Value Creation for Stakeholders: An Empirical Study

April 2023

NATIONAL INSURANCE ACADEMY

ACKNOWLEDGEMENT

The project team conveys heartfelt gratitude to Mr. G. N. Bajpai, Professor Emeritus & Member Governing Board, National Insurance Academy, Pune and Mr. G Srinivasan, Director, National Insurance Academy, Pune for inspiring us to take up the study and for providing their invaluable guidance and support throughout the journey of the project.

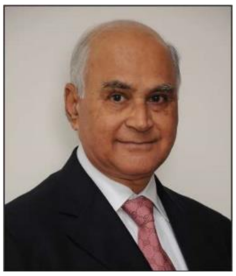
The team expresses heartfelt thanks to all the CEOs, COOs, Independent Directors, HR Heads, Academicians, Practicing Managers, Social Entrepreneurs, Lawyers, and Consultants who spared their valuable time and provided comprehensive inputs during the extensive in-depth interviews and Focussed Group Discussions conducted as a part of the study. The team also acknowledges the valuable contribution of all the industry leaders, experts, and all other respondents who contributed to this project by submitting their exhaustive responses in time. The team could not have completed the study without their support.

Our sincere thanks to Dr Shalini Tiwari, In-charge- Centre for Research, National Insurance Academy, Pune for organizing the International Colloquium during August 2020, further to which the present study was conceptualised, and for providing the necessary administrative support during the project.

Our heartfelt thanks to the Governing Board of National Insurance Academy, Pune. The Study would have not been possible without the Financial Aid approved by them.

The project team is thankful to Ms Aditi Sharma for her support during the course of the project as Research Assistant, Mr. Sanadiip Vaishnv for providing the secretarial support at appropriate times, Shaishavi Project Consultants Pvt. Ltd., Bhopal for helping with data collection for the final study, and Mr. Shrikant Raut for helping with the Analysis part.

GUIDANCE



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The Stakeholder approach is rooted in two core questions, what is the purpose of the firm? and, what responsibility does management has towards stakeholders? Therefore, firms need to clearly articulate their purpose, what kinds of relationships they want and how they wish to create value for their stakeholders, and deliver on their purpose (Freeman, 1984).

Certainly, shareholders are an important constituent and profits are a critical feature of any commercial activity, however, concern for profits is the result rather than the driver in the process of value creation (Freeman *et al*., 2004).

It is logical that by adopting the stakeholder approach, firms are likely to be more successful and to have sustainable businesses. Satisfaction of multiple stakeholders need not be a zero-sum game that is the benefits to one stakeholder group need not come entirely at the expense of another (Preston and Sapienza, 1990). It is interesting to know, what firms mean by value creation? How various stakeholders view the concept of value creation? Can all stakeholders be clearly classified as residual (share the residual surplus) or contractual (value is determined based on contractual terms) stakeholders?

On August 19, 2019, United States Business Roundtable released a new statement on the purpose of the corporation for the benefit of all stakeholders – employees, customers, suppliers, communities, and shareholders. This was a complete departure from the earlier premise of Corporate Governance followed since 1978. However, are firms following well thought out policy framework for identifying and creating value for its stakeholders? Apart from legal and regulatory frameworks, how can individual firms create value for its stakeholders?

To deliberate on the above-mentioned questions and to understand if the firms have done enough to identify and assure fair returns to the stakeholders, the present study was conceptualised further to the discussions held during the International Colloquium organized by National Insurance Academy, Pune on August 21, 2020.

The study aimed at examining value creation and its allocation for the stakeholders, especially residual stakeholders. The study attempted to identify contractual and residual stakeholders for a firm, to study readiness of firms to create value for its stakeholders, and to identify approach of firms towards value creation and its distribution among various stakeholders.

The current study is empirical, wherein mixed method approach was followed. The study was carried out in two phases: Phase I: Qualitative Research, and Phase II: Quantitative Research. Phase I comprised of qualitative study to understand dominant themes related to Value Creation for Stakeholders, particularly Residual Stakeholders. In-depth interviews with experts and five Focussed Group Discussion (FGD) were conducted during this phase.

Phase II comprised of Quantitative Research which consisted of Pilot study and Final study. Based on the findings of Phase I of the study, a survey instrument was designed. Total of 958 responses were received. The data analysis was carried out for 710 respondents after cleaning the data.

The first objective of the study was to identify the Contractual and Residual stakeholders from amongst- Customers, Employees, Society and Environment, Investors (other than equity shareholders), Government, and Suppliers/Vendors.

According to the mean value analysis, respondents considered **Employees and Customers** as top two Contractual Stakeholders as well as the ones who can be considered as both Contractual and Residual Stakeholders of the firm.

The three groups of respondents 1. CEO, HR Head, Promoters 2. Executives, Managers 3. Social Entrepreneurs, Consultants, NGO's identified Customers and Employees as top-rated stakeholders.

Society and Environment were rated low as residual, contractual, and both residual & contractual stakeholders. Investors were identified as both residual and contractual stakeholders by all the three groups of respondents.

The findings of the study indicate that Customers and Employees as highly rated stakeholders across categories. Suppliers were clearly identified as contractual stakeholders.

Based on the mean value analysis, it was identified that Customers and Government have the maximum bargaining power, while Society and Environment, and Investors have the least bargaining power.

The final objective of the study was to identify the approach of the firms towards value creation and its distribution among various stakeholders. The results identified that the most desirable way to create and distribute value among stakeholders is a combination of quantitative and qualitative parameter, and the Board of the firm must be entrusted with the responsibility of formulating policy to create and allocate value among stakeholders.

All the results are discussed with the help of statements from qualitative interviews and existing literature. Implications of the research findings, limitations of the study and scope for future research is also discussed in Section V.

SECTION I: INTRODUCTION

The Stakeholder approach is rooted in two core questions, what is the purpose of the firm? and, what responsibility does management has towards stakeholders? Thus, firms need to clearly articulate their purpose, what kinds of relationships they want and how they wish to create value for their stakeholders, and deliver on their purpose (Freeman, 1984). Certainly, shareholders are an important constituent and profits are a critical feature of any commercial activity, however concern for profits is the result rather than the driver in the process of value creation (Freeman *et al*., 2004).

It is logical that by adopting the stakeholder approach, firms are likely to be more successful and to have sustainable businesses. There is some evidence, based on analysis of the Fortune corporate reputation surveys, that the satisfaction of multiple stakeholders need not be a zero-sum game, that is, the benefits to one stakeholder group need not come entirely at the expense of another (Preston and Sapienza, 1990). Therefore, what firms mean by value creation, how various stakeholders view the concept of value creation, can stakeholders be clearly classified as residual or contractual stakeholders?

On August 19, 2019, United States Business Roundtable released a new statement on the purpose of the firm for the benefit of all stakeholders – employees, customers, suppliers, communities, and shareholders. This was a complete departure from the earlier premise of Corporate Governance followed since 1978. However, are firms following well thought out policy framework for identifying and creating value for its stakeholders? Apart from legal and regulatory frameworks, how can individual firms create value for its stakeholders?

To deliberate on the above-mentioned questions and to understand if the firms have done enough to identify and assure fair returns to the stakeholders, the present study was conceptualised further to the discussions held during the International Colloquium organized by National Insurance Academy, Pune on August 21, 2020.

Aim:

The study attempts to examine value creation and its allocation for the stakeholders especially residual stakeholders.

Objectives:

- To identify contractual and residual stakeholders for a firm.
- To study readiness of firms to create value for its stakeholders.
- To identify approach of firms towards value creation and its distribution among various stakeholders.

