

Business relationships and relationships with stakeholders – Perception of Hungarian executives

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Abstract

Relationships are crucial concepts in numerous management theoretical frameworks. Both stakeholder theory and IMP's business network approach put business and non-business relations in the forefront. However, the two theories – stakeholder and business network – are seldom discussed together, and stakeholder theory rarely appears in the IMP literature. In this paper although we want to focus on supply chain relations we strive to conduct our analysis within a more general framework of stakeholder theory. In our research we observed and analyzed the mutual expectations related to various stakeholder groups – business partners (suppliers and buyers) among them.

Keywords: business relationships, stakeholder theory, managerial expectations

1. Introduction¹

Relationships are crucial concepts in numerous management theoretical frameworks. Both stakeholder theory and IMP's business network approach put business and non-business relations in the forefront. Some studies suggest that the two are not so far from each other as most researchers believe. An often cited article of Rowley (1997) for example introduces network view into stakeholder theory. As he states: "Since stakeholder relationships do not occur in a vacuum of dyadic ties, but rather in a network of influences, a firm's stakeholders are likely to have direct relationship with each other" (Rowley, 1997: 890). Of course, it does not mean that all stakeholders are connected, but this view to a certain extent breaks with the original stakeholder concept that supposed only dyadic relations. However, the theories – stakeholder and industrial network – are seldom discussed together, and stakeholder theory infrequently appears in the IMP literature. As a rare exception Lindfelt and Törnroos (2006) compare industrial network and stakeholder theories concerning their attitudes towards value creation and ethics. According to the authors despite the similarities of the two approaches and the various attempts to narrow the gap between stakeholder and industrial network theory, a major difference remains: "the stakeholder approach sees the interests of the stakeholder and the firm

as two opposing factors, whilst the network approach views a mutual interest stemming from each partner in the dyadic relationship." (Lindfelt – Törnroos, 2006: 336)² In their recent paper Ivens and Pardo (2010) point out that a stakeholder network is broader than a classical network, and argue that research on networks can profit from an integration of the stakeholder perspective. "By adding other actors than firms, their suppliers, their customers, and their alliance partners to the network concept one would obtain a more realistic perspective in which the ethical, ecological, and increasingly political issues economic exchange implies receive the attention required in the future. Against the background of the recent financial and economic crisis, exchange and interaction on business markets will only be understood correctly if we direct our attention to important network members and stakeholders such as, inside a company, its employees and their related social groups and, outside the firm, local communities, governments, non-governmental organizations, journalists and comparable interest groups." (Ivens – Pardo, 2010: 15.) The authors suggest that one should refer to this enlarged network perspective as a stakeholder network as opposed to the more classical and narrow market

2. Although stakeholder theory is not integrated with business network concept, the increasing interest in stakeholder relationships is shown in IMP literature, mainly from the point of view of ethical and sustainability issues (e.g. Dontenwill – Crespin-Mazet, 2010, Havila et. al. 2010, Ritvala – Salmi, 2010, Nogueira et al. 2010).

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network (Ivens – Pardo, 2010).

In this paper although we want to focus on supply chain relations we strive to conduct our analysis within a more general framework of stakeholder theory. In our research we observed and analyzed the mutual expectations related to various stakeholder groups – business partners (suppliers and buyers) among them. Stakeholder theory and business relationship concepts provided the theoretical background for this research where we put strong emphasis on the role of perceptions in stakeholder relationships. In the next section of this paper we present a short literature review on stakeholder theory and management with a special emphasis on supply chain relations. In the third part we introduce the methodology we applied in our research. The following sections carry out our empirical results highlighting the most important findings regarding the managerial perception of the importance of stakeholder relations. The final section of the paper concludes with implications for further research.

2. Theoretical background

Stakeholder management concept was developed in the early 1980s by Edward Freeman who stated that successful companies should take into account their stakeholders' claims and needs if they want their success to be sustainable (Freeman, 1984). Companies should be action-oriented regarding their stakeholders, and these relations must be handled in a conscious manner. Freeman identified stakeholders as agents that can influence the implementation of the corporate objectives or have interest in achieving those objectives. Donaldson and Preston (1995) contrast the stakeholder concept with the "Input-Output Model of the Firm". The latter model deals only with traditional interest groups such as investors, employees, suppliers (they are the contributors of inputs to the firm), and customers who enjoy the benefits of the competition. Stakeholder theory claims that all persons or groups with legitimate interests must have certain benefits and no interest groups have priority over the other.

