Chapter 37
Stakeholder Engagement in Humanizing Business

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Introduction

This chapter argues that business leaders need to understand the importance of stakeholders in humanizing the business. The traditional, neo-classical business view sees firms as production machines between input from suppliers, investors and employees, and output to customers (Donaldson and Preston 1995). The emphasis is on firm value rather than on joint value creation (cf. Bosse et al. 2009; Donaldson and Walsh 2015), and people are treated as resources instead of as human beings in value creation processes. Stakeholder engagement has pursued, and to a certain extent also achieved, a differentiated understanding of human beings, their contribution to a firm's value creation and their well-being (Freeman et al. 2017). For example, based on a long tradition of different narrative accounts, stakeholder theory offers insights into a more comprehensive view of the understanding of human well-being and their contribution to firms' value creation than the traditional view (for overviews, see, e.g., Donaldson 2012; Friedman and Miles 2006; Harrison and Wicks 2013; Jones and Felps 2013a, b; Laplume et al. 2008; Phillips et al. 2003; Freeman et al. 2010). However, there are claims that the complex nature of human beings is still underestimated in stakeholder engagement literature (see, e.g., Bridoux and Stoelhorst 2016; Evan and Freeman 1995; Freeman et al. 2010; McVea and Freeman 2005; Pirson and Lawrence 2010; Sachs and Rühli 2011). A recent call-in stakeholder theory emphasized that there is "widespread interest in stakeholders as people, with all that it implies (Phillips et al. 2019, 17)."

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The purpose of this chapter is to shed light on stakeholder engagement in humanizing the business. Stakeholder engagement pays attention to how various stakeholder interests, needs, and expectations are included in organizational practices (Freeman et al. 2017; Kujala and Sachs 2019). We see stakeholder engagement as a relational process and pay attention to the importance of stakeholder relationships in value creation. By humanization, we understand those assumptions of human nature in stakeholder engagement that refer to people as humans in business with all their feelings and aspirations (Dion et al. this volume). Humanizing business is needed as the traditional business view overlooks the rights and demands of different stakeholders as humans while aiming for profit maximization. Stakeholders, such as customers, employees, and suppliers, expect socially acceptable and beneficial behavior from businesses and they have a right to be treated fairly (Kujala et al. 2019). Instead of a single or economic-value perspective, we highlight the multitude of stakeholder values that need to be included in organizational decision making if humanizing business is taken seriously.

In this chapter, we will proceed as follows: First, we aim to provide an overview of the assumptions of human nature within the conceptualization of stakeholder engagement, and the potential to revise them for humanizing the business. Second, we will examine in-group and out-group interactions for humanizing stakeholder engagement. Finally, we will provide recommendations for further research in humanizing stakeholder engagement.

Conceptualization of Stakeholder Engagement

Stakeholders as Groups or Organization with Humanlike Characteristics vs. Stakeholders as Social Groups

In stakeholder engagement, the most common level of analysis is not the individual but the firm and the different stakeholder groups. Different "stakeholders are likely to value different things (i.e., their utility functions are different) (Harrison and Wicks 2013, 112)." Furthermore, stakeholders gain "utility from affiliating with organizations that exhibit behaviors that are consistent with things they value (Harrison and Wicks 2013, 106)." In this understanding of stakeholder engagement, it is a broadly accepted assumption that organizations and stakeholders are central actors with human-like "characteristics, motivations, intentions and emotions (Bundy et al. 2018, 12)."

However, an exclusive analytical focus on the level of groups or organizations as stakeholders might fall short when individual members of a stakeholder group are not taken into account. In their "names and faces approach," McVea and Freeman (2005) already considered stakeholders as individuals. In developing an understanding of the real stakeholders who are relevant to the firm, experiences with each single stakeholder gain importance for value creation. Furthermore, due to modern

communication technologies, stakeholders as individuals are more easily approach-able today than in earlier years (McVea and Freeman 2005).

When stakeholder research focuses on an organization's stakeholder relation-ships as the unit of analysis (for exceptions, see Crane and Ruebottom 2011; de Luque et al. 2008; McVea and Freeman 2005; Rowley and Moldoveanu 2003), the conceptualization of stakeholders as social groups introduce the members of stake-holder groups as an additional unit of analysis. The social group that is salient to a human shapes interactions within the group, so-called in-group relations, and towards other groups, so-called outgroups relations (Hogg and Terry 2000). In this view, stakeholders are not human resources but resourced humans with personal resources such as different values, capabilities, interests, and emotions, which they can activate in value creation (Sachs and Rühli 2011).