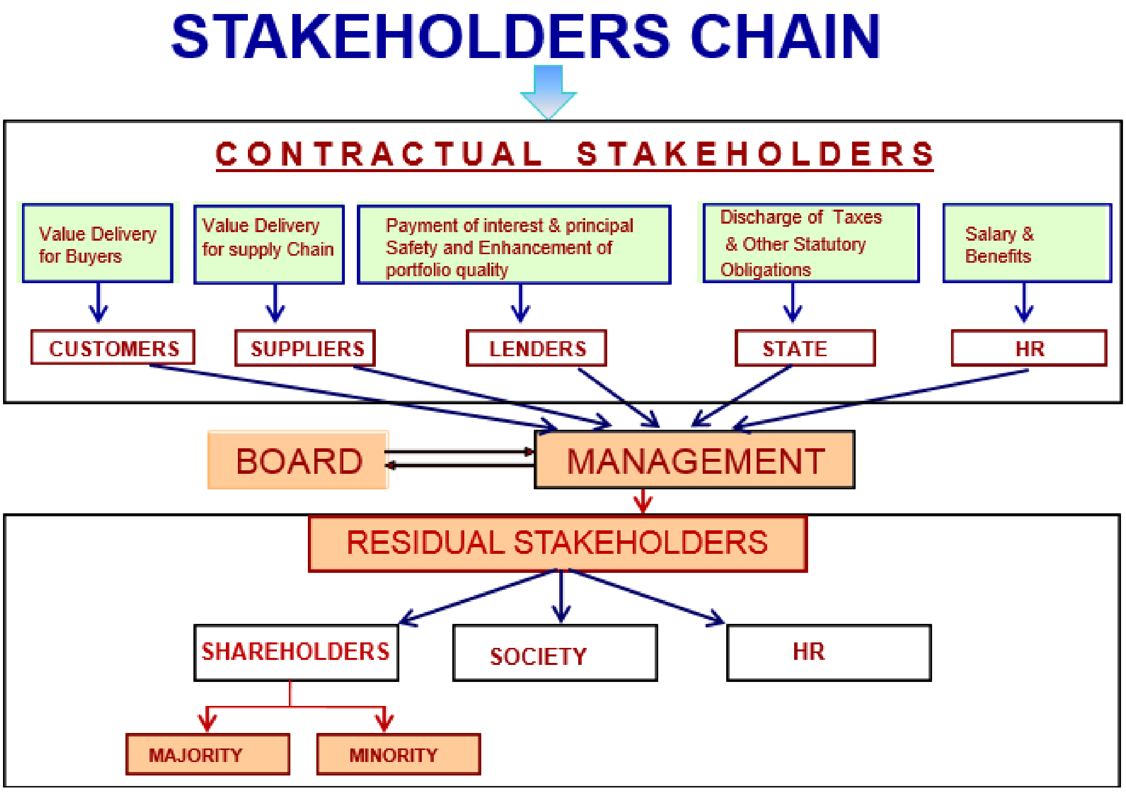
SECTION II: REVIEW OF LITERATURE

Who are the Stakeholders?

The stakeholder theory first came to light in the 1980s when Freeman (1984) established how different stakeholders having similar interests get into a group. Freeman (1984) explained the relationship between a firm and its external environment in context of its behaviour within the given environment. The stakeholder management concept helps the firms to identify, investigate and explore individual as well as group characteristics which impact or are impacted by the firms' behaviours and actions (Clarkson (1995). Clement (2005) states that there is an increased pressure on the firms to ensure protecting interests of the various stakeholders. Since stakeholders of the firm are in a continuous relation with the firm for generating contribution and resources, it is imperative for the firms to identify the stakeholders who are important for its survival; and ensure meeting their respective needs and expectations (Julian *et al*., 2008; Baron, 2009).

There is reasonable agreement in literature on individuals/entities who qualify as potential or actual stakeholders- persons, neighbourhood, institutions, groups, organizations, society, and the environment (Mitchell *et al*., 1997). Mainardes *et al*. (2012) identified six categories of stakeholder types- regulator, controller, partner, passive, dependent and non-stakeholder. Clarkson (1995) explained that the stakeholders can largely be divided into two groups- *(i) primary stakeholders*- individuals or entities who have a formal contractual relation with the firm (e.g., clients, suppliers, employees, shareholders) *(ii) secondary stakeholders*- who do not have any contractual relation (e.g., government, local community). Hence, this way, a firm is perceived as a network of both explicit and implicit associations within the internal and external environment.

Figure 1. The Stakeholders Chain



(Based on Bajpai, 2017, adapted by NIA Project Team)

Myllykangas, *et al.*, (2010) opined the stakeholders' relations and connections form, alter, and advance over time through authenticity, control, and urgency. However, the findings on the effects of stakeholder management on firm outcomes remain ambiguous (Tipuric and Lovrincevic, 2011). Some evidence suggests a positive relationship (Waddock and Graves, 1997; Choi and Wang, 2009), while others suggest a negative or insignificant relationship (Aupperle *et al.*, 1985; Tipuric and Lovrincevic, 2011). However, many studies confirm a positive relationship between primary stakeholder management.

Harrison *et al*. (2010) explained why some firms outperform other firms. They provided a detailed explanation of how and why the firm behaviours associated with managing for stakeholders work to unlock the potential for value creation and the conditions that either facilitate or disrupt this creation process. These explanations provide a strong rationale for including stakeholder theory in the discussion of firm competitiveness and performance.

Tantalo and Priem (2014) developed stakeholder theory in terms of how firms think about value creation? The researchers presented a stakeholder synergy perspective and showed how top managers can increase utilities for multiple essential stakeholder groups simultaneously, rather than simply "establishing priorities and making choice trade-offs among competing interests”. Stakeholder synergy happens when a single strategic activity adds value for two or more crucial stakeholders involved at once without detracting from the value gained by a different crucial stakeholder.

The stakeholder synergy perspective, targeted at top managers, provides a way to recognise opportunities for value-creating actions that can collectively increase the value received by multiple stakeholder groups or subgroups, even when a particular value opportunity may not have yet been recognised by the stakeholders or subgroups themselves (i.e., when their needs or values remain latent). Given the well-established stakeholder trade-off and shareholder value maximisation mindsets, it is true that many people may find it difficult to shift to a wider stakeholder value creation attitude. However, the potential benefits for all parties involved in the company may make the managerial effort worthwhile.

Creation and Distribution of Value among Stakeholders

Garriga (2014) researched to answer the questions that arise specifically from the stakeholder's side: What does "value" mean for a particular group of stakeholders and how do firms create these different types of value? Stakeholders' abilities that are important for value creation are being independent, being inventive, being innovative, being responsive, being socially coordinated, being insistent, being "green" and being sound.

Vracheva and Mason (2015) studied the effect of the primary stakeholders (such as customers, employees, suppliers) and secondary stakeholders (such as consumer advocacy groups, the community, and media) performance on firm value and how the level of industry regulation (i.e., acceptable versus significant) impacts this relationship? However, the interactions with secondary stakeholders are frequently overlooked by supervisors (Easley and Lenox, 2006) because they are not seen as directly related to the development of competitive advantages (Hillman and Keim, 2001).

Freeman (2010) held that value creation mindset is the idea that firms can have a purpose, and there are few limits on the kinds of purpose that can drive a firm. Mukherjee (2014) stated that to understand some expectations and paradoxes of various stakeholders to understand their commonality and controversy, the firm is answerable to the stakeholders for value creation for them on a continuous basis. Hence focus should be to find out the gap and the cause of gap between the stakeholders' expectations and corporate value creation as the real test of good corporate governance.

'Bargaining power' of the stakeholders has a significant role in the allocation and distribution of value created by a firm. Though strategic capabilities of a firm lead to above normal financial performance, the rent generated by virtue of the competitive advantage of the firm is appropriated by the stakeholders on the basis of their bargaining powers and it cannot be observed in performance measures to the fullest and ultimately a resource-based advantage may result in relatively little rent observable in measures of firm performance (Coff, 1999).