Since the birth of stakeholder theory researchers have discussed very intensively who or what really counts in the firm-stakeholder relationships. Mitchell et al. (1997) in their theory of stakeholder identification and salience propose that one can identify a firm's stakeholders based on three core attributes such as power, legitimacy, and urgency. If a stakeholder group possesses any of these attributes it can be considered salient and likely will enjoy the attention of the management (level of salience, however can differ a lot depending on how many attributes the entity or individual actually possesses). Nevertheless, they emphasize the subjective nature of the attributes and the importance of perception in the dynamic process of stakeholder interactions. Power, legitimacy, and urgency are not steady states; they are rather variables that can alter in time.

Firms have to face an increasing pressure coming from their stakeholders; nonetheless they have the legal framework to pay attention to the needs of the stakeholder groups (Clement, 2005). Recent studies confirm that stakeholder management approach can enhance profitability and competitiveness. Leap and Loughry (2004) propose the creation of a stakeholder-friendly corporate culture (similarly as user-friendly computers) which consists of the way of communication with stakeholder groups, accessibility, openness, sincerity, and respect to the needs of stakeholders. According to the authors stakeholder-friendly culture can be an important competitive advantage of the companies.

Atkinson et al. (1997) suggest a model for measuring a company's performance that helps all members – customers, suppliers, employees, and community – to understand and evaluate their contributions and expectations. This concept is a part of a paradigm shift that has occurred in recent decades in the field of performance measurement and management. Control-centered models were more and more replaced by ones supporting process improvement and strategic planning. Performance management is not equal with a "report manufacturer factory" any more, but has an overall goal of supporting business decisions, moreover facilitating organizational learning (Neely–Al Najjar, 2006). The practice of performance management highly focuses on the identification and management of the value creation factors. In the same time the dominance of internal performance indicators has been vanishing and a growing emphasis on external factors has emerged. These external factors include understanding and management of stakeholder relationships in a broader sense. Beyond the expectations of the customers and the owners of the firms, needs of other external stakeholder groups such as employees, strategic partners, local communities, natural environment, even future generations are also considered. Latest approaches have put emphasis on the reciprocal manner of these relationships, or at least they report an increasing demand for the creation of mutual relationship between firms and their stakeholders.

Neely et al. (2002) put stakeholder concept into a central position of performance management by developing the Performance Prism approach. In their view organizations without focusing on the needs and expectations of their stakeholder groups cannot be successful in the long run. Neglecting certain stakeholder groups that are not considered influential enough is a short-sightedness and naive managerial thinking in an information or knowledge driven society. The Performance Prism as a comprehensive concept helps to formulate strategic goals, to set up the processes, identify competences and performance indicators related to the formers through the understanding of the mutual relationship with stakeholders. As a first step firms should explore the needs and expectations of investors, customers and users, employees, regulatory authorities, suppliers, strategic partners, local communities, etc., and

investigate how these different entities can contribute to the success of the company. After answering the questions who the stakeholders are and what they really want and need; and what the firm wants and needs from its stakeholders, companies should keep on with the following queries: What strategies do we need to put in place to satisfy these sets of wants and needs? What processes do we need to put in place to satisfy these sets of wants and needs? What capabilities – bundles of people, practices, technology and infrastructure – do we need to put in place to allow us to operate our processes more effectively and efficiently? One of the key points of the performance prism approach is that strategies, processes and capabilities need to be linked to each other in order to understand how they fit together towards satisfying stakeholders and organization’s wants and needs (Neely et al. 2002). These five viewpoints (stakeholder satisfaction, stakeholder contribution, strategies, processes and capabilities) provide a comprehensive framework for performance measurement and management.

The novelty of this approach is not just the expansion of the traditional circle of stakeholders, but the emphasis on

the reciprocal manner of the relationship with them and on their strategic implications. The idea of mutual relationships conceptually fits with the idea of interaction, interdependence and inter-connected relationships (Ford–Håkansson, 2006). The model of Performance Prism as a stakeholder-based approach of performance management is based on a similar concept that is suggested by Håkansson and Snehota (1989, 2006). As they state: “the effectiveness of a business firm is not given by the possession of the ‘right’ set of resources accessed by a ‘right’ set of relationships at each moment in time but by the involvement in relevant change processes – the movement, in the context of the company” (Håkansson – Snehota, 2006: 273). The increasing pressure from certain stakeholder groups force companies to regard stakeholders as necessary bad, problems that should be solved in the future. However, the disclosure of the mutual characteristics of these relations and expectations can help firms to improve their operations (both in the sense of efficiency and effectiveness) through better communication, cooperation, and exploitation of synergies.

