

# How stakeholder-management can support financial and social performance

A qualitative study on how stakeholder-management supports the CSP-CFP link for Dutch organizations in the logistic sector



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## Abstract

Organizations have conflicting stakeholder-expectations; they are increasingly expected to engage in social practices, but have to remain profitable at the same time. It is a challenge for organizations to comply to both sides of expectation at the same time. The research-question this study therefore aims to answer is: *“How does stakeholder-management support the CSP-CFP link for Dutch organizations in the logistic sector?”*

To answer this research question two organizations within the logistic sector have been investigated in a qualitative study-design. The most important stakeholders for the organizations in the logistic sector are the ones that support them in creating financial value; customers, members, suppliers and shareholders of the organization. In order to guarantee the best possible outcomes from the relations with these stakeholders, the organizations attempt to seek long-term relationships. Having sustained relationships with stakeholders help the organization in creating both commercial and operational value, which can both support the organization in creating financial value. Along with benefits for financial value, stakeholder-relations also bring contributions to the organization’s social performance; the organization engages in social practices in order to manage stakeholder-expectations and by the continuous improvement of organizational processes in collaboration with stakeholders.

To conclude; stakeholder-relations encourage the organization in the logistic to invest in social practices by attaching financial value to these practices. In order to achieve the best outcome of its stakeholder-relations the organization should seek stakeholder-relations that contribute to long-term benefits, and attempt to continuously improve these relations to secure potential benefits on the short-term.

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## 1. Introduction

We are in the middle of the economic transition from what is called ‘the disposable economy’ towards a more ‘sustainable economy’, in which organizations are expected to act more responsibly (Margolis & Walsh, 2003) (Jonker & Faber, 2015). All products and services we use as a society are provided by an organization. These organizations exist because their activities have a contribution towards society; the organization’s function is to contribute to the realization of value for a societal subsystem (Achterbergh & Vriens, 2010). In return, society is willing to pay for the products/services the organization delivers. In this process, the organization is ought to provide valuable products, attenuate negative side-effects and amplify positive side-effects to other subsystems (Achterbergh & Vriens, 2010). This is aligned with the definition of Corporate Social Responsibility (hereafter CSR) by Carroll (1979, p. 500); *“Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time”*

Yet, not all organizations comply to the criteria of CSR as given above. Some authors (Friedman, 1970) (Henderson, 2009) argue that it is not the organization’s duty to care about social initiatives. To ensure its existence, the organization should focus on earning money while making the least unnecessary costs. An organization should be profitable so that their shareholders get their investments refund and the employees of the organization will keep being employed in the future. CSR-practices acquire additional costs for organizations, while it often does not directly lead to increased profit (Friedman, 1970). Henderson (2009) argues that companies should focus on competitiveness and economic growth to contribute to our market-directed, capitalistic economy. These thoughts have dominated the utmost part of the western business for the past decades (Lee, 2008). The implementation of CSR in organizations has gone rather slow due to (1) internal resistance, (2) missing translation of strategic goals into organizational practices and (3) a lack of urgency compared to other organizational issues (Fenwick, 2007) (Bansal & Slawinski, 2012). The absence of a global corporate governance in today’s global economy enforces the lack of urgency of CSR-practices (Scherer, Palazzo, & Baumann, 2006). If the organization does not want to invest in CSR because this cuts their profits, there is no law forcing them that they must do so.

From literature, we know CSR-practices are adopted faster when they are linked to the organization’s strategic goals (Wickert & de Bakker, 2018). Strategic goals are historically

focused on economic performance, competitive advantage and welfare creation (Walsh, Weber, & Margolis, 2003). This is often captured by the link between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP), as financial goals are being recognized as most important. It is regarded as obvious that financial goals are important for the organization, as the firm is obligated towards its employees and shareholders to make profit (Friedman, 1970). There have been many studies on whether CSP increases CFP or not, resulting in conflicting empirical results (Orlitzky, Schmidt, & Rynes, 2003) (Margolis & Walsh, 2003). Orlitzky (2009) argues that CSR-practices improve the organization's image and decrease the risk of getting involved in scandals, and therefore CSP would have positive influence on the organization's CFP. Next to that, Marom (2006) states that organizations get 'rewarded' by its stakeholders from doing business in a CSR-friendly way. This is often not expressed in terms of direct revenue, but may appear from long term-relations. Also, the outcomes of CSR-practices may aggregate with other business practices (Marom, 2006). On the other hand, Margolis & Walsh (2003) state that social practices would be on the organization's agenda because of their responsibilities to shareholders and stakeholders. The social practices should avoid the firm from facing bigger problems. Yet, organizations are rather slow in implementing these social practices (Bansal & Slawinski, 2012). At the same time the need for an economic transition, and thus a transformation of organizational perspectives on CSR-practices, is growing (Jonker & Faber, 2015) (Rockström, 2009).

While, from societal view, the urgency for a more responsible organized economy is growing, it is not urgent enough for organizations yet. What is urgent for the organization, is mainly linked to the organization's strategic goals. Relating CSR-practices to these strategic goals increases the sense of urgency for organizations to act in a more responsible way (Fenwick, 2007). Moreover, organizations are willing to adapt environmental initiatives when this contributes to their strategic goals (Dowell & Muthilingam, 2017) So, CSR-practices would be integrated in organizational life faster when they would contribute to strategic goals of organizations. There are several ways to align CSR-strategies to the organization's core strategy, managing the organization from a stakeholder-perspective being one of them (Galbreath, 2006). The stakeholder-perspective entails the organization to manage the interests and expectations of different stakeholders, such as employees, customers, suppliers and shareholders (Galbreath, 2006).

The stakeholder-perspective has been found effective for organizations by many different researchers; stakeholder-management can have a positive influence on the organization's

strategic goals (Freeman, 2007). Many scholars have stated that managing stakeholders in a proactive way supports in the creation of value for the organization, yet there a difference in the motives and supposed results of stakeholder-management. Mitchell, Agle & Wood (1997) argue that the organizations should be salient to stakeholder demands when they directly influence profitability. This way, stakeholder-management is seen as an instrumental process. Other scholars look at stakeholders from a more moral perspective, based on institutional theory. They argue that organizations are practicing CSR to gain legitimacy for their businesses. Scherer, Palazzo & Seidl (2013) provide three different strategies to manage the legitimacy of their stakeholders; (1) strategic manipulating, (2) isomorphic adaption and (3) moral reasoning. Organizations tend to switch between these strategies in a dynamic global environment, but the call for moral reasoning rather than strategic manipulating of isomorphic adaption is growing in institutional expectations. Organizations are desired to do more than just their instrumental process. In this matter, the organization engages with its stakeholders in order to find joint solutions to challenges that both the organization and its stakeholders are facing (Schembera & Scherer, 2017) (Palazzo, Scherer, & Seidl, 2013).

If more organizations would know how to benefit from the moral reasoning strategy in stakeholder-management this would contribute to the sustainable development of our global economy (Palazzo, Scherer, & Seidl, 2013). The way organizations benefit could be on the short-term, in the organization's instrumental process (Mitchell, Agle, & Wood, 1997). Benefits could also shape on the long-term, by creating sustainable relationships in which stakeholders can create synergies from collaborating (Wheeler, Colbert, & Freeman, 2003). Stakeholder relationships can improve the organization's business and is difficult to copy by its competitors, therefore stakeholder-management can contribute to competitive advantage for the organization (Porter & Kramer, 2006)(Jones, Harrison, & Felps, 2018). This research will focus on the long-term benefits of stakeholder-management for organization and is thus contradictive to the theory of Mitchell, Agle & Wood (1997). This research aims to find out how organizations can benefit from stakeholder-relations, in order in improve the link between their CSP and CFP.

The objective of this thesis is to gain insight in how stake-holder management can contribute to the CSP-CFP link, in order to create more urgency for organization to engage in CSR-practices in the future. *The research question that will be answered is "How does stakeholder-management support the CSP-CFP link for Dutch organizations in the logistic sector?"*

This research question will be answered by investigating two different cases of organizations who are known to be engaged in stakeholder-management and have strategic benefits from stakeholder-relations. The to be investigated companies are Dutch logistic companies. One organization is member of the United Nations Global Compact (UNGC), while the other is not. Members of the UNGC are known to proactively take in mind the organization's contribution to society and to look behind solely economic business considerations (UN Global Compact, 2020).

## 2. Theory

This section provides knowledge, models and definitions relevant for the research subject, in order to form a solid base for further progress in the research. The section first elaborates the link between social and financial performance, followed by the role of stakeholder-management between the two. Then the potential influence of sustainable initiatives is described. The section ends with a conceptual model that is used as a foundation for further progress in the research.