Trust is a fundamental aspect of the moral treatment of stakeholders within the organization-stakeholder relationship where fairness is the correct principle, lack of consent is the problem, and trustworthiness is a solution (Greenwood *et al*., 2010). In a moral hazard framework, the manufacturer seeks to hold all the bargaining power to decrease the retailer's share, the retailer only wishes to have enough bargaining power to keep the manufacturer's reserved profit. From the societal perspective, the optimal bargaining power allocation is related to the conversion and monitoring technologies, with the bargaining power gradually shifting to the manufacturer as the technology improves (Guo *et al*., 2018).

In order to minimize the risk that a potential conflict of interest arising between shareholders' choices about firm structure and the goal of society, managers should not be excessively strong in bargaining vis-à-vis owners. When either the shareholders or the managers are sufficiently strong in wage bargaining, strategic interaction among firms leads to the best outcome for them as well as for society as a whole (Buccella and Meccheri., 2022). However, the bargaining problems suffered by even the high-end market like private equity funds provide a striking illustration of the fact for scholars and policymakers that - bargaining cannot simply be assumed to produce optimal outcomes in real world environments. Acknowledging this reality has significant implications for the legal setups (Clayton, 2022).

'Collective bargaining' is a method by which trade unions protect, safeguard, and improve the conditions of their members' working lives and it has become an instrument of social change with the evolution of industrial and employment relations in the face of rapid changes and significant advances in technology (Durga Prasad, 2009). While explaining the pay disparity within firms that indicates the redistributive dynamics within organizations, Shin (2014), opined that the firms operating in highly unionized industries tend to have a lower level of executive compensation and, consequently, a narrower gap between executives and non-executive employees. Also, when the CEO is an outsider who was recruited from outside the organization, or when the CEO has a finance background, unions' power to reduce executive pay and narrow the pay gap becomes weaker. The incentive systems used by a firm - and thus the different types of rewards that managers receive - are the result of a complex dynamic process that is influenced in significant ways by shifts in bargaining power (Dencker, 2009).

According to Campbell (2007), the state's regulatory punishments are the most apparent institutional explanation for socially responsible corporate behaviour because "corporations will be more likely to operate in socially responsible ways if there are robust and well-enforced state rules". However, compliance just denotes a basic and easily replicable effort that any company in a given industry is required to do. Compliance with regulations might allow the firm to avoid financial consequences and improve its reputation. Therefore, it is reasonable to argue that the more tightly regulated relationships with primary stakeholders are, the less likely they are to be a source of competitive advantage; instead, businesses will look to forge distinctive relationships with secondary stakeholders to gain competitive advantages and increase firm value.

Another aspect of stakeholders' relations is collaboration. Orr (2010) suggested different techniques for stakeholder collaboration/participation and opined that interests can both facilitate and destabilize stakeholder participation initiatives and lead to conflicts among stakeholders. Schneider and Sachs (2017) built on social identity theory to bridge individuals' memberships in social groups with value creation in stakeholder networks defined by a socio-economic. The authors suggested a theoretical model of value creation that links individuals' identification with stakeholder groups to intergroup trust, co-operation, and value creation.

Busch *et al*. (2018) opined that creating collective value and embedded relations with stakeholders are of central relevance and building consent by promoting interactions among stakeholders can also help companies understand which business models are viable in a specific institutional context.

To drive firm-level performance, strategy scholars develop and test theories that encompass these processes through which value is co-created. How the value is distributed among stakeholders, and the effects of value distribution schemes on subsequent value co-creations was studied by Boaventura *et al*. (2020). The researchers used more nuanced measures of value that capture each stakeholder's preferred components of utility, rather than simply measuring dollar amounts distributed to a few selected stakeholders as reflected in accounting or financial market reports which could stimulate a cycle of negative reciprocity among those stakeholders who incur the losses. Harrison and Wicks (2013) also argued that the notion of value has been overly simplified and narrowed to focus on economic. They argue that the utility stakeholders seek is complex and pertains to more than just economic, there are potential conflicts between the utility that stakeholders and firms seek versus what society may value; research is needed both to document consistent kinds of gaps between the two potential means to close the gap.

SECTION III: RESEARCH METHODOLOGY

The current study is empirical, wherein mixed method approach was followed. The study was carried out in two phases: Phase I: Qualitative Research, and Phase II: Quantitative Research.

Phase I Phase I comprised of qualitative study to understand dominant themes related to Value Creation for Stakeholders, particularly Residual Stakeholders. Interview with experts as well as Focussed Group Discussion (FGD) were conducted during this phase.

Interview with Experts: Nine interviews were conducted with the experts and practitioners from varied fields such as Academia, CEOs, Business Owners, Public Policy, and HR Professionals by the NIA Faculty Project Team (Refer Annexure I for the Experts interviewed).

The project team conducted online interviews on a mutually convenient date and time on Microsoft Teams platform during the month of March and April 2021. Semi- structured interview guide was used, and inductive approach was followed to get deeper insights about interviewees experience and thought process. Interviews were recorded after taking due consent from the interviewees. Each interview lasted for 45 to 60 minutes. Interviews were transcribed verbatim in NVivo 12 Plus. Nodes and sub-nodes were created based on the interview guide. Statements representing corresponding experiences were imported in the related node representing a particular theme and related attributes. Subsequently, Hierarchy Chart was created to identify the prominent themes and related attributes.

The following themes emerged based on the interviews with experts:

1. Primacy: Shareholder vs Stakeholder
2. Enforcement: Regulator vs Board

3. Value Creation for Stakeholders: Monetary vs Non-Monetary
4. Bargaining power: Entrepreneur vs Stakeholders
5. Organization Lifecycle: Startup vs Established Firm

Focussed Group Discussion (FGD): To understand views, opinions, and recommendations on the themes identified during interview with experts and to seek direction for quantitative study, five FGDs were carried out from July to September 2021 (Refer Annexure II for list of experts). FGDs provide opportunity to the participating experts in building on each other's responses as well as in presenting counter arguments.

It was decided to form heterogeneous groups for FGDs which included CEOs, Independent Directors/ Board Members, Social Entrepreneurs, Economists, Lawyers, HR Heads to gain deeper understanding about Value Creation for Stakeholders, especially the Residual Stakeholders. Heterogeneous groups were formed as it helps in bringing out multiple facets of themes under discussion.

21 experts participated in FGDs conducted online on MS Teams Platform. Each FGD took approximately 90 minutes. The FGDs were recorded after obtaining permission from the participating experts. Recorded FGDs were transcribed, and the transcripts were analysed with the help of NVivo 12 plus software.

Inductive approach was adopted to collect qualitative data during the FGDs. Set of eight questions related to themes identified during interview with experts were framed (Refer Annexure III). The indicative questions, research objectives, and research plan were shared with the experts in advance. Clarifying and supplementary questions were asked during the FGDs to collect additional qualitative data.

Initial eight questions were modified based on saturation of responses and feedback from the participating experts. As we reached saturation for theme no 5 – ‘Organization Lifecycle: Start-up vs Mature Firms’ during the first two FGDs, the question related to aforesaid theme was not included during remaining three FGDs (Refer Annexure IV).

FGD data was analysed with the help of NVivo 12 plus software by creating Nodes and Sub Nodes for each question.

It is argued by researchers that before the pilot or the final study is conducted, it is necessary to operationalize the variables. Operationalizing gives meaning to the variable and allows the researcher to elaborate on what they mean when they use a term in a particular way. Hence, important definitions and explanations were detailed before getting into Phase II of the study.