Table 1 gives a comparison IMP approach to business

Table 1: Comparison of IMP and Performance prism approach (Based on Neely et al., 2002 and Håkansson, 2010).

	IMP approach to business interaction and business networks	Performance prism approach of stakeholder relations
Main different characteristics	<ul style="list-style-type: none"> - interaction approach - business relationships approach - A-R-A (activities-resources-actors) model - company, relationships and network level of business relations - business relationship and business network characteristics (e.g. network context, network identity, network position; cooperation and commitment etc.) 	<ul style="list-style-type: none"> - stakeholder approach, considering wider scope - reciprocity in stakeholder relationships - alignment of strategies, processes and capabilities - performance measurement and management focus
Common traits	<p>Recognition of the following competitive factors:</p> <ul style="list-style-type: none"> - Business performance is influenced by business partners / stakeholders and the firms’ relationships <li style="padding-left: 40px;">(Potential business and stakeholder relationships value) - Mutuality and reciprocity is a key element of relationships - Importance of the operational level (“activities” and “processes”) <ul style="list-style-type: none"> - Importance of the resources and capabilities 	

interaction and business networks and Performance prism approach of stakeholder relations by summarizing the main (different) characteristics and some common traits of these approaches.

Linking IMP approach and performance prism can be attractive, particularly the extension of the A-R-A model and network context to a broader set of stakeholders; thus a more comprehensive picture can be drawn about the networks themselves. However, by applying the prism's view and focusing more intensively on individual stakeholder relations (through a more profound, multi-level analysis of single relationships) and exploring the network of stakeholder relations (beyond the individual relations) in the same time, one can create a fine-tuned and complete stakeholder map and performance model. As a result, with this more detailed approach; one can understand business performance, influencing factors, and value drivers more deeply.

Analysing their stakeholder relations firms should realize that their stakeholders' expectations are greater than in the past decades (Clement, 2005), but the ones of the firms have been increased significantly as well. In our research – relying heavily on the international experiences – we tried to grasp the different approaches of the Hungarian firms towards their stakeholders based on the initial concept of Performance Prism as a theoretical background. Hence, the perception of the managers is analyzed regarding both their expectations from and the expectation raised by the stakeholder groups, suppliers and buyers among them. We are convinced that relationships with key partners in supply chains (Fawcett et al., 2007) and networks could become value drivers, as Wimmer and Mandják (2002) argue. We have to emphasize that the results presented here are based on the perceptions and subjective interpretation of the stakeholder relationships by the managers that have great importance in characterizing interactions (Ford – Håkansson, 2006), as well as a broader range of business and non-business relationships.

3. Data and methodology

Our paper is based on a survey carried out in 2009 by the Competitiveness Research Centre at the Corvinus University of Budapest. The main goal of the survey was to describe the competitiveness of the Hungarian micro sphere. We performed a similarly structured survey in 1996 – also in the frame of the “In Global Competition” research program – and the survey was repeated in 1999 and 2004 as well. Consequently we could evaluate the path leading to the current situation and the development of the competitiveness of Hungarian companies based on four similarly structured and sized database. The results of the previous surveys justify the validity of the research methodology. However, we would like to emphasize that the survey and its results reflect the opinion of the executives, not some objective truth (Chikan et al., 2002, 2009).

The sample of 1200 executives (general manager, financial manager, manufacturing manager, and commercial manager) of 300 companies consists of primarily medium sized manufacturing companies with mostly domestic ownership. 14% of the sample are large companies, more than 52% of the companies are medium sized firms, and one third of the sample are small enterprises. Almost 75% of the companies in the sample have Hungarian ownership (or dominant Hungarian ownership), and the rest of the firms have dominant foreign ownership. The ratio of the state-owned companies in the sample is relatively low, it is around 10%. Proportion of firms in processing industries is fairly high (approximately 42%), and commercial companies and firms operating in other service sectors are also have a great share in our sample (19% and 22% respectively).

