Stakeholders and Student Perceptions: Choosing the Primary Group

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Student perceptions often provide valuable learning insights into various theories and concepts presented within the classroom. Stakeholder theory, for example, presented an opportunity to explore student views on which stakeholder group is most important to organizational success. Students within a business course considered the relative importance of customers, employees, investors, and suppliers. An interesting discussion followed their selections where the students debated the merits of each stakeholder group. Consequently, customers were perceived by the students as the most important stakeholder group to the organization.

INTRODUCTION

The motivation for this study came from a threefold interest in organizational stakeholders. First, understanding how companies and organizations relate to external groups with vested interests. Organizational leaders need to regularly monitor and examine the external environment. Second, identifying which stakeholders may be seen as primary to organizational success. Certain stakeholders provide better opportunities for increasing competitive advantage for the firm. Third, ranking the primary stakeholders based on student perceptions. Encouraging student engagement and perceptional feedback provided ways to raise awareness of various stakeholder groups and their importance to organizational success.

According to Ferrell (2004), "A common view of the firm holds that employees, customers, shareholders, and suppliers are key organizational stakeholders" (p. 126). Using those criteria - students enrolled in a college business course were asked to rank the most important among the following stakeholder groups: investors, customers, employees, and suppliers. The students provided feedback after a class discussion on stakeholder theory and the role of various stakeholders within organizational relationships. Collecting thoughts from the students and engaging in topic discussions led to new insights into the perceived importance of certain stakeholders and connections to organizational success.

BACKGROUND

Understanding the importance of various stakeholders, beyond corporate stockholders, has gained increasing awareness in recent years. Managers and business leaders rightfully place major emphasis on organizational success. Executives often consider valued outcomes achieved in areas of management, operations, finance, accounting, customer service, and others. These outcomes are better achieved when multiple organizational stakeholders play integral roles. However, determining which stakeholders to prioritize can become a difficult task to manage and maintain. Organizational leaders need to recognize the distinct contributions of each stakeholder group and how these groups interconnect with one another (Nwanji & Howell, 2005).

For instance, competent and well-trained employees create better service interactions for customers. When customers are satisfied, they are more likely to become long-term and loyal clients of the organization. Likewise, employees that feel important and valued remain more committed to management and organizational objectives. Employees contributing toward valued outcomes, such as superior customer service, provide organizations competitive advantage. Therefore, it becomes imperative that businesses find ways to enhance positive stakeholder contributions and relationships (Ferrell, 2004).

Stakeholder theory has developed as an important way to determine organizational value and success (Harrison & Wicks, 2013; Freeman, 1984). Stakeholders may include both internal and external individuals or groups that have relationships with and vested interests in certain corporations and organizations (Daft & Marcic, 2017). Stakeholders may include both primary and secondary groups with both groups providing opportunities to the organization for improvement and ongoing success. Completing a three-step process within a stakeholder analysis helps to properly identify the primary and secondary groups (Wheelen, Hunger, Hoffman, & Bamford, 2015).

The primary stakeholders represent groups with strong strategic interests and connections to the organization. According to Steiner & Steiner, "*Primary stakeholders* are a small number of constituents for which the relationship is mutually immediate, continuous, and powerful. They are usually stockholders (owners), customers, employees, communities, and governments and may, depending on the firm, include others such as suppliers or creditors" (2012, p.17). Secondary stakeholders, however, have less influence upon and strategic connection to the organization. Consequently, secondary stakeholders have weaker relationships with the corporation or organization of interest (Steiner & Steiner, 2012).

DISCUSSION

Students within an upper-level business course were provided important conceptual information regarding organizational stakeholder theory. The students were then given class time to consider the following reflection exercise—choose one of the following stakeholders that you think ranks as most important to organizational success: investors, customers, employees, or suppliers. Explain your choice. The exercise garnered 31 responses from the participating students. Most of the students chose customers as number one with a total of 65% stating the case for customers. Several students argued for suppliers to be given first place status. Likewise, a similar number advocated for employees as the most important stakeholder. Surprisingly, only a couple of students debated that investors were paramount to organizational success.

One interesting point came from observing many students relating their own personal experiences as customers. They argued in favor of customers being the most important stakeholder, chiefly because they saw a direct connection with being an actual customer. These students were very vocal on the need for businesses to provide quality products and exceptional customer service. In other words, these students articulated that "no customers – no business!" offered the best defense for their choice of customers as the primary stakeholders.

SUMMARY

In conclusion, student perceptions provided valuable learning insights regarding various organizational stakeholders. For instance, students were overwhelmingly in favor of customers being recognized as most critical to organizational success, whereas, only a few argued that employees deserve that distinction. The students, however, in spite of the disparity between customer and employee rankings seemed to agree that employees have a direct impact on improving customer satisfaction and long-term loyalty. Students in favor of employees as most important placed themselves in the role of an employee.

They shared thoughts on how businesses will not succeed unless the employees are seen as vital to organizational success.

However, student engagement was not limited by the number of students in a particular choice category. For example, one insight involved the very low number of students that chose investors as most critical to organizational success. Yet, the students choosing investors were adamant about their choices being given prominent status. Other students also believed that investors were important stakeholders and needed to be considered as one of the primary groups. Finally, an interesting finding revolved around the number of students perceiving that suppliers deserve the top status among organizational stakeholders. Perhaps this unexpected finding came from a significant portion of students majoring within the supply chain program. These students placed prominence on securing the best sourcing of goods and services available. Future research is needed to examine additional student perceptions of organizational stakeholders in order to determine contrasting rankings and discussion points.

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