- ***Stakeholders:*** Stakeholder is defined as “any group or individual who can affect or is affected by the achievement of the organization's objectives” (Freeman, 1984).
- ***Contractual Stakeholders***: The stakeholders to be considered for allocating the value based on contractual terms between the concerned stakeholders and the firm.
- ***Residual Stakeholders***: Equity shareholders are residual shareholders. The residual stakeholders are to be considered to share the residual surplus after meeting the obligations towards all the contractual stakeholders.
- ***Society:*** Community
- ***Environment:*** The natural world affected by human activity.

Phase II Phase II comprised of Quantitative Research which consisted of Pilot study and Final study. Based on the findings of Phase I of the study, a survey instrument was designed which was shared with the subject matter experts for Face Validity. Face validity is "the degree that respondents or users judge that the items of an assessment instrument are appropriate to the targeted construct and assessment objectives" (Hardesty and Bearden, 2004).

Pilot Study: Pilot study was conducted from May to August 2022. Data was collected from 56 respondents which included CEOs, Promoters, Consultants, NGOs, HR Heads etc. Companies located in four metro cities namely Mumbai, New Delhi, Gurugram, and Bangalore were considered for collecting data for the pilot study. CMIE Prowess database was used to identify companies for the pilot study.

Reliability analysis of the survey instrument was carried out. Cronbach's Alpha, which is the most common measure of internal consistency and reliability of the questionnaire, was calculated in SPSS Version 24. Overall Cronbach's Alpha value for the questionnaire came out to be 0.931 (standard value should be more than 0.70), which indicates that the items in the scale have high internal consistency. Further, feedback of respondents regarding language, clarity of questions, and length of questionnaire was sought, based on which the questionnaire was revised (Refer Annexure V). Data was analysed in SPSS version 24 through descriptive statistics and independent sample t-test.

Final Study: Observing to the reliability and validity of the survey instrument, final survey was conducted during September to December 2022. The purpose of the study was detailed to the respondents, and it was stated that the data was being collected for academic research. Assurance about the confidentiality of responses was also given to the respondents.

The survey instrument was divided into four sections. Important definitions and explanations related to each question was also provided to the respondents. The responses were sought on a 5-point Likert scale for Section 2 (5=strongly agree, 1=strongly disagree), Section 3 (5=most, 1=least) and Section 4 (5=most desirable, 1=most undesirable), while for Section 1 of the survey instrument, an option of 0= Not Applicable was also provided alongside the 5-point Likert scale (5=strongly agree, 1=strongly disagree). The total number of responses received for the survey were 958. However, the data analysis was carried out for 710 respondents after cleaning the data.

To identify if there is any significant difference between the responses of respondents from the Top Management; the Executives, Managers of the organization; and NGO, social entrepreneurs, Consultants, the respondents were divided into three Groups.

Group 1 comprised of CEOs, HR Heads and Promoters of the organizations,

Group 2 comprised of the Executives and Managers, and

Group 3 comprised of Social Entrepreneurs, Consultants, NGO's and others.

The demographic details of the respondents are mentioned in Table 1 below.

Table 1. Demographic Details

Group	Male	Female	Total
1: CEO, HR Head, Promoter	141	37	178
2: Executives, Managers	365	129	494
3: Social Entrepreneurs, Consultants, NGO's	23	15	38
Total	**529**	**181**	**710**

Sampling Frame

CMIE-PROWESS database was used to identify the target companies. 3400 companies from non-financial sector and 2454 companies from financial sector were identified. The inclusion criteria of the companies in the sampling frame were based on the following factors:

- Place of Registered Office (6 metro cities- Mumbai, New Delhi, Gurugram, Hyderabad, Bangalore, Kolkata, and Chennai)
- Profit (FY 2020)
- Ownership (public or private sector)
- Industry
- Incorporation Year (1950 onwards)

1. For identifying sample for the study, the Place of Registered Office situated in 6 Metro Cities of India was considered. 1979 companies from non-financial and 2454 from financial companies were identified in the six metro cities (Mumbai, New Delhi, Gurugram, Hyderabad, Bangalore, Kolkata, and Chennai).

Upon randomisation a sample of 615 companies situated in above mentioned 6 cities were identified. The number of companies which registered profit or loss in FY 2020 is presented below.

Cities	No. of companies with Profit in FY 2020	No. of companies with Loss in FY 2020
Mumbai	128	79
Delhi & Gurugram	144	101
Bangalore	25	21
Hyderabad	13	6
Kolkata	23	19
Chennai	41	15
Total	**374**	**241**

2. The companies were further divided based on Ownership (Public and Private) located in the 6 Metro Cities.

City	Private Co.	Public Co.
Mumbai	158	49
Delhi & Gurugram	176	70
Bangalore	34	12
Hyderabad	9	10
Kolkata	16	27
Chennai	38	18
Total	**430**	**185**

3. The companies were also classified based on nature of Industry in those major 6 cities, details of which are given below:

	Mumbai	Delhi NCR	Bangalore	Hyderabad	Kolkata	Chennai	Total
Automobiles	6	21	1	-	-	5	33
Chemicals	9	7	-	-	-	2	18
Construction Material	5	2	-	4	4	-	15
Consumer Goods	38	6	4	-	1	1	50
Food & Argo	2	1	2	-	17	-	22
Machinery	22	62	13	4	3	13	117
Metal & Non-Metal	3	5	3	-	-	1	12
Services	33	52	13	7	7	14	126
Textiles	10	22	3	1	2	4	42
Transport	6	35	3	-	2	6	52
Financial Services	73	30	4	3	6	12	128

SECTION IV:
RESEARCH FINDINGS

Descriptive statistics were used for the purpose of data analysis. Descriptive statistics summarizes the data and makes information assimilation easier (Hesse and Ofosu, 2017). It also helps in understanding, comparing, and interpreting the data (Lee, 2020). Maravelakis (2019) stated that descriptive statistics helps identify the trends and relationships among various items and variables under the study. The purpose of expanding on the descriptive statistics was to identify the top two and bottom two stakeholders under each section, based on the three groups of the respondents created as well as overall.

The first objective of the study was to identify the Contractual and Residual stakeholders from amongst- Customers, Employees, Society and Environment, Investors (other than equity shareholders), Government, and Suppliers/Vendors.

According to the mean value analysis, Employees and Customers are the top two Contractual Stakeholders of the firm, while Society and Environment, and Investors are the bottom two Contractual Stakeholders (Refer Table 2).

Employees and Government were identified as the top two Residual Stakeholders of the firm, while Suppliers and Investors were identified as the bottom two Residual Stakeholders. However, according to Social Entrepreneurs, Consultants, and NGO's, Society and Environment, and Suppliers are the bottom two Residual Stakeholders (Refer Table 3).

As per the mean value analysis, it was identified that Employees and Customers are the ones who can be considered as both Contractual and Residual Stakeholders, and Society and Environment, and Suppliers are at the bottom of being considered as both Contractual and

Residual Stakeholders. However, according to Social Entrepreneurs, Consultants, and NGO's, instead of Customers, it is the Investors who are amongst the top two (along with Employees) to be considered as both Contractual and Residual Stakeholders (Refer Table 4).