In the questionnaires we asked executives to evaluate different statements concerning their stakeholders' needs and wants (their perception about stakeholders' opinion) as well as concerning their needs and wants toward their stakeholders (i.e. expected stakeholder contribution). Responses were given on a 5-point Likert-scale (5 – totally agree and 1- totally disagree). (Results of earlier surveys are presented in the paper of Szántó and Wimmer, 2007). In this paper we used response of the general managers only, supposing that chief executives had the necessary overview about the operation of the entire company, and has at least an impression about all stakeholder relations to a certain extent.

4. How important to integrate stakeholders' interests and opinion?

Companies in our sample had to evaluate the importance of the interests and opinions of different stakeholder groups. Figure 1 shows the ranking of the stakeholders, not surprisingly with the owners on the top. We highlighted the most important stakeholder groups with different patterns. The first four groups – owners, managers, consumers/customers, and suppliers – seem to be the most influential stakeholders within or around the firms. It is noteworthy to mention that according to the principal component analysis we applied these variables correlate with each other constituting a steady component. (However, suppliers are a bit odd element in this group.) These stakeholders are characterized usually by power and legitimacy hence they are often perceived dominant stakeholders by managers (Mitchell et al., 1997). The other six stakeholders received lower values meaning that these groups are not salient to the companies. Nevertheless, the partners in the supply chain – namely consumers and suppliers – are in the first group. This finding can suggest the presence of the “Input-Output Model of the Firm” (Donaldson – Preston, 1995) with one serious difference. Non-managerial employees have a very low position in the ranking with a close-to-average evaluation in a 1-5-Likert-scale. Nowadays when all management textbooks

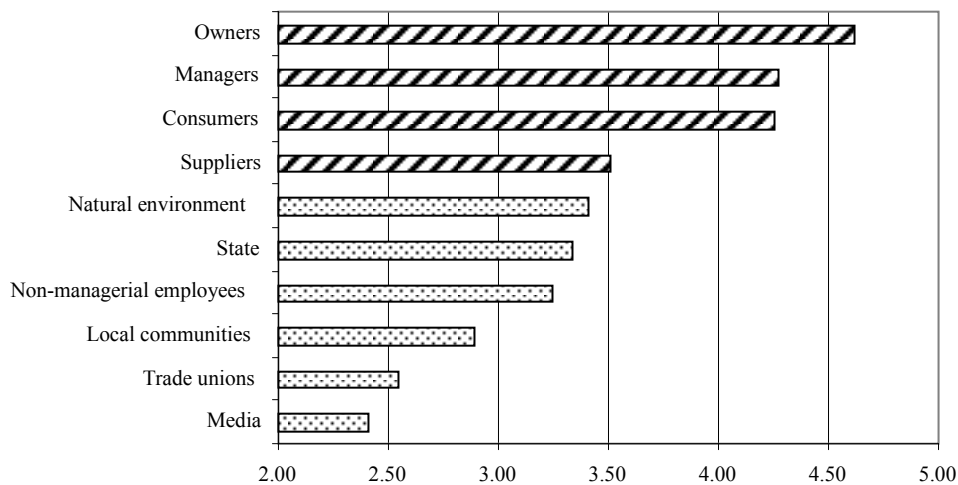


Figure 1: How important is it to integrate stakeholders' interests and opinions?

and business bestsellers emphasize the predominant role of human resources in business practice, and most companies state that they have to invest a great deal to respect all staff interests, it is surprising that Hungarian firms somewhat neglect this stakeholder group (even natural environment is ahead of employees in this respect).

4.1 Expectations from stakeholders

It is important to note that all expectations from stakeholders are perceived as moderate or very strong which indicates that firms consider all their stakeholders as external sources of their

operation (see Table 2). The highest expectation expressed is towards the employees: companies want reliable work of high standard the most. This is an appealing contradiction regarding our findings presented in the previous part. The importance of human resources is evident looking at the data here, however as we saw earlier non-managerial employees do not really enjoy great attention from managers (at least comparing with other stakeholder groups).