### 2.1 Developments in the CSP-CFP link

After the second world war, the concept of CSR has developed itself over the years. As well as how society perceives the concept of CSR and the opinion on how organizations should deal with CSR-related issues (Lee, 2008). As Lee (2008, p. 54) states, “*the concept of CSR went through a progressive rationalization*”. This means that for organizations, the CSR-concept was increasingly linked to financial performances. In this process rationalization the CSP-CFP link was introduced. The link covers the potential connection between Corporate Social Performance and Corporate Financial Performance.

#### **Previous research on the CSP-CFP link**

There have been different thoughts on whether the CSP-CFP link exists, and thus whether it is profitable for organizations to engage in CSR-practices or not (Orlitzky, Schmidt, & Rynes, 2003) (Margolis & Walsh, 2003). Previous research researches show conflicting empirical results, which makes it difficult to say whether the CSP-CFP link exists. Orlitzky, Schmidt, & Rynes (2003) assume the CSP-CFP link exists. As CSR-practices improve the organization’s reputation, which support the organization’s performance. From an instrumental stakeholder-perspective, organizations can improve their corporate performance by acting according stakeholder interests (Orlitzky, Schmidt, & Rynes, 2003). Orlitzky (2009) suggests that developing mutually beneficial relationships with stakeholders can turn in to economic advantages, as the organization increases their internal resources in this way. The organization’s engagement with its stakeholders can reduce business risk for both the organization and its stakeholders, while the accumulated internal resources can increase innovativeness for the organization. Yet, this relation is highly variable. The CSP-CFP relation is dependent on how the organization practices CSR and manages its stakeholders (Orlitzky, 2009).

Margolis & Walsh (2003) state that it is a challenge for organizations to both engage in social practices and take responsibility to their shareholders at the same time. From a normative view,

the organization is obligated to consider social issues in its business practices. At the same time, the organization is also aiming to create maximum wealth to ensure its existence. Therefore, organizations should search for ways implement both; ensure organization welfare and contribute to society. This is possible, but it requires to organization to manage their business from a normative view. The normative view entails the organization to contribute to social issues because they think this is the right thing to do, rather than improving the CSP-CFP because would increase the organization's value for shareholders (Margolis & Walsh, 2003). In line with Orlitzky, Schmidt, & Rynes (2003), Marom (2006) argues that stakeholder-relations are the key in the relation between CSP and CFP. By engaging in CSR-practices, the organization gets 'rewarded' by its stakeholders. This rewarding is not in terms of direct payment, but rather in form of long-term relations of which the organization can benefit. The benefits of these relationships can aggregate with the organization's resources and create more revenues (Marom, 2006).

### **Criticasters and supporters of the CSP-CFP link**

Some other authors are completely against CSR for organizations, Friedman (1970) being the most famous one of them. He argues that organizations should solely focus on realizing profits. This the obligation to the organization's shareholders, who need to be refunded for their investments in the organization. On the other hand, the members of the organization will benefit as well from the organization making profits. When the organization makes profit, the employees invest in their own future as well by securing employment. According to Friedman (1970), CSR-practices could be seen as tax for the organization's shareholder. As CSR-practices are costly and don't directly lead to business profits.

Henderson (2009) even argues that CSR would be harmful to our society. Organizations should, according to Henderson (2009), rather focus on competitiveness and achievement of economic growth. When organizations would focus on social practices, this would affect our capitalistic and market-driven economy. When organizations would be less competitive and achieve less economic growth, because of engaging in CSR-practices, this would have negative effects for society. Our capitalistic and competitive economy aims to achieve maximum welfare, of which society benefits by innovative products for competitive prices. When organizations start to be less focused on performance by focusing more on social practices, the benefits of our capitalistic economy will decrease (Henderson, 2009).

In contrast, Achterbergh & Vriens (2010) state that organizations have a function towards society and therefore play a role in social issues. Every service or product that is used by society, is provided by an organization. Thus organizations are present everywhere in society. Organizations exist because they contribute to the realization of value for a societal subsystem, in return society is rewarding this contribution by paying for the organization's products and services. In this process, it is the organization's responsibility to offer valuable products without harming society. This entails the organization to amplify value-creation for society while attenuating for negative side-effects towards society (Achterbergh & Vriens, 2010).

### **Rationalization of CSR activities**

Yet, the thoughts of authors like Friedman (1970) and Henderson (2009) have dominated business over the past decades. The integration of social practices into organization's businesses has gone slow, as social practices have been found less important by organizations compared to achieving their strategic goals. Social practices therefore lack of urgency for organizations (Fenwick, 2007) (Bansal & Slawinski, 2012). Organizations are known to give priority to activities contributing to their strategic goals, which are most often in financial terms (Margolis & Walsh, 2003).

Nowadays organizations are still highly rationalized when it comes to CSR-practices, but institutional changes have created societal expectations of organizations engaging in CSR practices. Organizations, in turn, have to act according to these expectations in order to remain their legitimacy (Scott, 2008). It is known that organizations are willing to engage in social practices and thus act towards these societal expectations (Dowell & Muthilingam, 2017). Therefore, organizations are now searching for ways to both comply to institutional expectations and still be profitable (Brulhart, Gherra, & Quelin, 2019). Birkinshaw & Gibson (2004) call this the ambidexterity of an organization; the organization to be capable of meeting short-term requirements in order to maintain its business, but simultaneously looking forward in order to secure the organization's long-term survival (Birkinshaw & Gibson, 2004).

## 2.2 The role of stakeholder-management in the CSP-CFP link

A way to comply to both institutional expectations and still be profitable, is by being more attentive to stakeholder-groups (Brulhart, Gherra, & Quelin, 2019). In theory, there is a broad variety in how to decide to which stakeholders to be salient.

### **Different perspectives on stakeholder-relations**

Mitchell, Agle & Wood (1997) argue that stakeholders can be seen in two different ways. The first one is stakeholder-identification, in which is identified whom are stakeholders to a certain organization. Second is stakeholder-salience, in which organizations decide to what stakeholders they pay attention. Any person, group, organization, institution, society or even the environment could potentially be stakeholders to an organization, but not everyone of these are as important as the others. According to Mitchell, Agle & Wood (1997) organizations can identify their stakeholders based on the following three attributes: **power, legitimacy and urgency**. (1) Power: whether the stakeholder has power over the organization and thus is able to affect the organizations business. (2) Legitimacy: whether the stakeholder has a legitimate claim over the organization. (3) Urgency: whether the organization should respond fast to the stakeholder in question. Based on these attributes a stakeholder can be either influential or claimant to the organization. Moreover, this theory implies to regard stakeholder-management as a rather instrumental process; organizations should pay attention to stakeholders who influence the organizations rather than paying attention to stakeholders from moral perspective.

Kaler (2002) adds a third option to the influential and/or claimant stakeholders to organizations; a combination of both. Combining the two definitions leads to a more ethical consideration within the organization's business objectives. In this matter, the organization takes a more moral perspective regarding its stakeholders (Kaler, 2002).

We are now in the middle of an economic transition towards a more sustainable economy, in which organizations are expected to play their role and thus reduce their negative side-effects towards society to a minimum (Jonker & Faber, 2015) (Rockström, 2009). In this development, the role of legitimacy for organizations is growing. Legitimacy for organizations entails that the organization's business activities fit within the social expectations of our society (Palazzo & Scherer, 2006). For organizations this means that the call for stakeholder-management from a moral view, as defined by Kaler (2002), is growing. To remain their legitimacy, organizations

have to manage their business from an institutional perspective; manage their business in such a way that it fits social expectations and thus contributes to sustainable development (Palazzo, Scherer, & Seidl, 2013).

### **Managing stakeholder-expectations**

To manage legitimacy, Palazzo, Scherer & Seidl (2013) provide three different legitimacy strategies to align organization's business activities in an appropriate relationship to societal expectations. (1) '**Strategic manipulation**', the organization attempts to change societal expectations towards the organization's business in order to justify the relationship among the two. (2) '**Isomorphic adaption**', in this strategy the organization adapts their activities in order to match the (dynamic) expectations of society. (3) '**Moral reasoning**', the organization proactively engages with its stakeholders in order to shape their activities in such a way that they maximize contribution towards society (Palazzo, Scherer, & Seidl, 2013).

With the current issues regarding sustainable development, the role organizations are expected to play has changed (Achterbergh & Vriens, 2010). The strategies of 'strategic manipulation' and 'isomorphic adaption' are not considered adequate enough anymore by modern society. There is call for more moral reasoning by organizations, and thus organizations to open the dialogue with their stakeholders in order to find joint solutions that can contribute to a more sustainable economy (Palazzo, Scherer, & Seidl, 2013).