Table 2. Stakeholders Group- Contractual Stakeholders

	Top Two Stakeholders		**Bottom Two Stakeholders**	
Overall $\bar{x}$	Employees 3.93	Customers 3.83	Society & Env 2.55	Investors 2.97
CEO, HR Head, Promoter $\bar{x}$	Customers 3.96	Employees 3.93	Society & Env 2.38	Investors 2.83
Executives, Managers $\bar{x}$	Employees 3.92	Customers 3.79	Society & Env 2.58	Investors 2.93
Social Entrepreneurs, Consultants, NGO's $\bar{x}$	Employees 4.08	Customers 3.79	Society & Env 2.95	

Table 3. Stakeholders Group- Residual Stakeholders

	Top Two Stakeholders		**Bottom Two Stakeholders**	
Overall $\bar{x}$	Employees 3.45	Government 3.20	Suppliers 2.60	Investors 2.78
CEO, HR Head, Promoter $\bar{x}$	Employees 3.46	Government 3.17	Suppliers 2.51	
Executives, Managers $\bar{x}$	Employees 3.45	Government 3.23	Suppliers 2.60	Investors 2.79
Social Entrepreneurs, Consultants, NGO's $\bar{x}$	Employees 3.47		Society & Env 2.97	Suppliers 2.95

Table 4. Stakeholders Group- Contractual and Residual Stakeholders

	Top 2 Stakeholders		Bottom 2 Stakeholders	
Overall $\bar{x}$	Employees 3.83	Customers 3.50	Society & Env 2.54	
CEO, HR Head, Promoter $\bar{x}$	Employees 3.79	Customers 3.54	Suppliers 2.83	Society & Env 2.39
Executives, Managers $\bar{x}$	Employees 3.85	Customers 3.48	Society & Env 2.56	
Social Entrepreneurs, Consultants, NGO's $\bar{x}$	Investors 3.82	Employees 3.74	Society & Env 3.00	Suppliers 3.08

The second objective of the study was to understand the readiness of firms to create value for its stakeholders. Hence, we studied the stakeholder engagement plan and activities undertaken by the firms, as well as the bargaining power of various parties.

It was identified that the firms regularly communicate and measure their engagement with various stakeholders and have designated managers for ensuring stakeholders satisfaction. The firm's stakeholder engagement plan is based on their purpose, philosophy, and values (Refer Table 5).

Table 5. Firm's Stakeholder Engagement Plan

Firm's Stakeholders Engagement Plan and Activities	Mean
As a firm, we regularly communicate and measure our engagement with stakeholders as it helps us in improving our revenue	3.93
In our firm, designated managers have responsibility for aiming to satisfy stakeholders	3.84
As a firm, our stakeholder engagement plan is based on firm's purpose, philosophy, and values	3.83
As a firm we have a clearly defined stakeholder engagement plan as it helps us in improving brand image	3.79

As a firm, our Board members regularly review the benchmarks set out for stakeholder engagement	3.65
As a firm, our goals and objectives are primarily driven by maximising wealth creation for the shareholders	3.53
As a firm, we have a written policy to involve our employees in CSR activities	3.39
As a firm, our 'Stakeholder Relation Committee' is guiding force for our processes and activities	3.34
We periodically publish our stakeholder engagement scores	3.14
As a firm, we regularly take initiatives to share information from Business Responsibility and Sustainability Reporting (BRSR) among key stakeholder	2.63

Based on the mean value analysis, it was identified that Customers and Government have the maximum bargaining power, while Society and Environment, and Investors have the least bargaining power (Refer Table 6 below).

Table 6. Bargaining Power of the Stakeholders

	Top 2 Stakeholders		**Bottom 2 Stakeholders**	
Overall $\bar{x}$	Customers 3.95	Government 3.75	Society & Env 2.74	Investors 2.91
CEO, HR Head, Promoter $\bar{x}$	Customers 4.02	Government 3.73	Society & Env 2.63	Investors 2.67
Executives, Managers $\bar{x}$	Customers 3.91	Government 3.75	Society & Env 2.74	
Social Entrepreneurs, Consultants, NGO's $\bar{x}$	Customers 3.97	Government 3.79	Society & Env 3.11	

The final objective of the study was to identify the approach of the firms towards value creation and its distribution among various stakeholders. The results identified that the most desirable way to create and distribute value among stakeholders is a combination of quantitative and qualitative parameter, and the Board of the firm must be entrusted with the responsibility of formulating policy to create and allocate value among stakeholders (Refer Table 7).

Table 7. Determination and Allocation of Value

Most Desirable ways to Create and Distribute Value among Stakeholders	**Mean**
A combination of quantitative and qualitative parameters is preferred to determine & allocate value among residual stakeholders	3.93
Board of the firm must be entrusted with the responsibility of formulating policy to create & allocate value among stakeholders for seamless execution	3.89
Quantitative/ Monetary/ formula-based parameters are preferred to determine & allocate value among residual stakeholders	3.73
Value creation for determination & allocation can be bench marked on an existing framework for example ESG ratings	3.54
Governing Boards of firms should be given flexibility to decide parameters for determination & allocation of value among stakeholders to ensure stakeholder primacy	3.50
Qualitative/ intangible/ non -formula based parameters are preferred to determine & allocate value among residual stakeholders	3.38
There is no need to formulate a policy or framework to determine & allocate value among residual stakeholders.	3.06
Regulators must formulate policy to create & allocate value among stakeholders for seamless execution	2.83
Value creation for determination & allocation should be mandated by Government	2.79

SECTION V: DISCUSSION

The current study was undertaken to examine the value creation and its allocation for various stakeholders of the firm, especially the residual stakeholders.

The sample for the study was the CEOs, HR Heads, Promoters, Executives, and Managers of firms, Social Entrepreneurs, Consultants, and NGOs from 6 metro cities which were identified based on criteria mentioned in Section III. To identify if there is any significant difference between the responses of various respondents, the respondents were divided into three Groups.

Group 1 comprised of CEOs, HR Heads and Promoters of the organizations,

Group 2 comprised of the Executives and Managers, and

Group 3 comprised of Social Entrepreneurs, Consultants, NGO's and others.

Mean value analysis was conducted to identify the parties to be considered as Contractual Stakeholders, Residual Stakeholders, and both Contractual and Residual Stakeholders. The results indicated that for all the three groups of respondents, Customers and Employees are the top-rated Contractual Stakeholders, as well as Contractual and Residual Stakeholders. However, Group 3 (Social Entrepreneurs, Consultants, NGO's and others) identified Investors among the top two Contractual and Residual Stakeholders, along with Employees.

Investors, and Society and Environment are rated low as contractual stakeholders, while Suppliers, and Society and Environment are rated low as Contractual and Residual Stakeholders.

The results also indicated that Employees and Government are the top Residual Stakeholders for all three group of respondents, while Suppliers and Investors are rated low as Residual

Stakeholders. However, Group 3 (Social Entrepreneurs, Consultants, NGO's and others) identified Society and Environment among the bottom two Residual Stakeholders, along with Suppliers.

Employees are a part of the firm as they offer their skills and labour to the firm to produce and market the goods and services which are purchased by the Customers at some value, through which the firm intends to make profit. This way, both Employees and Customers are important stakeholders of the firm. Similarly, the Government acts as a gatekeeper of the firms which provides framework to the firms for carrying out the operations and facilitates efficient market structure for production and distribution of its goods and services. Environment & Society was not identified as top 2 stakeholders, probably because the Environment and Society is served through firm's activities, customers, and employees. Vracheva and Mason (2015) in their study have also identified customers and employees as the primary stakeholders, while Bajpai (2017) identified shareholders, employees, suppliers, customers, society and the state as the major stakeholders of the firm.

Supporting the findings of the quantitative data analysis, some of the respondents shared the following views during qualitative interviews:

"Employees are definitely residual stakeholder because without them the company just doesn't function. The other person will be the consumer ultimately, because, again, what is the value that you're giving to consumers"?

"I confirm that in this, no among the residual stakeholders are total stakeholders. It is like three axes of a triangle - the shareholders or the investors, the customers and the employees. These three play a major role though there are many other stakeholders also. So, the value

creation or the percentage of contribution or whatever sharing is to be is among these three… predominantly. That is what I feel. The others are like a supportive role. But these three are very, very crucial".

"I would like to categorize stakeholders as customers, employees, creditors, suppliers, etc. and I would also like to put government and the regulator in this category".

"I think we all talked of employees, which I fully agree with. Employees are the crucial stakeholders in any venture. But, in an insurance venture, I think customers are more important than employees".