Concerning expectations the following two stakeholder groups on the list are suppliers and buyers: high service level and stable relationship from suppliers and reliable relationship, good communication, and profitability from customers – these are the key expectations from the members

Table 2: Firms' expectations from various stakeholder groups

	Mean	Std. Deviation
Reliable work of high standards from employees	4.61	1.00
High service level from suppliers	4.35	1.09
Stable and calculable relations from suppliers	4.26	1.09
Secure profitability from customers	4.21	1.14
Reliable relationship and good communication from customers	4.14	0.89
Loyalty from employees	3.97	0.79
Financial resources from shareholders (investors)	3.84	0.83
Good workforce supply from local communities	3.79	0.80
Informal and market (non financial) support from shareholders	3.73	0.77
Inexpensive products from our suppliers	3.72	0.67

of the supply chain. It is surprising to a certain extent that firms in our sample do not find low price level at purchasing as important as the factors mentioned above, although these expectations are still fairly strong. Expectations from local communities and owners are judged as the least important; it seems that companies are not really convinced that these stakeholder groups can provide financial and non-financial support. As it was highlighted in the previous section, managers deal with the owners' interest the most actively, they are considered to be the most important stakeholder group. Nonetheless, this relationship is not reciprocal in its nature: executives of the firms in our sample do not claim for financial and non-financial support as intensively as they demand other services from the workers, suppliers, and customers.

4.2 Stakeholders' primary needs and wants perceived by managers

So far we reviewed what companies required and demanded from their stakeholders. However, stakeholders on the other side express their own expectations as well which in most of the time is quite obvious to the firms. Yet, it is noteworthy to see how the companies in our sample rank these expectations according to their strength. One can witness employees on top once again; firms believe that their workers want stability the most (see Table 3). Interestingly enough companies feel that stability is more important for them than salaries or workplace environment. This finding suggests that companies regard their workers as more long-term-oriented stakeholders. However, if we look at the Table 3 carefully we can see that the same supposition is true in

relationship with shareholders (or owners, investors). Firms think stability is more important to them than the immediate return on the capital invested. What's more, for customers – at least in the executives' opinion – high service level and stability are more important than inexpensive products. And finally, according to the firms' perception local communities rather claim for stable employment than financial and non-financial support. One can state that companies perceive stability as a crucial expectation from almost every stakeholder group (there is only one exception; for suppliers, stability perceived as important as profitability).³

At this point we can raise the question: is this a correct managerial assumption (i.e. firms believe that their stakeholders value long term stability more than short term benefits) or something else is going on in the background? We are highlighting two different explanations for this phenomenon; both can be plausible in the Hungarian economic environment. In the one hand current economic crisis can enlighten why stakeholders would prefer stability over short term (mostly financial) gains. In the last couple of years many stakeholder relations themselves were in danger, many employees had to face with massive layoffs; a lot of companies were loosing their reliable customers, and shareholders (or owners) experienced an immense decline of

3. The perceived importance of stability and reliability is supported by other studies. In a recent study (Wimmer et al., 2010) managers' opinion about the most important characteristics of valuable relationships were discussed, and the authors claim that they are connected to reliability, both on the buyer and on the supplier side. Expertise of the partner, cooperation in development and value creation role of information sharing are found much more important on the supplier side. The personal level of the relationships is important as well: competence of the contact persons was found more important compared to expertise of the company.

	Mean	Std. Deviation
Employees expect stability	4.39	1.14
Customers expect high service level	4.35	1.15
Shareholders (owners, investors) expect stability and security	4.26	1.11
Customers expect stable and calculable relations	4.23	0.89
Suppliers expect reliable relations and good communication	4.10	1.00
Suppliers expect secure profitability	4.07	0.87
Employees expect high salaries	4.04	0.94
Local communities expect stable employment	4.01	0.86
Employees expect good workplace environment and dev. opp.	3.86	0.86
Customers expect inexpensive products	3.76	0.80
Shareholders (owners, investors) expect high return	3.57	0.79
Local communities expect financial and non-financial support	3.49	0.75

the value of their company sometimes resulted in bankruptcy. Hence, it can be a plausible managerial perception that various stakeholder groups rather would keep the relationship alive, and as an exchange, they are willing to accept temporarily lower payback. On the other hand the phenomenon also can be explained with psychological issues. If companies are not able to provide for their stakeholders the short term benefits that these groups demand (for example because of the lack of funding), it is quite likely that managers will downgrade these stakeholder expectations.

4.3 Expectations and stakeholder management

So far we described how important different stakeholder

groups are in the view of Hungarian executives. We also presented their expectations towards these stakeholder groups, and also how they perceive the claims and demands from the interest groups around their firms. Let us now connect these two variables. In our research we wanted to know whether expectations that are perceived by managers trigger more attention from the companies' side or not. In other words, do they react to the influences they receive from stakeholders or not?

