

PROBLEMATIZING STAKEHOLDER ENGAGEMENT: INSIGHTS FROM A MULTI-STAKEHOLDER NETWORK

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INTRODUCTION

Stakeholder engagement tends to be seen as a positive process, leading to desirable outcomes and multiple types of value for all parties involved (Freeman et al., 2017; Greenwood, 2007; Kujala & Sachs, 2019). Lately, it has been acknowledged that stakeholder engagement can also be harmful (Harrison & Wicks, 2021) or include other adverse aspects, such as involuntary participation, stakeholder distrust, or negative reciprocity (Bundy et al., 2018; Kujala et al., 2022; Passetti et al., 2019; Weibel et al., 2020).

However, we suggest that even when stakeholder engagement is organized with positive intentions and without any intention to harm, it contains what we call a gray area. This is particularly prevalent in issue-focused multi-stakeholder networks, which are voluntary, joint efforts of organizations that combine their resources and expertise to address societal challenges (Roloff, 2008). Although often considered equal and power-free (Bäckstrand, 2006; Le Ber & Branzei, 2010; Roloff, 2008), issue-focused stakeholder initiatives contain tensions and conflicts (Savage et al., 2010; Sharma & Kearins, 2011), even when they can be considered successful.

In this paper, the gray area refers to processes and aspects experienced as messy, negative, or challenging. Thus, *our purpose is to analyze the gray area of stakeholder engagement in a multi-stakeholder network*. Our empirical context is Finland's nation-wide, multi-stakeholder network aiming at accelerating a circular economy (CE). This is a suitable setting since the stakeholders, who represent various sectors, industries, and administrative levels, have a joint interest in enhancing a CE, while despite the shared interest, their collaboration contains aspects that are messy and challenging.

THEORETICAL BACKGROUND

Stakeholder engagement and its bright and dark sides

Stakeholder engagement comprises activities that organizations undertake to engage stakeholders “in a positive manner in organizational activities” (Greenwood, 2007: 317–318). Besides focusing on activities done in a positive manner, stakeholder engagement has been found to have a variety of positive consequences (Kujala et al., 2022). It is an effective tool for creating value (Harrison et al., 2010), improving ethical decision making (Noland & Phillips, 2010),

reducing uncertainty (Herremans et al., 2016), and enhancing learning and knowledge creation (Mitchell et al., 2022). Stakeholder engagement has become an important part of organizations' everyday practices and planning. In addition, stakeholder engagement can be used to legitimize an organization's presence in society, or it can be utilized to collect divergent views on important sociopolitical issues (Manetti & Bellucci, 2016). Stakeholder engagement is a way for an organization to gain relevant and plurivocal knowledge on the implications of its decisions on the environment and society (O'Riordan & Fairbrass, 2014). Stakeholder engagement is increasingly conceptualized as a way to engage stakeholders in the decision-making and everyday operation of a firm to provide better service, innovate, or find business opportunities (O'Riordan & Fairbrass, 2014).

Grayer nuances to the study of stakeholder engagement are offered by studies that juxtapose the right kind of engagement from its opposition. The possibly negative outcomes of stakeholder engagement can be considered to result from engagement being something other than authentic, true, meaningful, dialogic, or proactive (Piecicka, 2018). More critically oriented scholars have claimed that companies use stakeholder engagement for defensive purposes to prevent stakeholders from pressing them to change (Banerjee & Bonnefous, 2011; Fooks et al., 2013). Lately, it has been acknowledged that stakeholder engagement can also be harmful and lead to negative consequences. Harrison and Wicks (2021), for instance, discussed stakeholder engagement strategies that stakeholders are likely to consider harmful to their interests. These strategies have negative consequences for the firm regarding stakeholders' responses and damage caused to firm–stakeholder relationships.