'Bargaining power' of the stakeholders has a significant role in the allocation of value created by a firm. The results of the study identified that Customers and Government have the maximum bargaining power and can influence the distribution of value. The plausible reason for this is that the firm operates for and because of its customers, within the framework which is designed by the Government. Hence the capability of exerting pressure on the firms to distribute better value gives the Customers and Government higher bargaining power than the other stakeholders. Similar findings were noted by Campbell (2007). It was established in the study that the state's regulatory punishments are the most apparent institutional explanation for socially responsible corporate behaviour because "corporations will be more likely to operate in socially responsible ways if there are robust and well-enforced state rules", and hence they have the maximum bargaining power.

Also, consider the following views of respondents during interviews:

"In the case of a monopoly, the buyer- government will call the shots. In the case of a competition, the customer calls the shots. As far as listing the stakeholders is concerned, one is the shareholder".

"But I think bargaining power, when you are asking a specific question about bargaining power of various stakeholders, I think it has to do a lot with the control aspect. Who is exercising control over the operations of the organization?"

"I think the customers will be having the maximum bargaining power it is them who actually will be driving customization of product. It is them who will be driving the efficiency in services. And I think whole dynamics will be focused on them only".

According to Freeman *et al*. (2007) "Business, indeed any business, just is creating value for stakeholders". In other words, the ultimate purpose of any firm ought to be creation of value for all those who have a stake in the firm. Hence, the second objective of the study was to understand the readiness of firms to create value for its stakeholders. Hence, we studied the stakeholder engagement plan and activities undertaken by the firms.

It was identified that the firms regularly communicate and measure their engagement with various stakeholders and have designated managers for ensuring stakeholders satisfaction. The firm's stakeholder engagement plan is based on their purpose, philosophy, and values. Noland and Phillips (2010) in their study acknowledged similar findings. They reported that an honest, open and respectful stakeholders' engagement plan is integral part of a firm's strategy for achieving real success, as the reason of any firm coming into existence is to create value and ethically engage all those individuals and groups who have a stake in the firm. Gao and Zhang (2006) suggested that engaging various stakeholders via dialogue is imperative to establish trust, build commitment and promote co-operation between stakeholders and the firm. Bourne (2016) also established that targeted communication is the key to effective stakeholder engagement for the firm to achieve the intended purpose.

Also consider the opinion of a respondent during the interview:

"I think, it's a function of what the company needs and what's the purpose?. So, for example, in order to sort of attract, retain and motivate talent, I think the choice is a function of where the company is and what it needs. Those companies which are mature, have great brands, are predictable, have one choice versus for a start-up, the choice architecture is quite different. So, I think it's a function of what the company needs specifically".

Lately, awareness has slowly started to shift from shareholders primacy towards stakeholders' primacy, the firms do not yet periodically publish the stakeholder engagement scores and are also not taking regular initiatives to share information from Business Responsibility and Sustainability Reporting (BRSR) among key stakeholders. In that sense, there is still a long way for the firms.

Finally, the study aimed to identify the approach of the firms towards value creation and its distribution among various stakeholders. The results of mean value analysis identified that the most desirable way to create and distribute value among stakeholders is a combination of quantitative and qualitative parameter, and the Board of the firm must be entrusted with the responsibility of formulating policy to create and allocate value among stakeholders, and it should not be mandated by the Regulator or the Government.

The plausible reason for this finding could be that, in many cases the quantitative parameter can be complied with, and the firms may show some numbers without spending much part of it. Hence the monetary distribution of value is just the baseline, while the qualitative or non-monetary parameters may add more value. Another reason could be that qualitative measures are not prescriptive. They are flexible and can be made suitable to the needs of the stakeholders. However, quantitative measures promote transparency, are easy for determination of value, and enforceability. Hence a combination of both may be suitable which can be determined by the respective Board of the firm, as over-regulation in allocation and distribution of value might even spoil the spirit of the firms.

Sheveleva (2018) analysed reports of 97 firms to identify whether firms create and allocate value for various stakeholders in quantitative or qualitative terms. It was identified that although there is an increasing focus on qualitative distribution of value amongst stakeholders, the firms are still driven by quantitative value creation to receive the greatest external interest. It was also stated that probably the firms are uncertain of what exactly non-financial value creation is. Hence a balanced approach of quantitative and qualitative value creation and its reporting is suggested.

Consider the following viewpoints of respondents during the interviews:

"I also believe that it should be a combination of both when it comes to formula-based sharing of monetary terms and at the same time qualitative aspects of determining that when it comes to distribution of value among the residual shareholders".

"If you ask me, very honestly, I think it should be a combination of both. Because when you carry out any particular assessment, definitely, there has to be a framework and that framework will come through some kind of a quantitative measure. Any framework comes with

a quantitative measure, but is a quantitative measure sufficient and adequate to reward something or to create value? May not be".

"The Board as well as Chief Executive. They basically, you know, run the company, they will also have to understand that without their employees and customers, the company also doesn't survive. So definitely the boards as well as chief executives, they can, they definitely play a very important role for this. And how, you know, the company has to set the framework you know with keeping in mind that without the employees or without the consumers, the company also doesn't survive. So that's the key".

"I think I have seen quite a few businesses across various industries, including the insurance industry, and I think one of the important elements over here would be the role of the board".

"I would not recommend any overregulation that would spoil the spirit".

"To me, the whole principle of adding many other obligations on companies through rules does not make sense because it only increases costs because any rule-based system ultimately leads to costs of monitoring, costs of compliance. And it ultimately leads to other kinds of costs, as we know, is all too common in developing countries."

CONCLUSION

A firm exists and is able to function effectively because of the contribution of various stakeholders. Hence it becomes the responsibility of the firm to ensure that all the stakeholders are taken care of, and running the firm's basis stakeholder primacy becomes a viable management alternative.

The current study has made major contribution to the body of knowledge in terms of identifying the contractual and residual stakeholders of the firms and by recognising the readiness and approach of firms towards value creation and its distribution among various stakeholders. Since India is at a stage of evolution, the findings suggest that it is high time that the firms look beyond shareholders primacy and focus on its Employees, Customers, and Government as important stakeholders. The study has also identified that mixed parameter of allocating value amongst stakeholders is appropriate, which is inclusive of both monetary (quantitative) and non-monetary (qualitative) benefits. A framework is required to determine and allocate value amongst the stakeholders. However, decision regarding its distribution should be left to the Board members and not regulated or mandated by the Government and Regulatory bodies.

IMPLICATIONS OF RESEARCH FINDINGS

1. The findings of the study have implications for the Government and other Regulatory bodies to set systems that will encourage firms to allocate value to the stakeholders.
2. The study findings also have implications for the top management to look beyond the shareholder primacy towards the stakeholder primacy.

3. There are implications for the HR Heads of the firms to formulate policies and parameters for allocation and distribution of value to stakeholders.

LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH

1. The respondents of the study represented only 6 metro cities of India. Considering a wider geographical coverage in India would ensure better generalizability of results.
2. The current study did not come up with a definite formula for allocating value to the stakeholders. Future studies can focus on developing indices to determine and allocate value amongst stakeholders.
3. The current study did not focus on the impact of firm's culture on stakeholder primacy. Future studies could investigate the relationship between the culture and value creation for various stakeholders.