Statistical analysis suggests that in case of high stakeholder expectations companies tend to listen to them. If a company for example experiences higher expectations from its suppliers it is quite likely that it will consider these expectations more deeply and sensitively. One should be cautious since this

Table 4: Results of the Principal Component Analysis

*With Varimax rotation (rotation converged in 9 iterations), KMO Measure: 0.874**

	1	2	3	4
Customers expect stable and calculable relations	0.700	0.130	0.109	0.290
Employees expect stability	0.662	0.113	0.015	0.152
Customers expect high service level	0.631	0.103	0.078	0.257
Suppliers expect reliable relations and good communication	0.583	0.256	0.343	-0.035
Local communities expect stable employment	0.576	0.342	0.172	-0.112
Shareholders (owners, investors) expect stability and security	0.571	0.291	-0.062	0.135
Stable and calculable relations from suppliers	0.566	-0.130	0.524	-0.003
Suppliers expect secure profitability	0.540	0.417	0.232	0.101
Employees expect good workplace environment and development opportunities	0.508	0.428	0.125	0.221
High service level from suppliers	0.492	0.017	0.462	0.294
Reliable relationship and good communication from customers	0.487	-0.095	0.297	0.403
Employees expect high salaries	0.133	0.684	-0.040	0.345
Shareholders (owners, investors) expect high return	0.035	0.663	0.216	0.203
Customers expect inexpensive products	0.155	0.619	0.020	-0.238
Local communities expect financial and non-financial support	0.290	0.582	0.263	-0.045
Inexpensive products from our suppliers	0.188	0.535	0.480	0.071
Financial resources from shareholders (investors)	0.115	0.132	0.651	0.078
Informal and market (non financial) support from shareholders	-0.135	0.167	0.647	0.308
Good workforce supply from local communities	0.335	0.282	0.577	-0.037
Reliable work of high standards from employees	0.298	0.029	-0.014	0.713
Loyalty from employees	0.094	0.061	0.175	0.682
Secure profitability from customers	0.339	0.275	0.235	0.418

phenomenon can be explained in different ways. In the one hand, it is possible that certain stakeholder groups around the companies (such as more powerful stakeholders like owners, managers, buyers, and suppliers) actually are powerful enough to enforce greater attention. One should also notice that in our sample small and medium sized companies are overrepresented hence their larger partners likely put more pressure on these entities. On the other hand we can explain this finding with the self-consistency of the managers who answered these questions in our questionnaire. If one admits that stakeholders raise high expectations toward his or her company it is highly unlikely that the same manager will deny the consideration of these expectations.

4.4 Interdependence of expectations

During our analysis we explored how these variables correlate with each other and what is the relationship among different expectations coming from stakeholders and raised by the firm. We conducted a principal component analysis with the following results (see Table 4). We identified four components, namely (1) stability and reliability, (2) short term financial stakeholder claims, (3) companies' need for factors of production, and (4) expectation from employees.⁴

Component 1 – stability and reliability – consists of all the variables related long term benefits except the expectations raised towards employees. The prominent role of stability in difficult economic times were discussed earlier, but one should notice the reciprocal nature of this component: not just perceived long term expectations of the stakeholders fell into this category, but also the firms' needs and wants 4. Note that position of the last variable (Secure profitability from customers) in the fourth component is incorrect. However, component load of this variable is very low; it can be eliminated or put into the first component.

from their stakeholder groups. Component 2 covers all the financial claims and expectations that possibly come from different interest groups within and around the companies. We can assume that some firms feel enormous pressure in this respect while others address these issues with less intensity. The companies' expectations about the factors of production form a distinctive component (Component 3), and it also seems that expectations from employees behave differently from all other needs and wants of the firms. All of our findings suggest that the expected role of employees is contradictory and the managerial perception about this stakeholder group is often unpredictable and inconsistent.

5. Expressed expectations towards and perceived claims from business partners – a longitudinal analysis

We raised the same set of questions in 2004 and 2009 as well. The comparisons between the two lists seemed adequate since this way we were able to analyze how the economic crisis affected the managers' perception about the expectations from and towards the business partners (suppliers as well as customers). We should take into account that the samples were not the same across the two researches although we attempted to compile similar sample in both cases (the surveys were similarly structured in 2004 and 2009. The samples are different, but the sample size was similar in 2004: 301 companies, consisted primarily of small and medium sized firms).