The call for moral reasoning in institutional expectations has contributed to the emergence of collaborative stakeholder-management. This entails an organization to collaborate with a network of stakeholders in order to find solutions that are needed to comply to the dynamic institutional expectations (Dentoni, Bitzer, & Schouten, 2018).

The theory of Mitchell, Agle & Wood (1997) looks at the organization's stakeholders from an instrumental view, they are more focused in short-term results for the organization. The organization should be salient to the stakeholders who power over the organization. In that matter, the organization would especially pay attention to those stakeholders who can help the organization increasing profit directly (Wheeler, Colbert, & Freeman, 2003).

On the other hand, Palazzo, Scherer, & Seidl (2013) call for a more moral view of organizations in their process of stakeholder salience. In the strategy of moral reasoning to gain legitimacy, the organization engages in a network of stakeholders. The aim of the network is to create

synergies with other stakeholders in order to find solutions that can help all of the organizations in the network to create value. This can be value creation in economic, social and ecological terms and is thus not solely linked to direct profits. The network of stakeholders is rather aimed at long-term results by the benefits the collaboration with other stakeholders can offer (Wheeler, Colbert, & Freeman, 2003).

### 2.3 The role of sustainable initiatives in the development of CSR-practices

In today's business, organizations are often acting on global scale. This brings complications, as different countries often have different laws and regulations in doing business. If organizations do not want to invest in CSR-practices because this cuts their profits, there are no formal regulations telling them to do so. With the absence of a global corporate governance, local initiatives have emerged in an attempt to regulate global business (Scherer, Palazzo, & Baumann, 2006). The United Nations Global Compact (UNGC) is the most globally known of these initiatives. Organizations can be part of the UNGC after they voluntarily apply and get assessed for their CSR commitment (UN Global Compact, 2020). Being part of the UNGC does not create direct profit for organizations. Organizations applying to be a part of the UNGC can therefore be seen as organizations to invest in long-term results. The biggest advantages of being part of the UNGC are the network opportunities and an improved corporate image. The members of the UNGC state that these benefits increase after being part of the UNGC for a longer period (Cetindamar & Husoy, 2007). The biggest difference between members and non-members of the UNGC, is that they are more likely to assess their social performance. The ISO 14001 certificate can be seen similar as the UNGC, the difference is that this certificate requires less external reporting (Bernhagen & Mitchell, 2010)

To be part of the UNGC, organizations must be engaged in CSR-practices in some way. Organizations are known to care about social issues for many different reasons. The most moral reason for organizations to engage in CSR-practices, is because it is the right thing to do; organizations voluntarily willing to have a positive contribution towards society. Other reasons to engage in CSR-practices are more instrumental. Such as: (1) "*Window-dressing*" (Sprinkle & Maines, 2010, p. 446), just using CSR to cover for other activities, (2) to motivate, recruit and retain members of the organization, (3) improving the organization's image towards consumers, (4) reducing the use of resources could also lead to reduced production cost and (5) a form of risk-management to avoid legal regulations (Sprinkle & Maines, 2010).

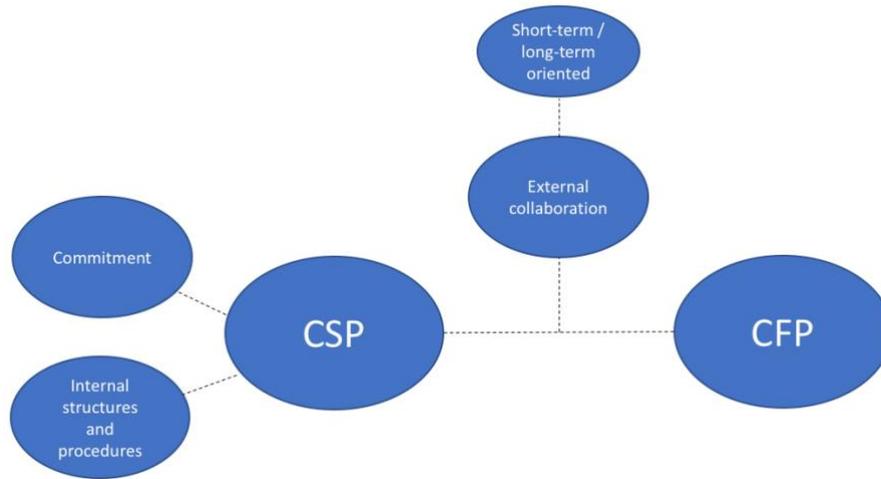
Obviously, to achieve the benefits of engaging in social practices, additional costs have to be made by the organization. The CSR-practices acquire additional investments, time and effort. Organizations often see these additional costs as a barrier to engage in CSR-practices (Dowell & Muthilingam, 2017).

#### 2.4 Dimensions of the CSP-CFP link

The assessment of CSR has a broad variety of different concepts. Baumann-Pauly, Wickert, Spence, & Scherer (2013) use three different dimensions to measure the effects of CSR-practices and form the CSP. These dimensions are (1) the **commitment** of the members of the organization to the CSR strategy; (2) the **internal structures and procedures** to support CSR-practices and; (3) **external collaboration** with other actors that are critical for CSR-practices. Corporate Financial Performance can be measured in profitability; whether an investment returns more revenue in comparison to the costs (Waddock & Graves, 1997). Within this profitability, a distinction can be made between short-term and long-term. The exact difference between long-term and short-term differs per organization (Berman, 1999).

Given the need for more organizations to engage in the strategy of moral reasoning of Palazzo, Scherer, & Seidl (2013), society would like to see organizations to engage more in external collaborations in their CSR-practices. The organization should base its stakeholder-salience on actors that can help to organization to create synergies in creating long-term value. By engaging in external collaboration organizations maintain their legitimacy (Scott, 2008) and start building relations with stakeholders that can help them to create advantages over time (Porter & Kramer, 2006) (Wheeler, Colbert, & Freeman, 2003). By being more attentive to stakeholders, the organization's profit is expected to increase over time (Brulhart, Gherra, & Quelin, 2019). Which will be encouraging more organizations to CSR-practices that will have a positive contribution to society (Dowell & Muthilingam, 2017).

This research will therefore separate the dimension of collaboration of the framework of Baumann-Pauly, Wickert, Spence, & Scherer (2013) from the dimensions of commitment and internal structures and procedures, and use it as a moderator for CFP. The other two dimensions will count for the organization's CSP. The conceptual model of this study will be as displayed in figure 3.



*Figure 1 - Conceptual model*

The conceptual model as shown in figure 3 is aimed to measure the influence of external collaboration on the organization's CFP. As known from literature, the effects of stakeholder-management on the organization's financial performance most often appear on the long-term (Wheeler, Colbert, & Freeman, 2003) (Brulhart, Gherra, & Quelin, 2019). To gain insight in the development long-term results of stakeholder-management organizations, the research design of this study will be qualitative.

### 3. Methods

This section provides explanation on how the theory is operationalized, what methods are used to collect research data and how this research data is analyzed.

#### 3.1 Research Design

To answer the research question of “*How does stakeholder-management support the CSP-CFP link for Dutch organizations in the logistic sector?*”, a qualitative research design with an abductive approach is chosen.

The aim of the research is to expand the data on the influence of CSP on the organization’s CF, by testing for stakeholder-management as a moderator between CSP and CFP. Simultaneously, the study will look for inductive data on how stakeholder management can support the CSP-CFP link.

As both deductive data and inductive data will be used, this research will thus be abductive (Gioia, Corley, & Hamilton, 2013). The research is explanatory on the grounds of the existing theory of Baumann-Pauly, Wickert, Spence, & Scherer (2013) and at the same time the research is exploratory as new findings on the role of stakeholder-management, apart from the other two dimensions, on the CSP-CFP link are searched for.

This research makes use of primary and secondary data. Primary data is collected through interviews. Secondary data is collected through Nexis Uni (Lexis Nexis, 2020) and the websites of the investigated organizations, to complement the primary data (Bleijenberg, 2015).

The research focusses on the long-term effects of stakeholder-management on the CSP-CFP link, this is better captured in a qualitative study rather than a quantitative study as long-term results require more in-depth dialogues with the respondents. Qualitative research offers the opportunity to learn about what organizations understand of stakeholder-management, how stakeholder-relations develops over time and what influence stakeholder-management has on the organization’s performance. The data coming from the interviews is experimental data, as the research aims to search for causal effects between stakeholder-management and financial performance (McCombes, 2019).

