

## ORIGINAL ARTICLES

### Analysis on Stakeholder Approach as An Effort to Increase Customer's Loyalty

**Teddy Hikmat Fauzi**

*Business Administration Major Faculty of Social Politic Science Pasundan University Bandung West Java Indonesia*

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#### ABSTRACT

Business actors in the global scope should proactively able to use and expand the national market potentials to meet the people's consumption as a representation of the economic liberalization based on a simple thinking by committing to build a sustainable business that is supported by quality services and products. Wexley and Yukl(1993:89) stated that the company life cycle comprises transaction processes and their environment. There are two contemporary approaches to measure effectiveness, namely stakeholder approach and competing values approach (Gareth Jones, 2001:17-20). Stakeholder is a group inside and outside of the organization that has interests towards the company's performance. Stakeholder analysis is the company's ability to identify various factors and elements of the stakeholders that give added values for the totality of the customer's interest (external stakeholders) and service provision (services) to the internal components of the organization (internal stakeholders).

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#### Key words:

#### Introduction

The global phenomenon is identical with international economy activities that should be used as a facility to create competition that push for free trade, independence development, and demands for quality products and prime services in the context of economic liberalization that provides opportunity for broad business competition at the national, regional and international levels, including taking benefits from ASEAN regional market potentials with a total GDP of GDP USD 1,506 trillion from 583,651 million population that is expected to be able to trigger increased domestic demands and a very high private consumption.

The challenges for business actors in terms of the global scope is to proactively able to utilize and expand the national market potentials to meet the people's consumption needs as a representation of economic liberalization and the source of strength that is presented in the form of reformist perspective offer to react to the importance of creating business competitions that is based on a simple thinking, namely to commit to sustainable business that stands on quality services and products as a competitive advantage of the company, including environmental aspects as a dependent variable that influences it. Daft (1998 : 15) and Wheelen & Hunger (2000: 9) proposed an opinion that business organizations always assimilate with their environment, both internally which consists of the overall structural variables (structure), culture and resources and external environment that includes micro environment as the closest element of the company from the threats of new competitors, buyer bargaining power, product substitution, and suppliers as well as farther environment, i.e. macro environment, such as legal, political economic, technology, ecological, and social powers (Porter 1980 : 22 ) that synergically contribute to build a communicative and adaptive relationship by taking advantage from opportunities from the environment as the strength of the company.

#### *Stakeholders Approach Analysis as an Open System to Build Customer's Loyalty:*

Wexley and Yukl(1993:89) stated that the company life cycle comprises transaction processes and their environment. Companies should receive at least a similar amount of what they have spent for transforming inputs into outputs and for their own maintenance. The followers of the population ecology approach considered that the establishment and the termination of an organization are affected by the environment's condition (Hannan and Freeman, quoted by Robbins, 1990:225). Lawrence and Lorsch in Robbins (1990:215-216) stated that the effectiveness of the organization is a function of the organization's design harmonization (differentiation and integration) with technology and environment. The open system approach can be stated as an approach that focuses on the relationship between the organization and its environment. Theoretically, this model is more comprehensive compared to other models because the company is seen as something dynamic in

a broader framework (Steers, 1985:14). On the other hand, that more comprehensive study is not feasible to be realized in a true study because of the complex model and relations between the elements. Moreover, the concept of appropriate relation between organizations and their environment is still problematic (Etzioni, 1985:26).

Along with the emerging company's social responsibility paradigm that emphasizes on the fact that the objectives of the company do not only involve achieving the objectives of the company's owner and people who are involved with the company but also all people who have interest in the company, the effectiveness approach also offers contemporary approach forms. Two contemporer approaches to measure effectiveness are *stakeholder* approach and *competing values* approach (Gareth Jones, 2001:17-20). Stakeholder is a group inside and outside of the organization that has interests towards the company's performance. In the stakeholder approach (usually referred also as a constituent approach), the satisfaction of these groups can be accessed as an indicator of the company's performance. Each stakeholder will have different effectiveness criteria because each has different interests in the company.

Furthermore, Daft (1998:64) delineated indicators that can be used to measure the effectiveness of an organization using the stakeholder approach as follows:

#### *Stakeholder and Its Criterion of Effectiveness:*

| No | Stakeholder | Effectiveness Criteria                |
|----|-------------|---------------------------------------|
| 1  | Owners      | Financial return                      |
| 2  | Employees   | Worker satisfaction, pay, supervision |
| 3  | Customers   | Quality of goods and services         |
| 4  | Creditors   | Credit worthiness                     |
| 5  | Community   | Contribution to community affairs     |
| 6  | Suppliers   | Satisfactory transactions             |
| 7  | Government  | Obedience to laws, regulations        |

Source: Daft, Richard L., 1998, p.64

According to Jones (2001:13), the stimulants and contributions of the organization stakeholders are as depicted below:

#### *Inducements and Contributions of Organizational Stakeholders:*

| Stakeholder    | Contributions to the Organization           | Inducements to Contribute                         |
|----------------|---|---|
| <b>INSIDE</b>  |   |   |
| Shareholders   | Money and capital                           | Dividends and stock appreciation                  |
| Managers       | Skills and expertise                        | Salaries, bonuses, status, and power              |
| Workforce      | Skills and expertise                        | Wages, bonuses, stable employments, and promotion |
| <b>OUTSIDE</b> |   |   |
| Customers      | Revenue from purchase of goods and services | Quality and price of goods and services           |
| Suppliers      | High-quality inputs                         | Revenue from purchase of inputs                   |
| Governments    | Rules governing good business practice      | Fair and free competition                         |
| Unions         | Free and fair collective bargaining         | Equitable share of inducements                    |
| Community      | Social and economic infrastructure          | Revenue, taxes, and employment                    |
| General public | Customer loyalty and reputation             | National pride                                    |

Source: Jones, Gareth R., 2001, p.13

From various experts' opinion, it is concluded that the loyalty towards company measurement through the stakeholder approach emphasizes on satisfaction of all parties that have interests towards the organization, both quantitative measurement and qualitative measurement, which are also based on the measurement of how good an organization is able to achieve specific objectives of each stakeholder group. The stakeholder analysis is based on an assumption that the company as an open system that emphasizes on the focus of the company in

terms of resource acquisition and ability to adapt to the environment. This shows that the perception to build the customer's loyalty is not only performed partially but simultaneously with the emerging corporate social responsibility that emphasizes on the fact that the objectives of the company do not only involve achieving the objectives of the company's owner and people who are involved with the company only but also all people who have interest in the organization.

Pearce and Robinson (2003 : 40 ) stated that there are several elements from the interested parties of a company that serve as the organization's sub systems that emotionally binds, connected, and influences each other, both directly and indirectly, by being involved informatively in the organization's strategy and policy for continuous competitiveness improvement. The elements are: stockholders, creditors, employee, customers, supplier, government, unions, competitors, local community, , the general public.

Therefore, it is obvious that the stakeholder analysis is the company's ability to identify various factors and elements of the stakeholders that influence or being influenced by the corporation activities so that all interests and values of the stakeholders need to be calculated to make the achievement of quality service simultaneously become a mutual responsibility to satisfy the customers in a framework of equality between producers and consumers that holistically have integrated and comprehensive mind, heart and spirit (era new wave marketing) as a powerful marketing strategy as it considers various integrated factors in the framework of spiritual intelligence that bridge the gap between the producer and the consumer or stakeholders.

The spiritualism form in the emotional relationship can be established if the producer takes the advantage from the business stakeholder's network as the competitiveness strength that guarantee the sustainability of relations between the company and anyone outside the established system that makes the customers the marketing subject that may help the corporation manager/s understand the stakeholder's environment that should be managed effectively and to guarantee the synergic relationship in the company. Quoting Helena and Therese (2005 : 8), community is the most important stakeholders for a company with the media as the intermediary. The community is a strength that is able to push the company to be honest and transparent to its community and it becomes the main foundation of the power marketing activities with how to humanize the stakeholders as the central point as summarized in the Customer Centered Marketing concept.

The CCM philosophy that is based on perspective, purpose, pride and persistent is the elaboration and establishment of goals as the company's commitment to always maintain a long term relationship with its environment. The vision and the established relation between the company and its environment in a long term will be able to improve the customer's satisfaction and, in turn, will contribute to the stakeholder's welfare as well as becoming a real participation in community development while creating pride among internal stakeholders by posing various questions such as: what do we give? What do we do? What do we achieve?

Those questions accumulate and form a community trust opinion that becomes a pride and trust of the external stakeholders as the consistency and persistence of the business organization in providing sustainable services. According to A.B Susanto from The Jakarta Consulting Group, the foundation to build trust among stakeholders is summarized in the power marketing logical pattern with three key words: moving, caring, and inovating.

Moving is a stepping stone to answer the tight competition and the dynamics of demands that are always fluctuating due to the expectancy of the customers that shows higher and higher escalation in the realization. The moving aspect should be accompanied by caring to the customers through innovation strategies, product and service managerial. Innovations in strategy and management are processes that will add values for the customers and give satisfaction and trust as well as maintain a long term sustainable relationship because the relationship will not be rational anymore, but has penetrated to the emotional relation with the customers which is not only limited to the mind share area but also conquer the heart share borders of the customers.

The shifting paradigm from the intellectual level (marketing 1.0) to the emotional level (marketing 2.0) and the establishment of the spiritualism era (Marketing 3.0) as a strategy that is performed by the business institutions respectively to be able to understand the characteristics of the customers which is implemented horizontally as a part of a participatory strategy that relies on creating access by establishing network that interacts with each other and emphasizing on the quality of the relation between the producer and its stakeholders as a strong and sustainable competitiveness.

In attaining synergic interaction relation between the producer and the costumers, the Power Marketing underlines that all companies should orient itself towards the stakeholder's interests, i.e. the success of the organization will always end up in the stakeholder's welfare achievement that is holistically involved directly in the business and marketing activities.

In addition to the above issues, each company should strategically prioritize on aspects in services. Services means the energy to give added value to the totality of the stakeholder's interest (external stakeholders) and service provision that is targeted to the internal elements of the organization (internal stakeholders) with the objective to maintain the performance of the company in assuring the quality of products and services produced.

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