It is fairly apparent that the ranking of the factors changed only very moderately. However, the absolute values actually changed in some cases. The raised expectations are important since previous Hungarian research findings showed that managers usually pay attention to traditional directions.

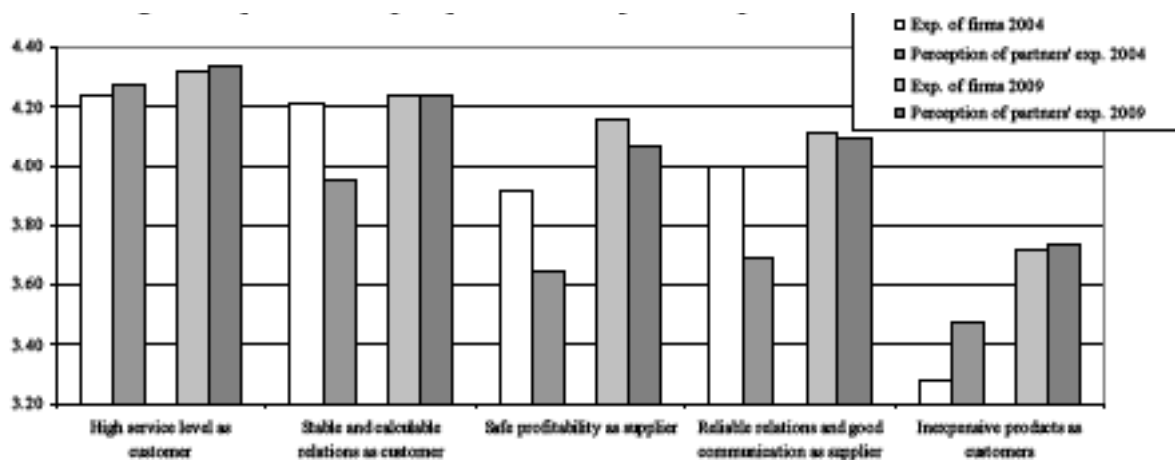


Figure 2: Expectations and perceptions of business partners' expectations

In customer-supplier relationships for example companies mainly concentrated on the needs of the customers and their expectations conveyed towards suppliers though, the expectations raised by the suppliers or the firms' expectations from their customers are often neglected. (Wimmer et al., 2005). Knowing that the economic crisis resulted in massive layoffs in the country it is surprising that managers do not feel that their employees would expect more stability in the workplaces despite the first position of this demand both in 2004 and 2009.

The comparison of the perceptions about the business partners' needs and the firms' expectations, as well as the views from the different supply chain position (as supplier and as buyer) give a possibility to examine the balance in the executives' judgements. Based on the results of the 2009 year survey we can see a relatively balanced view when comparing firms' expectation with their perceptions of the partners' expectations. For comparison we present the result of the competitiveness surveys made in year 2004, when we observed a lot less balanced view. (See Figure 2)

In 2004 managers expressed much greater expectations towards their suppliers concerning the relationship, yet they did not perceive that high level of expectations from their customers (i.e. when they were in the supplier position). This imbalanced view was very apparent in three cases: (1) when firms claimed for stable and calculable relations as customers, (2) when the companies expected high profitability as suppliers, and (3) when they needed reliable relations and good communication also as suppliers. However, this "we are very demanding with our partners, but we do not really feel they want so much from our side" attitude seemed to be changed in 2009. The executives perceive the expectations of their suppliers and customers as strong as their own demands from their stakeholders. Once again, the severity of the economic crisis of 2008/2009 might explain these changes

since the tougher economic situation (for example in the form of lack of orders) could make the companies realize that there partners are as demanding as themselves.

6. Uncertainty and the expectation from stakeholders

As we saw in our literature review, urgency can be a significant factor in stakeholder identification and salience (Mitchell et al., 1997). During economic downturns when the environment is turbulent and uncertain one may assume that stability in business relations becomes extremely important and managers pay more attention to this aspect of their companies' relationships. So far we presented that for stability and reliability there is a great need in the business arena regarding all stakeholder groups. In this section we focus on two special groups – namely buyers and suppliers. In our questionnaire we investigated how companies went through the economic crisis and how much uncertainty they perceived during the last couple of years.