Ideally the study develops knowledge that could be generalized into more industries. But the aim of the research is to provide detailed, generalizable knowledge for the Dutch logistic sector. With the abductive character of the research, this study aims to both expand the existing data and at the same time possibly explore new data on how collaborative stakeholder-management can support financial performance for organizations. This study thus makes use of semi-structured interviews (Gioia, Corley, & Hamilton, 2013).

The research is a longitudinal study, as the aim of the research is to see the long-term effect of stakeholder-management on financial performance. Yet, there is no specific timeframe on to measures the effects of stakeholder-management. To indicate what counts as ‘long-term results’ is left to the perception of the respondents of the research.

The research is a field-study, taking place in the natural context of the investigated organizations (Bleijenberg, 2015).

### 3.2 Validity and reliability

To ensure validity in this research the respondents that are chosen for the interviews are able to engage in stakeholder-management strategies and able to be aware of the possible financial outcomes. Board members, strategists or people in management-functions; those people who have to choose between instrumental / moral (normative) stakeholder-engagement, in order to increase engaged scholarship of respondents (Golafshani, 2003). The respondents all participated by own motivation, after introducing them to the subject of the research in detail. Before starting the interviews, questions were asked to the respondents in order to check whether they share the same definitions of stakeholders, stakeholder-management and CSR as given in the theory-section of this study. This stands proof that they have competent knowledge to participate in the interviews.

To ensure reliability in this research, both stability and repeatability are considered. To ensure stability, the study aims for consistent coding of the data coming from the interviews. To ensure repeatability the study aims to answer the research question in the same way, no matter the selected way of coding the data coming from the interviews. Furthermore, respondents from different functions within the organizations have been approached. This way, all different stakeholders-relations have come to attention and are present in the research data. (Golafshani, 2003).

### 3.3 Operationalization

The approach in this research is partly inductive and partly deductive. To measure the deductive part of the research, the three dimensions of CSR from Baumann-Pauly, Wickert, Spence, & Scherer (2013) are therefore operationalized (Gioia, Corley, & Hamilton, 2013).

Started is with the definitions of all three dimensions: (1) **commitment**, the willingness of the members of the organization to perform CSR-practices; (2) **internal structures and procedures**, the organizational activities being able to support the CSR-strategy; (3) **external collaboration**, engaging in stakeholder relations by the organization (Baumann-Pauly, Wickert, Spence, & Scherer, 2013).

These dimensions were, according to the literature of Baumann-Pauly, Wickert, Spence, & Scherer (2013), further specified into second order themes and corresponding indicators. These indicators were used as a base to form the semi-structured interviews that are used to collect research data (see Appendix A).

### 3.4 Data collection

Two different organizations are investigated in this qualitative research. Both organizations are in the logistic sector, in order to aim for the most generalizable results in this industry.

The study partly includes members from the United Nations Global Compact, these organizations are known to participate in CSR-practices in an adequate way (UN Global Compact, 2020). The investigated organizations are shown in table 1.

In the reporting of the research pseudonyms are used to refer to the investigated organizations, in order to ensure anonymity for participating organizations.

<b>Organization</b>	<b>Operation</b>	<b>Founded</b>	<b>Size</b>	<b>UNGC</b>
Blue	Worldwide	1978	>1000	No
Orange	Europe	1977	>1000	Yes

*Table 1 - Organizations for data collection*

Seven interviews are conducted among members of organization Orange & Blue. The respondents have different functions, such as operation manager, key account manager, financial controller and other functions. The respondents either have a voice in the strategies regarding stakeholders or have experience in operating conform these stakeholder strategies. In addition to the interviews (Appendix A), secondary data from both organizations is used to complement the data.

### 3.5 Research ethics

To ensure this research does not violate any ethical concerns, several measures are taken to ensure the integrity of the research.

To start with, all respondents that are approached to participate in the research are well informed about the subject, purpose and use of the research and their research data. Before participation in the interviews, the respondents are informed by the subject of the research by mail. This mail also informed them about the purpose of the interview. They have free choice in whether to participate or not and all additional questions about the research are answered.

By the start of the interview, the respondent is again given a short description about the research topic and research purpose. The respondent is ensured the data will only be used for scientific purposes. The respondent's, the organization's and possibly mentioned stakeholder's anonymity is ensured.

After the interview, the transcript is sent to the respondent to allow any feedback the respondent may have. Possible corrections of the respondent will be adjusted. The results of the research will be shared with the respondents, further sharing will be limited to protect the confidentiality of the respondents. (Netherlands Code of Conduct for Research Integrity , 2018)

Due to the developments of the outbreak of the Coronavirus it was not always possible to conduct the interviews of this study in person (RIVM, 2020). In the case that safety cannot be secured for either the researcher or the respondent, the interviews take place from distance. Skype will be the most adequate tool to use in that scenario (Iacono, Symonds, & Brown, 2016).

### 3.6 Data-analysis

The data in this research is analyzed by means of content-analysis (Gioia, Corley, & Hamilton, 2013). This entails that, other than interview, any other qualitative data on the object of analysis is used if needed to complement the research data.

A coding scheme, including overarching dimensions is used. As the study is partly deductive, and we already know the overarching dimensions from literature, the overarching dimensions were used as starting point of the codebook. The overarching dimensions are later linked to second order and first order themes (Gioia, Corley, & Hamilton, 2013). This process is done in Microsoft Excel, which is considered an adequate tool for qualitative data-analysis in the absence of more advanced data-analysis software (Meyer & Avery, 2009).

As the study is partly inductive, also inductive codes are considered during the coding process. The open codes that do not fit the first order themes of the overarching dimensions, will be used to find new dimensions within the research data (Gioia, Corley, & Hamilton, 2013).

The interviews are transcribed and sent to the respondents, then the transcripts were adjusted according to their preferences. The transcripts were then transformed into a codebook (Appendix B), in which both deductive and inductive codes were used. The overarching themes in the operationalization of CSR in figure 4 were used as a starting in this codebook, complemented by inductive codes coming from the interviews. The data-structure of the codebook is displayed in figure 2. The grey part refers to deductive codes, while the blue part of the figure refers to inductive codes.

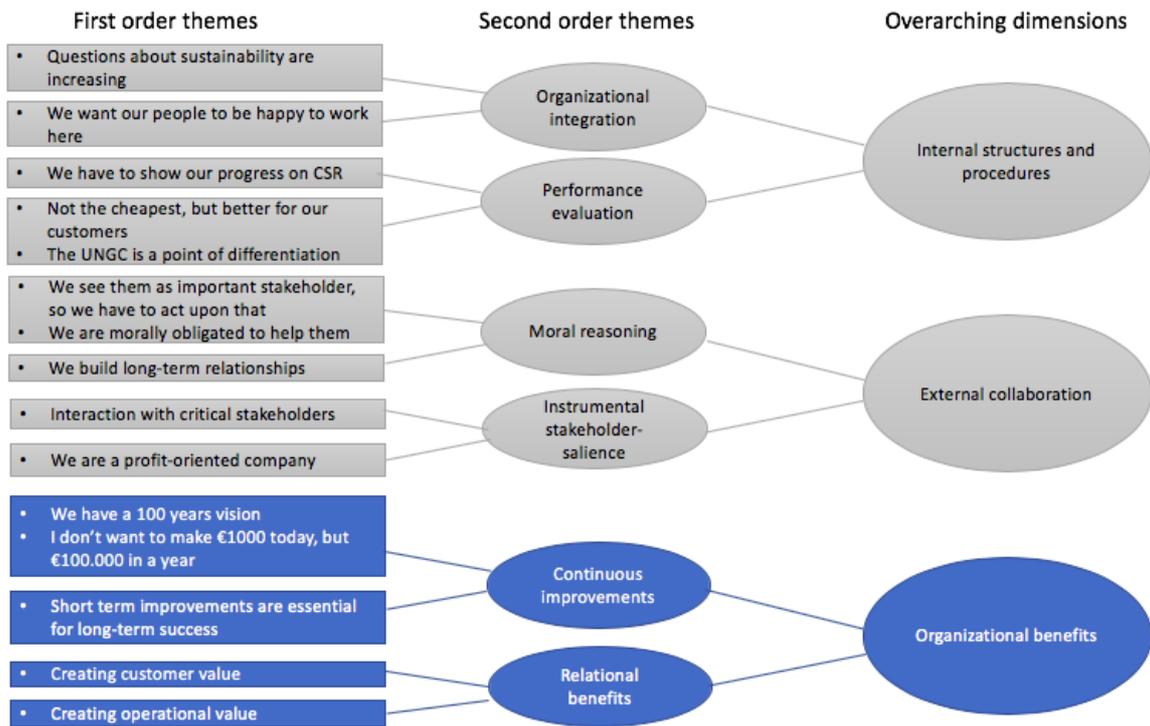


Figure 2 - Data structure

## 4. Results

In this section the results of the interview data are described by the answering of sub-questions, coming forth from the semi-structured interview guideline that was used during the interviews.