In a humanized view, when stakeholders are a collective of two or more individu-als who perceive and evaluate themselves based on shared norms, values, and goals (Schneider and Sachs 2017), we have to understand how in-group and out-group stakeholder engagement evolves. Therefore, we need to take a look at the relations and interactions in stakeholder engagement.

A Relational View of Stakeholder Engagement: Human Interactions

Considering stakeholder engagement as a relational process shifts attention to the importance of stakeholder relationships in value creation. Jones, Harrison, and Felps stated (2018, footnote 4): "We believe that in trying to understand drivers of firm performance, the level of abstraction that is the most empirically and practi-cally useful is that of the relationship between the firm and a stakeholder group. As such, that is the level of abstraction at which our theory is pitched."

To understand stakeholder relationships, we need to understand human interac-tions taking place in these relationships. According to Kujala et al. (2019), value-creating stakeholder relationships consist of joint interests, the ability to collaborate, and trust. They argue that "instead of seeking to define what is valuable for whom, leadership should seek to understand value-creating stakeholder relationships and their characteristics (ibid., 131)." According to Freeman (2010), stakeholder engage-ment is built on the joint interests of stakeholders. They create the basis for stake-holder collaboration and interaction and strengthen stakeholder wellbeing and societal benefits. Shared history and experiences enhance relationships and interac-tion (Myllykangas et al. 2010). Kujala et al. (2019, 133) argue that "different stake-holders can have different goals and still be willing to work together" as long as "parties see value in collaboration and are willing to invest in it."

The ability to collaborate is essential in human interaction and relationships as it creates space for advancing both individual and mutual interests (Sachs and Rühli 2011). The ability to be responsive, be socially integrated, be empathetic (Garriga

2014) as well as be able to interact, learn and change (Dentoni et al. 2016) are essential in human interaction and collaboration. It has been argued that being able to share information and learn from each other will transform a relationship from transactional to collaborative (Svendsen 1998; Myllykangas et al. 2010).

It is up to the human actors to build relationships and to foster shared interests, engage in collaboration and create trust. Trust is both an element of the relationship and the outcome of successful interaction and collaboration (Kujala et al. 2019). Trust in the firm's stakeholder relations fosters the stakeholders' commitment (Greenwood and Van Buren III 2010; Pirson et al. 2017). Stakeholder theory focuses on the trust that stakeholders have in organizations, which is called *stakeholder trust*: "the willingness of individuals (customers, employees, etc.) to accept vulnerability to the actions of an organization based on positive expectations (Pirson and Malhotra 2011, 1089)." As a basic precondition of becoming vulnerable, stakeholders ought to believe that an organization will not act opportunistically, i.e., is guided only by self-interest (Greenwood and Van Buren III 2010; Jones 1995). If stakeholders have confidence in the moral, non-opportunistic conduct of an organization and both parties share the same norms and values, stakeholder trust tends to be formed and cooperation as well commitment increases (Jones and Wicks 1999; Post et al. 2002; Ruppel and Harrington 2000).

In a humanized view, we need to understand how in-group stakeholder interactions relate to intergroup relations and vice versa (Schneider and Sachs 2017). As stated above, stakeholder research predominantly considers an organization's stakeholder relationships and therefore, inter-organizational trust. More research is needed, however, on how to define individuals' social self-concepts in interactions with other stakeholder groups, and on how to simultaneously maintain trust within the stakeholder group.

Value Creation: Economic-Value Perspective vs. a Multitude of Stakeholder Values

Value is a central concept in the field of strategic management, but little consensus on its definition and creation has been achieved (Bowman and Ambrosini 2010; Lepak et al. 2007; Schneider and Sachs 2017). In their thorough analysis on stakeholder value, Tapaninaho and Kujala (2019) presented four categories of stakeholder value creation: (1) economic value with focal firm orientation, (2) economic value with stakeholder orientation, (3) multiple value with focal firm orientation, and (4) multiple value with stakeholder orientation. The first two categories renew the traditional, neo-classical business view, where the firm is seen as a production machine, and the emphasis is on the firm's financial performance rather than on the stakeholder's inclusive value creation. Consequently, people are treated as 'human resources' instead of 'resourced humans.'