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APPENDICES

Appendix I: Experts Interviewed during Phase I

S. No.	Name of the Expert	Designation and Organization
1	Prof. Anil Suraj	Professor, IIM Bangalore
2	Ms. Anita Ramachandran	Founder & CEO, Cerebrus Consultants
3	Mr. Umakanth Varottil	Faculty Member, National University of Singapore; Director, Graduate Coursework Studies
4	Mr. Suresh Kumar	Independent Director, ICICI Lombard General Insurance Co. Ltd.
5	Mr. Shailesh Haribhakti	Chartered Accountant
6	Dr. Vijay Singh Shekhawat	Secretary and General Manager, Banks Board Bureau
7	Mr. Inderjeet Singh	General Manager, The New India Assurance Co. Ltd.
8	Mr. Ashish Chauhan	MD and CEO, Bombay Stock Exchange
9	Mr. Yashish Dahiya	CEO, Policybazaar

Appendix II: List of Experts for FGDs

FGD I: 24 July 2021, Saturday (11:00 am to 12:30 pm)

S. No	Expert Name	Affiliation
1	Mr. Amit Gautam	Founder & Director, Upside Learning
2	Ms. Dola Mukherjee	Exide Life Insurance
3	Mr. Pradeep Raj	Kisangates Agro Informatics
4	Dr. Sunder Ram Korivi	Former Dean, National Institute of Securities Markets
5	Mr. Sushoban Sarker	Former MD, LIC of India and Former Director, NIA, Pune

FGD II: 31 July 2021, Saturday (04:00 pm to 05:30 pm)

S. No	Expert Name	Affiliation
1	Mr. Anuj Mathur	MD & CEO, Canara HSBC OBC Life Insurance
2	Mr. Krishnan Ramachandran	MD & CEO, Niva Bupa Health Insurance
3	Mr. Khushroo B. Panthaky	Territory Senior Partner & National BFSI Leader, Walker Chandiok & Co LLP
4	Mr. Palash Jain	Co-Founder and COO, inFeedo
5	Mr. Prasad Chandran	Founder Chairman of SEEGOS, Former CMD of BASF India

FGD III: 7 August 2021, Saturday from 11:00 am to 12:30 pm

S. No	Expert Name	Affiliation
1	Mr. Amit Naik	CEO & Co-Founder, Metamorphosys
2	Mr. Arman Oza	Director, Quadrant Consultants
3	Mr. Malay Kumar Poddar	CMD, AICL
4	Ms. SN Rajeswari	Member (Distribution), IRDAI
5	Prof. Sougata Ray	Professor of Strategy and Entrepreneurship, ISB

FGD IV: 14 August 2021, Saturday from 11:00 am to 12:30 pm

S. No	Expert Name	Affiliation
1	Mr. Ayandev Saha	Strategic Adviser - Ministry of Finance & Economic Planning, Republic of Rwanda
2	Prof. Jayanta Kumar Seal	Professor at Indian Institute of Foreign Trade
3	Mr. Muralidharan M	VP and Head of Platform, SE2, LLC
4	Mr. Praveen Gupta	Ex- MD & CEO, Raheja QBE
5	Ms. R M Vishakha	MD & CEO, IndiaFirst Life Insurance Co
6	Mr. Shankar Garigiparthy	CEO & Country Manager, Lloyd's India

FGD V: 21 August 2021, Saturday from 11:00 am to 12:30 pm

S. No	Expert Name	Affiliation
1	Mr. Apoorva Oza	Chief Executive at Aga Khan Rural Support Programme
2	Mr. Abhishant Pant	Fintech expert, Founding Member at M-Pesa
3	Ms. Divya Momaya	Proprietor of DS Momaya & Co., and Co-Founder of MentorMyBoard
4	Mr. Kumar Shailabh	Founder, Secretary of the Uplift Mutual Development and Aid Society
5	Ms. Shobha Reddy	MD & CEO of GIC Housing Finance Ltd

Appendix III: Questions for FGDs

1. Is stakeholder primacy a reality in Indian Firms?
2. Whom do you consider as residual shareholders (list of stakeholders may be provided)?
3. Stakeholders have varied bargaining powers, how their bargaining power will impact value creation for the stakeholders?
4. What role legislation/regulation and Boards can play to ensure stakeholders primacy?
5. Boards to be given independence for identification of and value creation for the residual shareholders, your comments?
6. What is your opinion about value creation in non-monetary terms?
7. What do you think about formula-based sharing of value generated by firms with the residual's stakeholders: Role of Board v/s Regulations? Your suggestions on the formula.
8. How organization life cycle affects the sharing of value among residual stakeholders (for e.g. Startups v/s mature firms).

Appendix IV: Revised FGD Questions

1. What are your views about stakeholder primacy in Indian Firms? Whom would you like to consider as residual stakeholders apart from equity shareholders?
2. Stakeholders have varied bargaining powers, how their bargaining power impacts value creation and distribution for the residual stakeholders?
3. To uphold stakeholder primary how do you view respective roles of legal framework and boards?
4. For determination and distribution of Value among residual stakeholders, what are your views on formula-based sharing on monetary terms and/ or value creation in intangible terms?
5. How organizational life cycle affects the sharing of value among residual stakeholders (for e.g., start-ups v/s mature firms).

Appendix V: Final Survey Instrument

Project: Value Creation for Stakeholders: An Empirical Study

Dear Sir/ Madam,

The Project Team from National Insurance Academy, Pune (NIA) seeks your support in our research on "Value Creation for Stakeholders". The research is being undertaken under the guidance of Mr. G N Bajpai (Ex-Chairman, SEBI and LIC of India) and Mr. G Srinivasan (Director, NIA, and Ex-CMD, New India Assurance & United India Insurance). The study attempts to examine value creation and its allocation to the stakeholders especially the residual stakeholders. Your responses to the following questionnaire will be kept confidential and will be used for academic purposes only.

We thank you for your time and effort.

Best Regards,

Dr. Sushama Chaudhari, Dr. Mangesh Patwardhan, Dr. S Uma,
Ms. Suparna Bedakilahe, Ms. Ruchika Yadav

Background of the Study

On August 19, 2019, United States Business Roundtable released a new statement on the purpose of the corporation for the benefit of all stakeholders – employees, customers, suppliers, communities, and shareholders. This was a complete departure from the earlier premise of Corporate Governance followed since 1978. However, are firms following well thought out policy framework for identifying and creating value for its stakeholders? Apart from legal and regulatory frameworks, how can individual firms create value for its stakeholders?

The following **questionnaire** is designed to know about your opinions and views on the above-mentioned issues. The questionnaire is divided into four sections. Each Section includes important definitions and explanation related to the questions.

Kindly select your responses on a 5-point rating specified in each section.

Definitions

- ***Stakeholders:*** Stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984)
- ***Contractual Stakeholders***: The stakeholders to be considered for allocating the value based on contractual terms between the concerned stakeholders and the firm.
- ***Residual Stakeholders***: Equity shareholders are residual shareholders. The residual stakeholders are to be considered to share the residual surplus after meeting the obligations towards all the contractual stakeholders.
- ***Society:*** Community
- ***Environment:*** The natural world affected by human activity

Section I: The *S*takeholders Groups

In your opinion, which of the following you would consider as Contractual Stakeholders		**Please select your option 5= Strongly agree, 4= Agree, 3= Neither agree or disagree, 2= disagree, 1= Strongly Disagree**	**Not Applicable**
1.1	Customers	5___ 4___ 3____ 2____ 1____	0____
1.2	Employees	5___ 4___ 3____ 2____ 1____	0____
1.3	Society* & Environment**	5___ 4___ 3____ 2____ 1____	0____

1.4	Investors (other than equity shareholders)	5___ 4___ 3____ 2____ 1____	0____
1.5	Government	5___ 4___ 3____ 2____ 1____	0____
1.6	Suppliers/ Vendors	5___ 4___ 3____ 2____ 1____	0____

In your opinion, which of the following you would consider as Residual Stakeholders, apart from equity shareholders		**Please select your option 5= Strongly agree, 4= Agree, 3= Neither agree or disagree, 2= disagree, 1= Strongly Disagree**	**Not Applicable**
2.1	Customers	5___ 4___ 3____ 2____ 1____	0____
2.2	Employees	5___ 4___ 3____ 2____ 1____	0____
2.3	Society* & Environment**	5___ 4___ 3____ 2____ 1____	0____
2.4	Investors (other than equity shareholders)	5___ 4___ 3____ 2____ 1____	0____
2.5	Government	5___ 4___ 3____ 2____ 1____	0____
2.6	Suppliers/ Vendors	5___ 4___ 3____ 2____ 1____	0____