### 4.1 Who are important stakeholders in the logistic sector?

The respondents unanimously see stakeholders as those who affect the organization, or are affected by the organization. The stakeholders they recall are: (1) customers, (2) members of the organization, (3) suppliers and (4) shareholders.

#### **Customers**

Customers are perceived as the most important stakeholder of all, they are the reason for revenues flowing towards the organization. As the Key Account Manager of Organization Orange emphasizes, *“Without them we can’t make any money”*. The organization’s business is built to serve customers, their presence is essential for the organization to maintain existing. Without them, costs cannot be covered and the members of the organization cannot be paid.

#### **Members of the organization**

The members of the organization are essential to the organization too, without them the organization’s business activities cannot be performed. Next to that, the people are the reason the business exists and strives to keep existing in the future. The people make the organization. So, the better the people, the better the organization will function. The Operations Manager of Organization Blue expresses that the wellbeing of members of the organization forms the basis for all organizational decisions, *“Our philosophy is that we are a company to serve our team... we see our team as our family and we want to take care of them as good as possible”*.

#### **Suppliers**

Suppliers are also an important stakeholder. The respondents identified transport-partners, employment agencies and suppliers of equipment as the most important suppliers. These suppliers help the organizations to offer better services to their customers. The Key Account Manager of Organization Blue emphasizes they need this stakeholder in order to make true their propositions towards their customers, *“To many destinations we drive ourselves, but for some destinations we use transport-partners. We need our partner-network to offer full coverage of transport in Europe for our customers”*.

## **Shareholders**

Shareholders are important for organization's because they fund the business activities. They make it possible for the organization to function by means of their investments. *"The shareholders are there to financially support us with the shares they have bought"* (Operations Manager Blue)

## **Answering of sub-question**

Overall, the most important stakeholders are the stakeholders that can help to secure financial value for the organizations.

## **4.2 How are stakeholder-relations managed in the logistic sector?**

Overall, the respondents describe stakeholder-management as recognizing their stakeholders and expectations while acting toward these expectations and remaining the relationship with them. The Operations Manager of Organization Blue defines it as, *"How do we meet expectations and how can we as a business perform our business activities with the best possible outcome"*.

## **The relation between organization & customers**

Customers expect the organization to provide excellent service for a competing price. Ideally, they like to pay the minimum and get the maximum. But there is more than that, customers expect the organization to be a partner for their business. Not only transfer goods from A to B, but also act according to their own principles. The Key Account Manager of Organization Orange emphasizes this in the reason customers choose to work with them, *"Customers choose to work with us not necessarily because we are the cheapest, because we don't want to be the cheapest but because we are the best, we are the most flexible"*.

Being a partner means more than just selling products/services, it also requires the organization to keep improving these products/services. *"They ask us to keep challenging them, they expect us to come with new proposals. But also to think with them, how we can improve certain activities"* (Operations Manager Blue)

The organizations attempt to manage these expectations by keeping close contact with customers, listening to them and make changes if requested. Organization Orange would even go a step further to manage the relation with an important customer, according to their Key

Account Manager, *“We would change our strategy if it was a requirement to keep this customer. And we have done that in the past”*.

To ensure customer satisfaction, the organizations attempt to keep improving their services for their consumers. They have frequent meetings with the customers in order to make sure demands are met and to discuss possible improvements. *“We report weekly, monthly or quarterly. We give them insight in our KPIs and have conversations about what goes right and what we can improve”* (Key Account Manager Blue).

### **The relation between organization & members of the organization**

The members of the organization expect the organization to pay their salary, at least. But in the logistic sector the demand for labor is growing, while the offer of workers is getting scarcer. They are now looking for more than just salary, according to the Manager QSHE of Organization Orange, *“That we invest in people, having people to like to work for us”*. The organizations attempt to manage this by offering them a safe place to work, trainings, having a flat organization and involving the members in the results of the organization. Organization Blue involves their members by continuously supporting them by improving their capacities, according to their Operations Manager, *“We have so called PAT-meetings; Positive Action Meetings that take place at every department. The team looks at what agenda points they have and which need extra attention. Every week the team assesses what they do, what they can do different or better”*. The Project Coordinator of Organization Orange emphasizes the need for safe working conditions for their employees, *“We ensure our people they can perform their job on safe conditions, while remaining good health”*.

### **The relation between organization & suppliers**

Suppliers of transport expect the organization to invest a certain amount of work to their business. And in return, the organizations expect the same. That’s part of the deal they make with them, according to the Key Account Manager of Organization Blue, *“When we decide to partner up with a party we base the collaboration on certain volumes we will put in their network, and they in our network ...For example, we are good at transport in the Benelux and do their transport here. Our partner is good at transport in Germany, so we give our German shipments to them”*. In order to get the best possible outcomes of these relations, Continuous Improvement Processes (CIP) are used, according to the European Network Manager of Organization Blue, *“We include a CIP-program in every contract, Continuous Improvement. Every three months we organize meetings and decide upon what we can do better”*.

Employment agencies expect organizations to give clear descriptions of the work that needs to be done by temporary workers, in order for the supplier to be able to offer the right people. In return, the organization expects the agency to deliver skilled workers and secure conditions for them. The Project Coordinator of Organization Orange highlights the importance of this supplier, but also stresses the challenge in obtaining good temporary capacity, *“Employment agencies are important for us because we can have financial benefit for scaling capacity... but the most important is that we get quality workers. And that they secure that they, mostly young man, live under good circumstances.”* In order to manage the relationship with the agencies, frequent meetings are planned to discuss the relation and guarantee the best possible outcomes for both.

To get the most out of the relationship with suppliers of equipment, Organization Blue attempts to seek suppliers who are willing to engage in partnerships, according to their Operations Manager, *“We don’t only want a supplier of equipment who can deliver us good equipment today, but one who thinks with us in innovating it.”*

### **The relation between organization & shareholders**

The shareholders of the organization expect the organization to act towards their policies, remain a healthy business and make sure their profit is secured. They expect the organization to make the right decisions on the long-term, mainly from financial view. In return, the organization expects the shareholders to back them with investment to make sure they can perform all business activities and employment for the members of the organization is secured. To ensure the shareholders to financially back the organization, the organization keeps improving itself to remain profitable. To ensure this, Organization Blue attempts to improve itself every day, according to their Operations Manager, *“We look to our results on a daily basis. We don’t find out what our result has been after the month is finished, but on Tuesday we already look back at Monday’s result”.*

### **Answering of sub-question**

It is important to know for the organizations what the expectations are from each stakeholder, from both sides. In general, the organization attempts to be in frequent contact with stakeholders in order to make sure both sides are aware of each other’s expectations and to secure the best outcome of the relation for both on the long-term.

#### 4.3 What stakeholder-relations lead to organizational benefits in the logistic sector?

Organizations benefit from managing their stakeholder-relations with customers in multiple ways. These benefits can be based on commercial grounds as well as on operational grounds.

##### **The outcomes of the relation between the organization & customers**

When long-term relationships with customers are remained, the organization is secured from a stable revenue from these customers. This helps to secure financial continuity, according to the Financial Controller of Organization Orange, *“This provides stability on both sides, that’s what I like to see as a controller”*.

On the other side, the organization benefits from long-term relations with customers on operational level. That is why Organization Blue seeks long-term relationships rather than short-term relationships, according to their Key Account Manager, *“We gain more from customers who engage with us for a longer period, because then we can implement more improvement projects”*. These improvement projects increase the value for customers and ultimately lead to more financial value for the organization as well, as they are expected to increase customer satisfaction.

##### **The outcomes of the relation between the organization & its members**

Organizations benefit from good management of their own members in multiple ways. When the relation with the members of the organization is managed well, they will deliver better work. The Operations Manager of Organization Blue emphasizes the positive results from treating their team well, *“When we treat our team well, appreciate them and acknowledge their efforts, you will directly see that back in the financial results. You can see that on a daily basis, but especially on the long-term”*. Furthermore, being a good employer for the members helps to organization being attractive for potential new employees. *“It provides the benefit that personnel, that is difficult to find on the market, is enthusiast to work for us.”* (Manager QSHE Orange).