From the focal-firm conception of stakeholder engagement, the research has lately moved toward *issue- or problem-focused multi-stakeholder settings*. They can be defined as networks between three or more affected actors who aim to address a problem together (Roloff, 2008; Savage et al., 2010). In an issue-focused multi-stakeholder network, a *stakeholder* is defined as a “group or individual who can affect or is affected by the approach to the issues addressed by the network” (Roloff, 2008: 314), which implies that the network exists to address the focal issue concerning all participants (Savage et al., 2010). Multi-stakeholder networks are often trisector initiatives, including state actors, companies, and civil society organizations combining their assets and strengths to address an issue that encompasses different spheres of society (Selsky & Parker, 2005). Although there is a firm belief in the capacity of multi-stakeholder networks to address urgent social challenges (Bäckstrand, 2006; Selsky & Parker, 2005), such networks are complex (van Tulder & Keen, 2018) and can include a variety of tensions and challenges (Savage et al., 2010; Sharma & Kearins, 2011).

The gray area of stakeholder engagement

Vaughan (1999) provided the foundation for the study of the dark side of organizations and identified three types of routine non-conformity: mistake, misconduct, and disaster. Vaughan (1999) perceives the dark side as being produced by the interconnection between environment, organizations, cognition, and individual choice. A few years later, Griffin and O'Leary-Kelly (2004) discussed a variety of negative behaviors in organizations focusing mainly on intentionally harmful behaviors. The dark side of business relationships has been explicitly discussed by Abosag, Yen, and Barnes (2016). According to them (*ibid.*: 5), the *dark side* refers to “‘problems,’ ‘challenges,’ ‘difficulties,’ and ‘drawbacks’ related to structural issues that exist in business relationships.”

However, Durkheim (1985: 85) understood the “normal” and the “pathological” as inseparable aspects of every social phenomenon, seeing them as entwined. Land, Loren, and Metelman (2014: 233), described a *gray zone* as a zone where the “boundary between acceptable behavior and misconduct is unclear,” indicating the dark side as something unethical and the gray zone as something not clearly unethical or clearly acceptable. Building on these views, we see the gray area as where the “normal” and the “pathological” are blurred and located between two areas that are somehow identifiable, in this case, the bright and dark sides of stakeholder engagement.

The grayer nuances of stakeholder relationships have been discussed in the literature on cross-sector collaboration and multi-stakeholder networks. A prevalent source of grayness of stakeholder engagement derives from conflicts or tensions between stakeholders’ interests (Calton & Payne, 2003). In a multi-stakeholder setting, the salience of specific stakeholder identities may underline conflicts and tensions by focusing attention on differences in values and goals (Schneider & Sachs, 2017). Members who represent various organizations may prioritize maintaining their organizational identities and related values over those of the multi-stakeholder network (Calton & Payne, 2003; Sharma & Kearins, 2011).

It has also been suggested that stakeholder engagement takes place in the context of power dynamics and that power asymmetries make conflict inevitable in stakeholder relationships (Dawkins, 2015; Dewulf & Elbers, 2018). Earlier research on stakeholders exerting pressure on companies has long recognized power as one of the central stakeholder attributes (Mitchell et al., 1997). Despite their decentralized, horizontal, and non-hierarchical nature, multi-stakeholder networks also include various forms of power and power asymmetries, constituting a source of darker nuances in multi-stakeholder settings (Bäckstrand, 2006; Dewulf & Elbers, 2018; Le Ber & Branzei, 2010; Saffer et al., 2018).

The grayness may also derive from the partners’ heterogeneity and the resulting tensions (Calton & Payne, 2003; Henry, Rasche, & Möllering, 2020; Saffer, Yang, & Taylor, 2018). This heterogeneity is often related to disparate values, beliefs, and motivations, political stances, priorities of social versus economic goals, and unequal power distribution between organizations (Saffer, Yang, & Taylor, 2018; Sharma & Kearins, 2011).

RESEARCH CONTEXT AND METHODOLOGY

Our empirical research approach is a single case study (Stake, 2005), which enables the collection of rich, in-depth data and, therefore, is particularly suitable to answer “how” questions. Our empirical context is Finland’s nation-wide, multi-stakeholder effort to accelerate a circular economy. Finland has expressed its vision of becoming a leading circular economy country by 2025. This vision has been agreed upon by many ministries, research and development organizations, industries, companies, cities, and municipalities. This is a fruitful setting for our study, since the stakeholders share a unified interest in enhancing a circular economy.