Firms are different: some of them were hit by enormous uncertainties in the supply chain both from buyer and supplier side. Others did not suffer from this uncertainty, or at least their perception was much different from the former group. We hypothesized that those firms who experienced greater uncertainties would put more emphasis on stability in business relationships than those companies who perceived the situation differently. Yet, our hypothesis cannot be confirmed which is demonstrated on Figure 3. The higher the suppliers are considered as a risk factor the greater the need is for cheaper products (except in case of those 21 firms that did not consider suppliers as a risk factor at all, see the first column in the diagram). In case of stability this trend cannot be identified: need for stability is more or less independent from the perception of the uncertainty related to the suppliers. To analyse this unexpected phenomenon

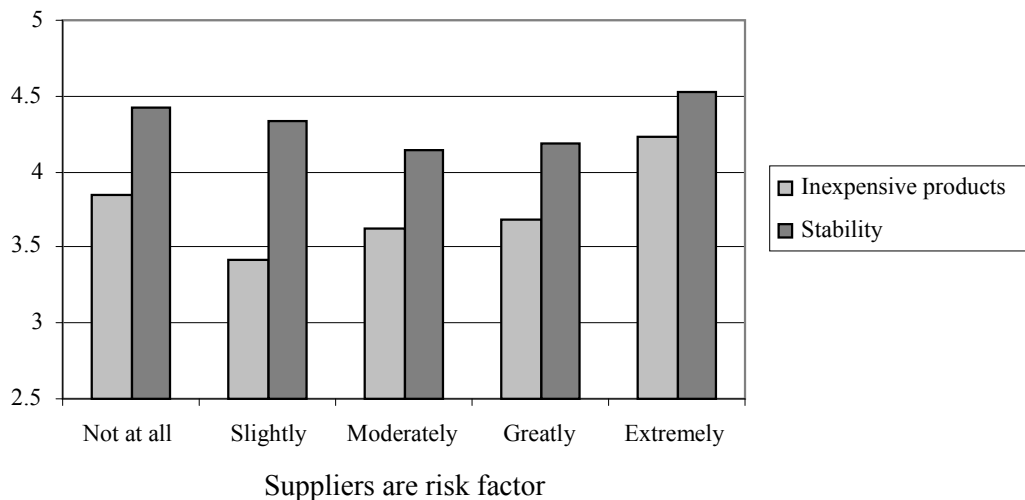


Figure 3: Expectations from suppliers

further research should be done.

7. Conclusion and further research directions

Based on the idea of interdependence and on the reciprocal manner of the relationship with different stakeholders, among them the suppliers and customers, in this paper we analyzed the expectations raised by firms towards their stakeholders and also the claims and pressures they receive from various interest groups around the firm. We saw that traditional stakeholder groups such as owners, managerial employees, customers, and suppliers seem to have the power and legitimacy to be considered as dominant stakeholder groups. Somewhat surprisingly non-managerial employees are not in this cluster; nonetheless executives express high expectations towards this group. Partners in the supply chain (customers/buyers and suppliers) express quite strong expectations in business relationships on the one hand, but firms also demand quite a lot from them on the other. It is apparent that executives think that their stakeholders (without exception) prefer stability over short term (mostly financial gains) which can be explained by the recent economic crisis, but also with psychological issues. The experienced imbalance between the expectations about short term gains and long term benefits need to be investigated more intensely in further research. Since short term financial results are prerequisites of long term financial sustainability, these managerial perceptions can be crucial in value creation in the long run.

Longitudinal analysis suggests that these rankings are fairly constant in time, however expectations are to some extent stronger than they were some years ago. Once again we can explain this phenomenon with the recent economic crisis and the growing uncertainty in the country. Uncertainty appears to be a significant factor in business relations, the need for stability – as we mentioned before – is high in every respect, but the need for short term gains seems to be increased if an economic player were deeply affected by uncertain partners. However we experienced a much more balanced overall picture concerning business relations. Executives both in customer and supplier position expressed similar expectations and do not think that their partners do not claim for the same services and benefits as they do. We earlier stated that the managerial perceptions about the role of employees were often inconsistent in our survey therefore a more systematic analysis is needed in order to understand what the main drivers of workforce-related expectations are.

One must not forget that our methodology certainly has some limitations since our samples in the previous years were different and they were not entirely representative to the Hungarian business sector (small and medium sized firms were overrepresented in the samples). Further research should be conducted in order to understand more deeply the correlations among different expectations received from and expressed towards certain stakeholder groups.

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