The last two categories are important in terms of humanizing the business. With respect to the third category, Mitchell et al. (2016) rejected the notion of a corporate single value object when considering the benefits of value creation for social welfare and suggest instead that "multiple considerations" of stakeholders might be relevant in a value creation process that incorporates social value (p. 258). Especially the fourth category, where the emphasis is on a multiple value perspective with stakeholder orientation, offers ample possibilities to study how value is created in stakeholder engagement and interaction. The understanding of what is valuable in stakeholder relationships has to be clarified separately for each stakeholder (Harrison and Wicks 2013). In this regard, Garriga (2014, 491) stated: "For determining what is valuable and how value is perceived by the stakeholder, we should consider that value is a subjective concept, is not a single phenomenon, is multifaceted and can be different for each stakeholder group." All involved parties define how they understand value and which components are to be included for specific situations, contexts, issues, products, or services (e.g., Auster and Freeman 2013; Reed and Reed 2009; Roloff 2008). For example, Rühli et al. (2017) studied innovation in multistakeholder settings and found that participative stakeholder engagement is crucial for mutual value creation in health care.

In sum, humanizing stakeholder value creation necessitates a change in the current business mindset from economic to multiple values, and from the focal firm to a stakeholder perspective. For example, Buchholz and Rosenthal (2005) proposed that intertwined relationships between organizations and their stakeholders are essential for harmonious and nurturing stakeholder engagement. Stakeholder orientation, together with a multiple value perspective, draws attention to the importance of stakeholder cooperation and reasons for broader value creation purposes, including the multiple needs, aspirations, and objectives of human beings. Human rights, for example, have proved to be an important issue in legitimizing both the claims of stakeholders and related business practices (Van de Ven 2005). By changing the language and narratives we use to describe business and stakeholders, it is possible to humanize the view of different stakeholders and their needs (Derry 2012).

Outcome: Hedonic Well-Being vs. Eudaimonic Well-Being

Stakeholders' interactions are considered to reciprocally value creating when the utility function for a stakeholder is positive while human beings pursue their specific utility function by maximizing their pleasure and minimizing their pain (Harrison and Wicks 2013), so-called hedonic or psychological well-being (Diener 2006; Ryff 1989). Jones and Felps (2013b, 227) propose that, "for publicly-held corporations in developed economies, the direct pursuit of social welfare, through a corporate objective [they, authors' notice] call stakeholder happiness enhancement (SHE), should replace the profit motive as the driving force behind economic activity." However, dealing with human beings as if they were an assembly of

measurable variables does not acknowledge "the fact that most human beings are pretty complex," as claimed by Freeman et al. (2010, 7).

In a humanizing view, the focus is on eudaimonic well-being. Eudaimonic well-being is the realization of one's full potential, not in an individualistic sense, but a universal sense (e.g. Haybron 2016). Ryff and Singer (2008) conceptualize six dimensions of eudaimonic well-being, one of which is *positive relations with others*, for example, the capacity for great love, empathy, guidance of others, and warm relations with others. Value creation for stakeholders then means furthering eudaimonic well-being by offering potential space for individuals in the social group to grow and do virtuous work.

Recently, the role of nature in human well-being has been widely recognized. For example, urban nature can provide various benefits to people living in cities as green areas offer space for both physical and mental recreation, and thereby support human health and wellness in many ways. Heikkinen et al. (2019) showed how stakeholder engagement related to urban stormwater systems created benefits for business organizations, the public sector, and the local community. They further argue that "stakeholder engagement can serve as a starting point for more open and participatory dialogue between various human and non-human stakeholders (ibid., p. 29)." While nature is often considered as the "ultimate" (Laine 2010) or the "primordial" (Driscoll and Starik 2004) stakeholder, its importance and meaning are often neglected in literature studying a human-centered business view. For example, Pirson and Lawrence (2010) developed a 'humanistic' conception of business organizations examining the viewpoints of strategy, governance, leadership, and organizational culture. We argue that examining the human-nature relationship by taking into account "the embeddedness of humanity in nature" (Glaser 2006, 135) will offer a possibility to further research on stakeholder wellbeing and thereby contribute to the discussion on humanizing business.