##### **The outcomes of relation between the organization and transport partners**

A sustained relationship with the suppliers offers the organization a better chance to improve their services and processes. Having optimized services and processes helps the organization to be more attractive towards its customers and save on operational costs. The Key Account Manager of Organization Blue highlights the need for their partners in order to fulfill their

proposition towards customers, *“Without our suppliers we cannot guarantee full coverage in Europe. They are thus vital in what we can offer to our customers and what they can ask from us”*.

### **The outcomes of the relation between the organization and employer agencies**

From the relation with employer agencies, the organization benefits by getting better more skilled employees. That would not be possible without building a relationship with the employer agency, according to the Project Coordinator of Organization Orange, *“Everyone agency can offer us cheap people on the short-term, but the trick is to find good people in order to have continuity and quality on the long-term”*.

### **Answering of sub-question**

The organizations attempt to seek stakeholder-relations that improve their business on the long-term. The stakeholders that help the organizations to improve themselves continuously, help the organizations to acquire sustained relational benefits for the long-term.

## **4.4 How do stakeholder-relations contribute to social performance for organizations in the logistic sector?**

Organizations do not directly invest in social practices, without any commercial value attached. The European Network Manager of Organization Blue points out that they cannot do such things because of the concerns of their shareholders, *“We are no philanthropic institution, there always needs to be commercial value attached to our activities”*. But yet, several of the relations between the organization and its stakeholders have a contribution to the organization’s CSP.

### **Social performance as an outcome of relation between the organization & customers**

Customers are mentioned as the most important stakeholder by the respondents, because they secure the revenues the organization needs to survive and are thus essential for the organization. So, when a customer demands something from the organization, the organization is more likely to act according to this demand. This has been the reason for Organization Orange to engage in the UNGC, something they would normally not have done according to their Key Account Manager, *“Seven or eight years ago we have started to be a member of the UN Global principles because of a customer requirement”*. Because a customer demands it, the investment is linked to a financial goal and thus the organization is more likely to fulfill this demand. The

Project Coordinator of Organization Orange emphasizes that such topics are often abandoned when they are not related to financial value, *“When proposals are done without economical interest attached, the topic is likely to be released as other topics require more urgent attention”*.

This contributes to the social performance of the organization, because the UNGC is now on the organization’s agenda. They now have to report on the progress of the organization’s social practices, making it more likely that the organization will act in a sustainable way in the future.

### **Social performance as an outcome of relation between the organization & the members of the organization**

When the organization invests in good working circumstances for the members of the organization, this also contributes to the social performance of the organization. When people can happily go to their work, work under safe conditions and feel appreciated by their employer, our society benefits according to the Project Coordinator of Organization Orange, *“When people constantly experience stress from their work they will also take this home, resulting in less pleasure in life”*. Next to that, training and education for the members of the organization contributes to the sustainable employability of these people.

### **Social performance as an outcome of relation between the organization & customers**

The same applies to temporary employees, coming from the employment agencies. The organization makes use of the capacities of the temporary employees, in return the organization can offer several advantages towards these workers when they have a sustained relationship with the employment agency. When the organization has a sustained relationship with the employment agency, the temporary employees can receive education and training. Which gives them the opportunity to make a better career, according to the Project Coordinator of Organization Orange, *“We are using their capacities for our business, in return we have to treat them right... everyone who hires cheap labor knows the costs have to be cut back somewhere. This is often on their housing and transport.”*

### **Social performance as an outcome of relation between the organization & transport partners**

Continuous Improvement Processes help the organization to optimize their services and minimize the errors in their processes. *“In my opinion sustainability does not necessarily only have to do with investing in the environment. I think we contribute to sustainability by making*

*sure we do everything right in one time, so no additional trucks have to drive”*, emphasizes the European Network Manager of Organization Blue. A sustained relation between the organization and its transport partners can achieve more of these improvements, which can all possibly contribute to their social performance.

### **Answering of sub-question**

Stakeholder-relations contribute to the organization’s CSP in two different ways; (1) the organization to engage in social practices in order to manage stakeholder-expectations, (2) improvements of the organization’s processes that contribute to their CSP as well.

## 5. Discussion & conclusion

In this section the results of the study are interpreted. The main findings of the research are presented and compared to the gathered knowledge in the theory-section in this report and the research question will be answered.

### 5.1 Discussion

The main purpose of this study was to investigate how organizations benefit from stakeholder-relations, in order to support the link between their social practices and financial performance. In line with the theory of Margolis & Walsh (2003), the CSP-CFP link is rather hard to prove for the investigated organizations in the logistic sector. The results from this study are mostly conform the theory of Friedman (1970), who argues that an organization should be profit-oriented. This implies that the organizations in the logistic sector do not invest in their CSP directly, and thus CFP could not be seen as an outcome of CSP.

Yet, the investigated organizations emphasize the contributions of their stakeholder-relations to their CSP. These stakeholder-relations mainly contribute to their CFP, but the organization's CFP is highly related to the CSP. The investigated organizations argue that the social practices used a mean, to contribute to stakeholder-relations that are aimed to secure financial value. Internal structures and processes are adjusted in order to secure the best outcomes for both CSP and CFP. Commitment towards social practices is increased, because there is an economic interest attached by the rewards of the stakeholder-relation. The longer these stakeholder-relations sustain, the better the rewards of this relation will be and the higher the chance this will contribute to the organization's CSP (Marom, 2006). Furthermore, the organization is more likely to invest in social practices when they have financial assets that allow them; an organization in financial crisis is less likely to invest in social practices.

On the other hand, although the investigated organizations are mainly profit-oriented, they do emphasize several contributions of their CSP towards their CFP. In line with Orlitzky, Schmidt, & Rynes (2003), the investigated organizations underline the competitive advantage is the most important benefit the organization achieves with its social practices. Stakeholder-relations can support the organization in obtaining these competitive advantages. Furthermore, the investigated organizations emphasize that in the logistic sector, in which large amounts of

working capacities are included, good treatment of the members of the organization contributes to better financial results as well.

This results in a different conceptual model as supposed in the theory-section of this study (figure 1). Opposed to the initial model, the research data provided a slightly inverted insights; the organization's CSP does relate to the CFP, but according to the investigated organizations it can not entirely be seen as an outcome of it. The adjusted conceptual model, according to the research findings, is displayed figure 3. The remaining part of the discussion elaborates how stakeholder-relations of the investigated organizations contribute to both their CSP and CFP.

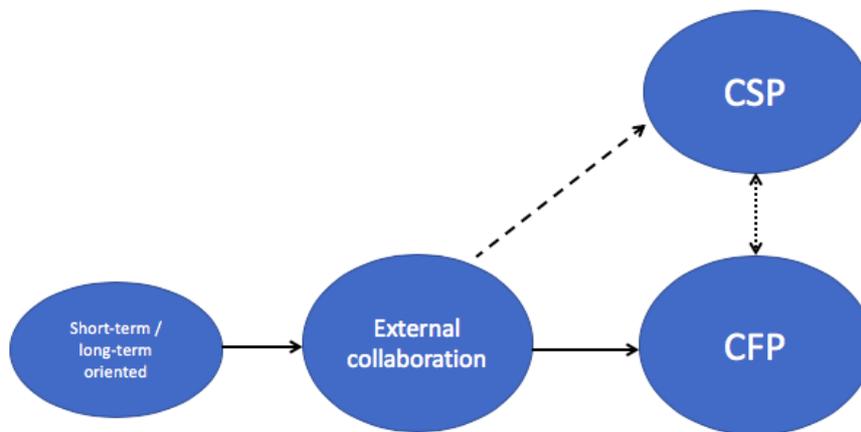


Figure 3 - The CSP-CFP link for organizations in the logistic sector

### Stakeholder-salience in the logistic sector

Mitchell, Agle, & Wood (1997) argue that organizations manage their stakeholder-relations based on urgency, legitimacy and power they have over the organization. This fits with the behaviour of the investigated organizations, regarding their stakeholder-salience. The respondents recall that a stakeholder is someone who affects, or is affected by the organization's practices. But they mainly engage in stakeholder-relations with those who can contribute to financial benefits for the the organization. Orlitzky, Schmidt, & Rynes (2003) emphasize that engaging in stakeholder-relations can contribute to the organization's corporate performance, both socially and financially.

Kaler (2002) argues that choosing stakeholder-relations from a moral perspective would contribute the most to the organization's CSP, while choosing stakeholder-relations from an instrumental perspective would contribute more to the organization's CFP, according to Mitchell, Agle, & Wood (1997). In line with the theory of Bansal & Slawinski (2012), the investigated organizations base their stakeholder-salience on which stakeholder require the

most urgency in order to accomplish their strategic goals, which are mostly financial. The stakeholder-salience is thus mainly from instrumental perspective.