The data consist of 26 circular economy stakeholder interviews at local, regional, and national levels. The interviews were conducted to study engagement and collaboration between various circular economy specialists who represent stakeholders from the public, private, and third sectors. Even though the interviews sought to understand collaboration and engagement for a shared purpose, experiences with tensions, difficulties, obstacles, and delays were regularly expressed. Therefore, to fully understand the processes of stakeholder engagement, we consider

it necessary also to focus on those processes and practices that are understood as negative, difficult, or challenging, but that still are a part of engagement in a multi-stakeholder network. The material was analyzed inductively using qualitative content analysis (Elo & Kyngäs, 2008).

FINDINGS: THE GRAY AREA OF STAKEHOLDER ENGAGEMENT

The grayness of stakeholder engagement in a multi-stakeholder setting can be attributed to sources of grayness on three levels: individual, organizational, and institutional.

On the individual level, the sources of grayness were the *reluctance to change*, the *resistance to change*, and the *inability to collaborate*. First, the interview talk revealed that the *reluctance to change* was experienced as causing challenges, delays, and conflict in stakeholder engagement. Some people were considered reluctant to change, even scared of changing and stuck to their old routines and ways of thinking. Second, sometimes the grayness of stakeholder engagement resulted from purposeful individual action against the common aim of stakeholder engagement, in this case, the circular economy. References to individual actions of this type are labeled here as *resistance to change*. The third theme, the *inability to collaborate*, was conceptualized as selfishness and the promotion of one's interests instead of common interests and as disrespect of others' ways of operating and doing things. The inability to collaborate sometimes meant differences in levels of ambition or knowledge or a lack of relevant knowledge.

On the level of organizational relationships, the grayness derived from *collaboration challenges* and a *diversity of perspectives*. *Collaboration challenges* contained problems in communication and distinctions between stakeholders' time scales. Challenges in communication materialized in ambiguity concerning the stakeholders' interests, expectations, and potential problems that made collaboration difficult. The *diversity of perspectives* includes the following themes: diversity of stakeholders, complexity of an issue, and disagreements concerning an issue. The diversity of stakeholders materializes in different organizational backgrounds, ways of operating, and organizational objectives and interests. This diversity casts darker shadows on the processes of stakeholder engagement by delaying and complicating them. Next, the *complexity of the issue* refers to the issue around which stakeholders collaborate, in this case, the circular economy. This manifested as a diversity of viewpoints to consider in promoting the circular economy. Moreover, despite the shared goal, disagreements and the resulting discursive struggle concerning who gets to define a circular economy were identifiable in the discussions.

On the institutional level, the sources of grayness are labeled *political and legislative power* and *environmental insecurity*. *Political and legislative power* refers to politics, political power, and legislation that contribute to the unpredictability of the operating environment. Political decision making was considered short-term, inconsistent, and even random, and many delays, risks, and barriers to collaboration derived from the unpredictability and slowness of the legislative processes. *Environmental insecurity* refers to insecurity concerning technological, economic, and social changes. Although the future is similarly uncertain for everyone, in this case, uncertainty was enforced due to the transition to a CE being such a complex and unforeseeable path. The unforeseeable future caused the open-endedness of stakeholder engagement, as steps had to be taken even if future developments were largely unknown.

CONCLUSION

This paper challenges the positivity of the stakeholder engagement literature and illuminates its gray area. This gray area is located between the bright and the dark sides of stakeholder engagement recently identified in the literature (Harrison & Wickes, 2021; Kujala et al., 2022). In our analysis, we identify the sources of the gray area of stakeholder engagement on three levels: individual, organizational, and institutional. According to our analysis, the gray area consists of challenges caused by individual reluctance, resistance and individual inability, collaboration challenges, the diversity of perspectives, political and legislative power, and environmental insecurity. We argue that, particularly in the context of multi-stakeholder networks, the gray area is a natural and unavoidable part of stakeholder engagement and, thus, should also be explicitly recognized and discussed in the literature.

REFERENCES AVAILABLE FROM THE AUTHORS