In-Group and Out-Group Interactions in Stakeholder Engagement

Stakeholders are mostly active in groups or organizations. Stakeholders as social groups need a justification to exist; they transmit intentions and purposes to make a useful contribution to human needs through their coordinated activities (Freeman et al. 2010; McVea and Freeman 2005; Sachs and Rühli 2011). To understand how humans engage in and between stakeholder groups, in the following, we rely on social identity theory (Tajfel and Turner 1979; Turner et al. 1987; Schneider and Sachs 2017). Stakeholders as social groups are, in this perspective, two or more humans who perceive and evaluate themselves based on shared norms, values, and goals concerning specific issues (Schneider and Sachs 2017). The distinct nature of humans due to their individual experience, values, capabilities, interests, and

emotions form a stakeholder identity (Rowley and Moldoveanu 2003; Barraquier 2013; Crane and Ruebottom 2011).

Even though each human has different identities, an individual's mind is influenced by the salient identity that influences perceptions of members of the same group and those of contextually relevant outgroups in the context of specific issues (Hogg and Terry 2000). The stakeholder identity's salience process is inductive and deductive in intergroup interactions (Postmes et al. 2005): the inductive stakeholder identity salience process enables the perception of intergroup similarities in stakeholder norms, values, and goals. The deductive stakeholder identity salience process enables the perception of intergroup differences and concerning a specific issue (Schneider and Sachs 2017).

Humans who deductively identify themselves with a stakeholder group do not need to have experience in interacting with each other. Instead, identification with the salient stakeholder group gives them meaning, while the inductive process results from perceived similarities and is based on regular interactions (Fiol et al. 2009; Postmes et al. 2005; Turner et al. 1987; Schneider and Sachs 2017). In frequent stakeholder interactions, humans are more prosocial and are more willing to cooperate (Gaertner and Dovidio 2000). The inductive process can lead to the salience of a superordinate stakeholder group as a collective with shared norms,
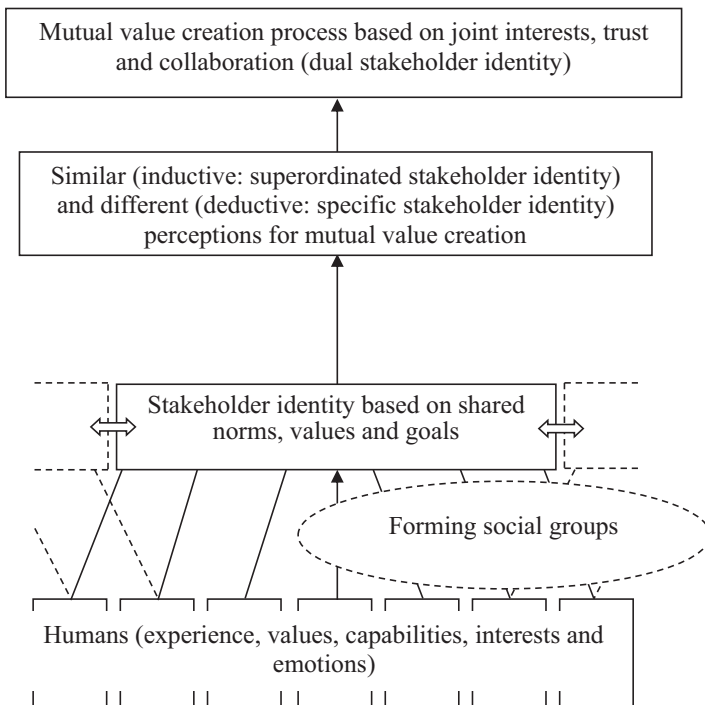

Fig. 37.1 Stakeholder engagement based on in- and outgroup relations (Sachs and Rühli 2011; Schneider and Sachs 2017; Kujala et al. 2019)

values, and goals with high trust if the superordinate identity is pre-salient (Schneider and Sachs 2017). However, the cooperation level might decrease if the specific stakeholder identity is in danger. If both the deductive and inductive stakeholder identity salience processes are prevalent at the same time, then individuals may identify simultaneously with both a specific and a superordinate stakeholder group as a dual stakeholder identity representation with a rather high level of trust and cooperation (see Fig. 37.1).

In this perspective of humanized stakeholder engagement, we focus on humans engaged in different social groups. These social groups are shaped by stakeholder identities, which provide meaningfulness for individuals in the stakeholder engagement process for a specific issue. In this multiple value perspective, the diverse needs, aspirations, values, and objectives of human beings are respected and negotiated based on in-group and inter-group trust.