Yet from this instrumental perspective, the investigated organizations seek stakeholder-relations that will last on the long term. They give priority to stakeholder-relations that help them to create value for a longer period. This fits with the theory of Wheeler, Colbert, & Freeman (2003), who argue that engaging in external collaborations can contribute to organizational benefits; the organization can create synergies in collaboration with its stakeholders. According to Marom (2006), the benefits of these relations can be aggregated with the organization's internal resources on the long-term and sustain their stakeholder-relations. In this case there is not only benefit for the organization, but also for its stakeholders. The investigated organizations understate this by recalling the additional benefit it brings to the organization when stakeholder-relations sustain for a longer period of time; they then can further optimize the collaboration. These optimizations bring benefits for both sides of the stakeholder-relation.

In order to remain these stakeholder-relations, and thus secure the benefits attached to the relations, the organization attempts to manage stakeholder-expectations. Dentoni, Bitzer & Schouten (2018) argue that the organization's collaboration with its network of stakeholders increase the call for moral reasoning, in order to comply to dynamic stakeholder-expectations. If stakeholder-expectations require the organization to invest in social practices, the investigated organizations are willing to do so; this way the stakeholder-relations contribute both to their CSP and CFP.

### **Long-term vs short-term vision**

The investigated organizations seek sustained stakeholder-relations, in order to contribute to their long-term visions. But in the logistic sector, organizations must perform every day. Shipments are expected to be delivered on a daily basis. Not delivering for a single day would already impact the outcomes of the relation on the long-term. This emphasizes that next to the long-term, the organizations have to take in mind their short-term performance as well. The challenge of managing both long-term and short-term at the same time is what Birkinshaw & Gibson (2004) call this the ambidexterity of an organization. The investigated organizations underline that this is a challenge for them as well; there is often tension between long-term vision and how the organization would ideally handle certain issues and short-term expectations

of productivity and profitability. Yet, the long-term vision and short-term results are highly related; short-term success can support achieving the organization's long-term vision.

This relation also works the other way around. Brulhart, Gherra, & Quelin (2019) argue that stakeholder-relations offer more benefits when they last longer. This vision is emphasized by the investigated organizations; continuous improvement of processes support the achievement of the organization's long-term vision, more improvements can be done when a relationship lasts for a longer period. The organization's assets then accumulate with the benefits that the stakeholder-relations bring with them. This is a way for the organization to both comply to institutional expectations and be profitable at the same time.

Orlitzky (2009) understates that stakeholder-relations can be mutually beneficial. The relation can reduce business-risks for both sides, as long-term relationships create stability for the both the organization and its stakeholders. And, according to the investigated organizations, this would also improve the social performance of the organization. These benefits are known to arise after a longer period of time (Marom, 2006).

On the other side, the organization also needs to be profitable. Friedman (1970) states that the organizations are obligated to refund their shareholders. And as organizations are known to give priority to activities that contribute to financial goals, the organization therefore mainly engages in activities that directly generate profit (Margolis & Walsh, 2003). Social practices would rather lack of urgency compared to securing profit for the organization (Bansal & Slawinski, 2012). This is understated by the investigated organizations in the logistic sector; organizations should aim for stakeholder-relations that help the organization to secure long-term benefits, but contribute to the profitability at the same time.

### **Member vs nonmember of the UNGC**

Bernhagen & Mitchell (2010) expect organizations that are member of the UNGC to be more likely to assess their social performance. This expectation is confirmed by the investigated organizations in this study. Organization Orange, who is member of the UNGC, has to report their progress on sustainability every year in order to maintain their membership in the UNGC. Yet, this does not necessarily mean they engage more in social practices compared to organizations who are nonmember of the UNGC. The UNGC is the largest, but not the only certificate out there to obtain in order to assess progress on sustainability. Bernhagen & Mitchell

(2010) argue that there are more sustainability initiatives, which also can increase the organization's engagement in social practices.

The investigated organizations stand equal regarding this topic. Organization Orange has joined the UNGC because it was a stakeholder-requirement. Organization Blue states they would join the UNGC if it were a stakeholder-requirement. The difference is that Organization Orange has had the request, while Organization Blue did not. They both regard such initiatives from instrumental perspective, but do underline operational and commercial advantages.

Yet, Organization Orange underlines they experience more positive effects from their membership in the UNGC. Their membership bundles all social practices in the organization together, which increases the likelihood of social topics to be taken care of. Furthermore, they also emphasize that the benefits of the membership in the UNGC increase over time. This is in line with the theory of Cetindamar & Husoy (2007), who argue the benefits of the membership in the UNGC increase when an organization has been part of the UNGC for a longer period.

Being a member of an initiative such as the UNGC support organizations to take decisions from a moral perspective. This would increase the social performance of the organization (Sprinkle & Maines, 2010). Orlitzky, Schmidt, & Rynes (2003) state that the largest benefit of an increased social performance is the improved image for the organization, this could contribute to the organization's financial performance as well. The membership in such sustainable initiatives could thus support organizations in the logistic sector in managing their stakeholder-expectations.

### **Limitations**

The reader should bear in mind that the present study is based on a rather small sample and it is thus hard to generalize results. Only two organizations have been investigated, it is therefore hard to show significant differences between the 2. The reader should also bear in mind that this study was conducted during the outbreak of the coronavirus pandemic. This development narrowed the vision of the respondents a little bit during the answering of the interview questions, as the pandemic and its consequences were on top of mind for the respondents. This guided the answering of the respondents a little more to the benefits of sustained stakeholder-relations in times of crisis.

It is beyond the scope of this research show how social practices can contribute on financial performance. The research only shows how organization obtain benefit from sustained stakeholder-relations.

### **Implications**

Organizations are no charities and will not invest in sustainability directly. The investigated organizations choose their stakeholders-relations from instrumental perspective. In order to manage these stakeholder-relations, thus to ensure profit for the organization, the organization is prepared to engage in certain social practices. If these social practices are stakeholder-requirements, there is a commercial benefit attached to this social practice. This increases the likelihood for the organization to engage in these practices. The investigated organizations attempt to secure the best possible outcomes of their stakeholder-relations by seeking for long-term collaborations.

It is a challenge for the organizations in the logistic sector to both maintain their long-term vision and perform their demanding daily practices at the same time. The long-term vision is pressured by the expectations to deliver services on a daily basis. To manage both long-term vision and short-term performance at the same time the organization to continuously improvement itself; the benefits from the relation accumulate with the assets of the organization. This also affects the social performance of the organization, as process improvements contribute to sustainable developments in the organization.

Membership in sustainable initiatives like the UNGC can also contribute to the organization's social performance. Organizations are more likely to join such initiatives when there is a commercial benefit to gain from it, which is the case when the membership is part of their stakeholder-requirements. Being a member of such initiatives call for certain organizational structures or processes, which bundles all different CSR-related topics in the organization together. This increases the likelihood of social practices to be executed in an effective way and secure better contribution to the organization's social performance.

### **Further research**

The investigated organizations in this study manage their stakeholder-relations form an instrumental perspective. Further research could also be conducted to determine what how stakeholder-relations influence the CSP-CFP link for organizations who manage their

stakeholders from a more institutional or moral perspective. Furthermore, future research might explore the role of stakeholder-management on the CSP-CFP link in other environments than the logistic sector.

## 5.2 Conclusion

The research question this study aimed to answer is *“How does stakeholder-management support the CSP-CFP link for Dutch organizations in the logistic sector?”*

The organizations in this study see stakeholders as those who affect or affected by the organization. The organizations choose to engage in stakeholder-relations with those who can affect the financial performance of the organization. These stakeholder groups are the customers, members, suppliers and shareholders of the organization.

The relations of these stakeholder groups are highly related. The relation with one stakeholder is essential to remain the relation with the other. It is a challenge for the organizations to manage stakeholder-relations in such a way they support their long-term vision and to keep performing on the short-term.

In order to achieve the best outcomes out of their stakeholder-relations, the organizations attempt to seek sustained partnerships. They invest in stakeholder-relations that can help them to secure their long-term vision; partners who can increase commercial value or can improve organizational processes. When these stakeholder-relations last for a longer period, the organizational benefits increase.

As an organization’s main purpose is to create profit, they do not directly invest in social practices. Social practices lack urgency compared to activities that can directly lead to profits. Yet, stakeholder-relations can help the organizations to secure profit. So, when social practices are a requirement to manage stakeholder-expectations, the organization is more likely to engage in social practices. At the same time, stakeholder-relations help to continuously improve organizational processes. Something organizations do from an instrumental perspective, but does contribute to their CSP as well.

