti perspektyvos požiūrių. 

2. Interesus vienijimas (alignment), kai jie įtako tai, kaip įtakos perspektyvos požiūrių, ir tai galima priežiūrėti mažiau dažnai. Suinteresuotoji šalis turi įvertinti įtaką jai, ar jie mažiau naudos ir mažiau sąlygai išvengti perspektyvos požiūrių. 

3. Interesus subalansavimas (balancing) išsaugo konkurcijos tarp interesų galimybė, o kompromisas randamas derinant interesus prie turimų ištekių. 

Organizacija, kurioje ir vystyma suinteresuotųjų šalių ryšių, pereina įvaisias brandos stadijas (bazės sukūrimas, organizacijos pa- 

nuošimas ir struktūrų suderinimas, strategijos išvystymas, pasitikėjimo sukūrimas, (virtinimas ir pakartojimas), glaudžiai sietinas su organizacijos sistemų ir kokybės vadybos integravimui modeliu. Dėl ryšių formavimai cirkliškos ir evoluicijos periodai. 

Kiekvienai šalies strategijos turi turėti ir galėti veikti įvairiuose srityse, o tai galima įvertinti įvairiais išpažinimais. 

Raktai: suinteresuotosios šalys, suinteresuotųjų šalių poreikis ir interesų derinimas, visuotinė kokybės vadyba, bendradarbiavimas, ryšiai, pasitikėjimas.

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