Future Research in Humanizing Stakeholder Engagement

To support the research on humanizing stakeholder engagement, we suggest future avenues and novel methodological choices for research based on our discussion. In our chapter, we have offered insights into how individuals assign themselves to stakeholders as social groups. We elaborated especially on the in- and outgroup effect of specific stakeholder identities and the collaborative impact of superordinated stakeholder identity. However, we make a call for further sources of microlevel theories to emphasize the uniqueness of each individual in a stakeholder group. For example, the literature on organizational bonds (Klein et al. 2012) takes into account the cognitive and affective perception of individuals and how they relate to an organization's value creation. Furthermore, motivation theories can shed light on the individual bonds with organizations based on the interplay between self-identity and regulatory focus as promotion or prevention of specific goals (Johnson et al. 2010).

Secondly, we suggest that by changing the language and narratives we use in our research, it is possible to humanize the view of businesses and their stakeholders. An important theme here is the multidimensionality of stakeholder value. We argue that we need both a broader understanding of the concept of stakeholder value allowing for a multitude of different stakeholder values to show, and a deeper understanding of the social value firms and their stakeholders are producing. This refers to values beyond the economic or financial performance or outcome to social and human values such as health, wellbeing, aesthetics, and happiness, to name a few. By broadening the understanding of value creation, we may also come to recognize that humanizing business means giving a voice to marginalized or less powerful stakeholders who may be affected by the firm's actions or have an interest in the case, but who have no power or voice to express their concerns.

As the third theme in our humanized view, we proposed considering eudaimonic well-being as an outcome of stakeholder engagement. We encourage research that

aims to understand stakeholder engagement as a mutual human learning and development process. For example, cases in the era of social innovation and entrepreneurship might shed light on the stakeholder learning and development processes.

The fourth theme we suggest for future research on stakeholder engagement in humanizing business is the examination of how the salience of the natural environment can be recognized. The most urgent challenge of our time, i.e., sustainability, needs to be taken seriously in stakeholder engagement studies. We need to take into account the embeddedness of humans and the natural environment to further research on stakeholder wellbeing. Moreover, the natural environment is important since it consists of living organisms and is an end in itself. We argue that to overcome the narrowness the current view, a broader cast of human beings, such as 'Sustainability Advocate Groups' or 'Environment Protection Activists' who can represent interests of the natural environment have to be included in stakeholder engagement studies. This will offer a possibility to further research on stakeholder wellbeing and thereby contribute to the discussion on how the natural environment that supports human health and wellness in many ways is taken seriously in humanizing business.

In addition to these suggestions, we want to raise the question of time and future orientation as an important issue in studying stakeholder engagement from the humanistic viewpoint. If we as stakeholder engagement scholars want to take humanizing the business seriously, we need to pay attention not just to the issues that are important in our current business environment but also issues that are likely to gain importance for future generations. As already mentioned, sustainability and giving voice to powerless stakeholders are issues that are likely to gain importance in the future.

Besides, we want to emphasize the study of social and organizational structures and the question of how they shape the world we live in as an increasingly important and interesting topic in the field of humanizing business. We argue for the use of case studies, qualitative data collection methods and discourse analysis in this examination since we need novel methods to gain a deeper understanding of these themes.

Conclusion

The purpose of this chapter was to provide an humanized understanding of stakeholder engagement. In doing so, we first revised the assumptions of human nature within the conceptualization of stakeholder engagement, and defined stakeholders as resourced humans with personal resources such as different values, capabilities, interests, and emotions, which they can activate in value creation. After that, we took a relational view to stakeholder engagement to understand human interactions taking place in stakeholder relationships and value creation. Furthermore, we examined in-group and out-group interactions for humanizing stakeholder engagement, and discussed how to define individuals' social self-concepts in interactions with

other stakeholder groups, and how to simultaneously maintain trust within the stakeholder group. We argued that humanizing stakeholder engagement necessitates a change in the current business mindset from economic to multiple values, and from the focal firm to a stakeholder perspective. Finally, we called for further research to, first, focus on the uniqueness of each individual in a stakeholder group; second, to emphasize the multidimensionality of stakeholder value; third, to examine stakeholder engagement as a mutual human learning and development process; and fourth, to examine how the salience of the natural environment that supports human health and wellness in many ways can be recognized in humanizing business. Finally, we raised the issues of time and future orientation as well as social and organizational structures as important in studying stakeholder engagement from the humanistic viewpoint, and called for novel methods to study these themes.

We can close our call for the humanization of stakeholder engagement with a unanimous quote: *Even executives are humans!* So why should stakeholders not be humans?

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