This master thesis is mainly contributing to the theory of Mitchell, Agle, & Wood (1997), as the research shows that stakeholders, chosen from instrumental perspective, have increased impact when the stakeholder-relation last for a longer period. Next to that, the research also contributes to the theory of Wheeler, Colbert, & Freeman (2003) by gaining insight in how synergies can be achieved in collaboration with stakeholders. Furthermore, the research makes a contribution to the studies of Margolis & Walsh (2003) and Orlitzky, Schmidt, & Rynes (2003) by providing futher insight on the link between CSP and CFP, and the role of stakeholder-management in this relation.

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## Appendix A – Semi-structured interview

### **Introduction & background**

- Introduction topic master thesis.
- Expected duration of the interview
- Ensuring anonymity and use of data for scientific purpose only
- Asking for permission to record
- Could you please introduce yourself?
  - Name
  - Description of function
  - Years at [firm]

### **Common understandings**

- How do you define stakeholders & stakeholder-management (SM)?
- How do you assess financial performance? Is there a difference between short-term and long-term performance?
- What do you understand by Corporate Social Responsibility?

### **Stakeholders**

- Who are the main stakeholders to [firm]?
  - Why are they stakeholders of [firm]?
  - What expectations do they have to [firm]
  - What claim do they have on [firm]?
- How does [firm] manage relations with these stakeholders?
  - What are the most important organizational structures & processes?
  - Can you give examples?
- Are there other actors that have a stake in [firm] that [firm] does not engage with? And Why? Should [firm] engage with them as well?

### **United Nations Global Compact**

#### ***For members***

- Are you familiar with the United Nations Global Compact and JCL's membership in the United Nations Global Compact?
- Why did JCL decide to become member of the United Nations Global Compact?

- What does it cost JCL to be part of the UNGC?
- Does JCL benefit from being part of the UNGC? Why? Can you give examples?

***For non-members***

- Are you familiar with the United Nations Global Compact?
- Do you think [firm] could benefit from participating in such an initiative?

**Outcomes**

- In what way does [firm] benefit from managing relations with these stakeholders on short-term?
- In what way does [firm] benefit from managing relations with these stakeholders on long-term? And organizational processes play a role in this?
- Can stakeholder relations of [firm] be related to short/long-term financial outcomes of [firm]?
- What benefits or burdens do you experience today, from stakeholder-relations built in the past?
- What would be the consequences when [firm] would not engage with these stakeholders?

**Ending up**

- This was the last interview question; do you have any questions you'd like to ask regarding the interview?
- Thanking for participating, explaining options to stay anonymous and offer to show the transcript of the interview before including in thesis.

## Appendix B – Codebook

### B.1 Deductive coding

Overarching Dimension	Second order themes	First order themes	Corresponding quotes (*"..."= translated from Dutch into English)
Internal structures and procedures	Organizational integration	Member-awareness	<ul style="list-style-type: none"> <li>*"In my opinion this can bundle all of our sustainable topics together, which can help us in finding ways to handle and improve certain practices."</li> </ul>
		Member-involvement	<ul style="list-style-type: none"> <li>every two years we have to think about your communication on progress. What we have been doing and that takes a lot of work, and we have to think about it as well. We need to be sure that it's not just empty words but also lived within the organization. *"No People, no company"</li> </ul>
	Performance Evaluation	External reporting	<ul style="list-style-type: none"> <li>*"How sustainable we are and what we do in our warehouse to promote sustainability, and how we attempt to secure sustainability in our transport network"</li> <li>*"A summary of what we have done and what progression we have made. We have been creative with this in the past in order to make a fancy report, but is not fundamentally in our organization yet."</li> </ul>
		Competitive advantage	<ul style="list-style-type: none"> <li>And it was also a means of differentiation at that time, because if you look at the member list of the UNGC I believe there are only 2 or 3 logistic service providers active supporters in the Netherlands *"For example, we possess the LEAN &amp; Green quality mark within the logistic sector. We have set the benchmark to obtain the highest level in this quality mark"</li> <li>*"We decrease the opportunity of the competitors to steal our customers"</li> </ul>
External Collaboration	Moral reasoning	Managing societal expectations	<ul style="list-style-type: none"> <li>If you have somebody that you treat as an important stakeholder you have to do something about it *"We make sure our cash management is good enough so we can afford to pay our suppliers, then they can keep</li> </ul>

			<i>delivering the service we expect of them”</i>
		Building long-term relationships	<ul style="list-style-type: none"> <li>• <i>*”We come together with the employment agencies to discuss what we can do better in our relation, from both sides. That is a consultation structure. Next to that, we have education trajectories. We see that the people that come to work for us also know better what they are doing. We attempt to build long-term relations with them.”</i></li> <li>• <i>*”I think everything my whole job is to make sure our customers will still be happy with us in 10 years.”</i></li> </ul>
	Instrumental stakeholder-salience	Interaction with critical stakeholders	<ul style="list-style-type: none"> <li>• <i>*”We need our transport partner network, without them we can not guarantee full European coverage. They are thus vital in who we are, what we offer and what our customers can ask”</i></li> <li>• <i>seven or eight years ago we have started to be a member of the UN Global principles because of a customer requirement</i></li> </ul>
		Profit oriented	<ul style="list-style-type: none"> <li>• <i>*”We are no philanthropic institution, there always needs to be financial value attached”</i></li> <li>• <i>*”I think it is not yet our goal to have a great CSR-strategy and to substantially contribute to society. For now it is more a commercial goal.”</i></li> </ul>

## B.2 Inductive coding

Overarching dimension	Second order themes	First order themes	Corresponding quotes (*”...”= translated from Dutch into English)
Organizational benefits	Continuous improvements	Long-term vision	<ul style="list-style-type: none"> <li>• <i>I am not trying to make a thousand euro tomorrow, but we’re trying to make a hundred thousand euro in a year, or two years, or five years or ten years</i></li> <li>• <i>*” What we are particularly looking for customers who have opposite seasons from each other. We have customers who have few seasonal patterns and are therefore stable. But</i></li> </ul>

			<p><i>we also have customers who have a high peak in the months before Christmas, for example, and we also have customers who have a high peak in spring. We look for a mix of customers as much as possible, which allows us to create a stable team but allows the number of team members working for a particular customer to remain flexible throughout the year.”</i></p> <ul style="list-style-type: none"> <li>• <i>*”a 100-year vision within the company. We do not necessarily look at what is profitable now, but mainly at the long term. That's why we try to get partners and customers who really want to go into that long-term relationship with us.”</i></li> <li>• <i>*” It's especially the younger people who think money is not necessarily everything, there is more and let's do it in a better and more sustainable way. In the long run, this also has advantages for the organization that can express themselves financially.”</i></li> </ul>
		<p>Short-term improvements</p>	<ul style="list-style-type: none"> <li>• <i>*”I think we have more benefits from clients with whom we can enter into a good long-term relationship. For example, where we can carry out a lot of improvement projects, because we are also constantly working on improvements, succeeding in efficiency in their supply chain, thinking about what can be improved.”</i></li> <li>• <i>*”short-term success always contributes to long-term success. Clients who provide us with work in the short term, that is very important for us to keep a motivated team, to be able to continue working and building with the team.”</i></li> <li>• <i>*”We have so-called PAT singing along. Positive action meetings, which actually take place in every department. Where the team goes to see which action points are still there and which they can throw back into the group to pick that up. Every week the team looks at what we are doing</i></li> </ul>

			<i>now, what can be improved and what is different.”</i>
	Relational benefits	Customer value	<ul style="list-style-type: none"> <li>• <i>From financial operational level as I said we are forced to do things that we would not necessarily do. But you do it because it is a customer and you want to remain the relation.</i></li> <li>• <i>*” They do ask us to keep challenging them, that they expect us to submit things to them. But also that we think along with them, how can we do things smarter. For example, different packaging materials, more efficient packaging, using less energy, using sustainable products”</i></li> </ul>
		Operational value	<ul style="list-style-type: none"> <li>• <i>*” What we see now is that everyone can supply us with cheap people at short notice. But the trick is that we need good people in the long term and that they can offer us continuity and quality.”</i></li> <li>• <i>*” This gives stability on both sides. I also like to see this as a controller, this is also easier to steer.”</i></li> <li>• <i>*” - For example, the whole Continuous Improvement, making each other better. That often goes better on the long term than in the short term. In the short term we take the low-hanging fruit and it's ready, in the long term it's often more sustainable.”</i></li> </ul>