In your opinion, which of the following you would consider both as Contractual and Residual Stakeholders		**Please select your option 5= Strongly agree, 4= Agree, 3= Neither agree or disagree, 2= disagree, 1= Strongly Disagree**	**Not Applicable**
3.1	Customers	5___ 4___ 3____ 2____ 1____	0____
3.2	Employees	5___ 4___ 3____ 2____ 1____	0____
3.3	Society* & Environment**	5___ 4___ 3____ 2____ 1____	0____
3.4	Investors (other than equity shareholders)	5___ 4___ 3____ 2____ 1____	0____
3.5	Government	5___ 4___ 3____ 2____ 1____	0____
3.6	Suppliers/ Vendors	5___ 4___ 3____ 2____ 1____	0____

Section II: Stakeholder Engagement

Stakeholder Primacy views firm as an organizational entity through which a number of participants with diverse interests – the stakeholders – accomplish their goals. The creation of superior value for relevant stakeholders in the long run is the primary objective of the firm (Freeman, 1984). However, there can be two approaches to Stakeholders' value creation. Instrumental Approach & Normative Approach.

In **Instrumental approach**, stakeholders are parties that have to be managed in order to maximize sales and profits. **The normative approach**, on the other hand, purports that a stakeholder orientation should be pursued on the basis of intrinsic, philosophical commitments to the company's relationships with stakeholders.

Following Statements are related to Stakeholder Engagement, please select your options keeping in mind your firm's stakeholder engagement plan and activities.		**Please select your option** **Rating Scale** **5= Strongly Agree, 4= Agree, 3= Neither agree or disagree, 2= Disagree, 1= Strongly Disagree**
4.1	As a firm, we regularly communicate and measure our engagement with stakeholders as it helps us in improving our revenue.	5___ 4___ 3____ 2____ 1____
4.2	As a firm we have a clearly defined stakeholder engagement plan as it helps us in improving brand image.	5___ 4___ 3____ 2____ 1____
4.3	As a firm, our Board members regularly review the benchmarks set out for stakeholder engagement.	5___ 4___ 3____ 2____ 1____
4.4	As a firm, our stakeholder engagement plan is based on firm's purpose, philosophy, and values	5___ 4___ 3____ 2____ 1____

4.5	In our firm, designated managers have responsibility for aiming to satisfy stakeholders.	5___ 4___ 3____ 2____ 1____
4.6	As a firm, our goals and objectives are primarily driven by maximising wealth creation for the shareholders.	5___ 4___ 3____ 2____ 1____
4.7	As a firm, we have a written policy to involve our employees in CSR activities.	5___ 4___ 3____ 2____ 1____
4.8	As a firm, our 'Stakeholder Relation Committee' is guiding force for our processes and activities.	5___ 4___ 3____ 2____ 1____
4.9	As a firm, we regularly take initiatives to share information from Business Responsibility and Sustainability Reporting (BRSR)* among key stakeholder such as ____________________ (please specify)	5___ 4___ 3____ 2____ 1____
4.10	We periodically publish our stakeholder engagement scores	5___ 4___ 3____ 2____ 1____

*Business Responsibility and Sustainability Reporting (BRSR): The Securities and Exchange Board of India (SEBI**)** has mandated listed companies to report BRSR, which is intended to enable businesses to engage more meaningfully with their stakeholders. It aims to encourage businesses to go beyond regulatory financial compliance and report on their social and environmental impacts.

What is your opinion about readiness and willingness of your firm to create and allocate value to the residual holders?

Section III: Bargaining Power of Stakeholders

Stakeholders may enjoy varied bargaining power. Such bargaining power may impact value creation for various stakeholders. The stakeholders with greater bargaining power to influence value creation and its distribution, significantly influence a firm's functioning.

In your opinion which of the following have substantial bargaining power and influence your firm's functioning		Please select your option Most 5__4___3__2___1___Least
5.1	Customers	5___ 4___ 3____ 2____ 1____
5.2	Employees	5___ 4___ 3____ 2____ 1____
5.3	Society* & Environment**	5___ 4___ 3____ 2____ 1____
5.4	Investors (other than equity shareholders)	5___ 4___ 3____ 2____ 1____
5.5	Government	5___ 4___ 3____ 2____ 1____
5.6	Suppliers/ Vendors	5___ 4___ 3____ 2____ 1____

Section IV: Determination and Allocation of Value among Stakeholders

Quantitative parameters for determination & allocation of value among stakeholders may include proportioning fixed percentage of residual surplus, budgetary provisions for various activities as per stakeholder engagement plan, creating dedicated funds (for example Green Energy Fund) etc.

Qualitative, intangible, and non-formula-based parameters may include creation of protection fund to absorb economic uncertainties, upskilling initiatives to protect employees from redundancy, performance guarantees for customers, zero carbon emission policy etc.

Definitions

- ***Stakeholders:*** Stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984)
- ***Contractual Stakeholders***: The stakeholders to be considered for allocating the value based on contractual terms between the concerned stakeholders and the firm.
- ***Residual Stakeholders***: Equity shareholders are residual shareholders. The residual stakeholders are to be considered to share the residual surplus after meeting the obligations towards all the contractual stakeholders.

In your opinion which of the following are most desirable ways to create and distribute value among stakeholder		**Rating Scale** **5= Most Desirable, 4= Desirable, 3= Neither desirable or undesirable, 2= Undesirable, 1= Most Undesirable**
6.1	Board of the firm must be entrusted with the responsibility of formulating policy to create & allocate value among stakeholders for seamless execution.	5___ 4___ 3____ 2____ 1____
6.2	Regulators must formulate policy to create & allocate value among stakeholders for seamless execution.	5___ 4___ 3____ 2____ 1____
6.3	Quantitative/ Monetary/ formula-based parameters are preferred to determine & allocate value among residual stakeholders.	5___ 4___ 3____ 2____ 1____
6.4	Qualitative/ intangible/ non -formula based parameters are preferred to determine & allocate value among residual stakeholders.	5___ 4___ 3____ 2____ 1____

6.5	A combination of quantitative and qualitative parameters is preferred to determine & allocate value among residual stakeholders.	5___ 4___ 3____ 2____ 1____
6.6	Value creation for determination & allocation should be mandated by Government	5___ 4___ 3____ 2____ 1____
6.7	Value creation for determination & allocation should be worked out based on firm's willingness to share the residual surplus among its stakeholders	5___ 4___ 3____ 2____ 1____
6.8	Value creation for determination & allocation can be bench marked on an existing framework for example ESG ratings.	5___ 4___ 3____ 2____ 1____
6.9	Governing Boards of firms should be given flexibility to decide parameters for determination & allocation of value among stakeholders to ensure stakeholder primacy.	5___ 4___ 3____ 2____ 1____
6.10	There is no need to formulate a policy or framework to determine & allocate value among residual stakeholders.	5___ 4___ 3____ 2____ 1____

Kindly mention at least three parameters which you would like to use to determine & allocation value among residual stakeholders.

Other Information

Name (Optional)**:** ____

Designation / Role: Promoter / CEO / Independent Director / HR Head / Consultant/ Social Entrepreneur/ NGO Associate in NGO/ Any other (Please Specify) ___________________________

Qualification: PhD/ CA/ ICWA/ CMA/MBA/Post Graduate/ Graduate/ Any other (Please specify) ___________________________

Age in Years: __________

Work Experience in Years: ___________

Current Location (City): ___________

Gender: Male / Female / Other

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