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Stakeholder involvement in Human Resource Management practices: Evidence from Italy[**]

The increasing reference to stakeholder theory in the Human Resource Management (HRM) literature advocates the integration of a wide set of stakeholders for managerial, ethical and analytical reasons. This paper contributes to the advancement of stakeholder-oriented HRM by exploring how Italian human resource (HR) managers perceive the actual involvement levels of eleven internal and external stakeholders, and their views on how to improve them. Data were collected from a survey and ensuing focus group discussions. The survey gauged the extent to which different stakeholders are involved in designing various HR processes, while the focus groups explored what actions can be taken to foster a stakeholder orientation in HRM. The two phases of the study involved 30 HR managers from Italian companies with the highest capitalization on the Milan stock exchange; in total, the companies involved had more than 750,000 employees. The discussion of the findings is followed by identification of specific directions for future research.

Key words: **Human Resource Management, stakeholder management, stakeholder based HRM, stakeholder involvement**
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1. Introduction

Stakeholder theory and stakeholder management have in recent years attracted considerable attention from scholars, politicians and managers. Indeed, according to Freeman, stakeholders are "vital to the survival and success of the organization" (1984, p. 58). This has led to the emergence of a stakeholder view of the firm which proposes that a larger set of actors should be considered as stakeholders, and that managers should design specific processes to manage stakeholders' expectations by involving them in the company's decision making. Such processes should be multi-level and pervasive because they affect all the managerial systems of the company – including the human resource management system. In particular, both the general management (Donaldson & Preston, 1995) and HRM literature (Guerci & Shani, 2013) have proposed three reasons why stakeholder management should be endorsed by research and practice: (i) instrumental reasons, because of the relationship between the practice of stakeholder management and the resulting achievement of corporate performance goals; (ii) ethical reasons, because stakeholders are seen as possessing values irrespective of their instrumental use to management; (iii) descriptive reasons, because stakeholder theory provides languages and concepts with which to describe effectively the company in inclusive terms.

The aim of this paper is to contribute to the development of a stakeholder orientation in human resource management, in particular by addressing two interrelated questions. The first, which rests on the descriptive value of stakeholder theory, regards the level of stakeholder involvement in designing human resource management processes. Addressing this first research question might help HRM practitioners to understand what are the most and least involved stakeholders in HR-related decision-making processes and, consequently, identify *the major areas for improvement of stakeholder involvement practices*. The second question, which rests on the normative value (both instrumental and ethical) of stakeholder theory, regards the organizational actions that can foster a stakeholder orientation in a company's human resource management system. Addressing this second research question might help HRM practitioners to understand *how to increase the level of stakeholder involvement* in HR-related decision making processes.

The study focuses on eleven organizational stakeholders (owners and investors; employees; line managers; top managers; unions; company suppliers; corporate partners; company customers; community; control bodies; and interprofessional funds[1]). A stakeholder is viewed as "any individual or group who can affect or is affected by actions, decisions, policies, practices or goals of an organization" (Freeman, 1984, p. 25). In particular, we explored the level of their involvement in nine key HR processes (HR strategy and planning; Job analysis; Recruitment, selection and induction; Train-

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[1]   Interprofessional Funds are regulated by joint agreements between the most representative social partners in each economic sector, and their purpose is to promote CVT (Continuing Vocational Training). They are funded by enterprises, which pay a compulsory contribution equal to 0.3% of the labour costs. At present there are ten Interprofessional Funds.

ing, development and career planning; Performance appraisal and management; Compensation management; Internal communication; Industrial relations; Health and safety). Although stakeholder involvement is a broad concept that has been defined in very different ways (for a review, see Sloan, 2009) and that may be implemented within different ethical perspectives (Greenwood, 2007), in this paper we define stakeholder involvement as "practices that the organization undertakes to involve stakeholders in a positive manner in the organizational activities" (Greenwood, 2007, p. 318).

The research moved through two stages, and it involved 30 HR managers from the 40 Italian companies with the highest capitalization on the Milan Stock Exchange. In total, the 30 companies involved had more than 750,000 employees. In Italy, listed companies are required to comply with Law 262/2005, which introduced financial reporting rules similar to those introduced by the 2002 Sarbanes-Oxley Act (Sox) in the US. The sample, even if limited, was selected in order to control for specific contextual factors, because those companies operate in a similar regulatory/institutional environment.

The paper is organized into four parts. Part one reviews the existing literature, presenting the theoretical reasons why a stakeholder orientation in human resource management is considered beneficial, and how human resource management can effectively contribute to managing a company's stakeholders. Part two presents the study's specific research objectives, methods, and procedures. Part three reports the findings, which are discussed in part four. The conclusions summarize the research process, its limitations and its principal results.

2.   Involvement of corporate stakeholders in Human Resource Management: Literature review

Stakeholder theory is concerned with value creation on multiple fronts: social justice, stability, and the role of business in society (Dyllick & Hockerts, 2002). In fact, if value creation is the ultimate aim of a company (Grant, 2002; Rappaport, 1986), in order to achieve it, firms cannot ignore the context in which they operate. Companies are linked by a network of relationships to a large number of interconnected individuals and constituencies called 'stakeholders' (Donaldson & Preston, 1995; Freeman, 1984; Post et al., 2002). These relationships influence the way in which a company is governed; and in their turn they are influenced by the company's behavior. More incisively, Post et al. note that "the capacity of a firm to generate sustainable wealth over time, and hence its long-term value, is determined by its relationships with critical stakeholders' and 'any stakeholder relationship may be the most critical one at a particular time or on a particular issue" (2002, p. 8).

On this view, value-creation processes are shared and wide-ranging, and they meet stakeholders' expectations in different ways. This permits a shift in the generally accepted notion of value so that it encompasses the concept of stakeholder value (Figge et al., 2002). In particular, Carroll and Bucholtz (2011) propose that companies have "multiple bottom lines": whilst the financial bottom line primarily addresses the stockholders' – or owners' – investments in the firm, the other bottom lines (which companies are required to measure and improve) address the interests of the compa-

ny's other stakeholders. This is consistent with the ideas put forward by Elkington (1998), who suggests that to maintain stakeholder support companies must focus on three bottom lines – financial, social and environmental – often described, under the broader umbrella-term of sustainability, as 'profit, people and planet'. In accord with Clifton and Amran (2010), we do not believe that stakeholder orientation and the tri- ple-bottom line are two concepts that completely overlap. At the same time, we agree with Steurer and colleagues that: "sustainable development and stakeholder manage- ment can be regarded as two complementary, mutually reinforcing concepts with re- markable similarities" (Steurer et al., 2005, p. 274).

In particular, stakeholder theory and stakeholder management have been recog- nized by management research and practice to have three specific kinds of value. The instrumental value is the first, as stakeholder theory is also adopted in order to "identi- fy the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (e.g. profitability, growth)" (Don- aldson & Preston, 1995, p. 71). As a consequence, this first perspective (for a review of the major findings see Orlitzky et al., 2003), which is normative in its nature, is about the use of stakeholder theory to describe how companies *ought* to be managed. The second kind of value is the ethical one, since stakeholder theory is adopted in or- der to "interpret the function of, and offer guidance about, the… corporation on the basis of some underlying moral or philosophical principles" (Donaldson & Preston, 1995, p. 72). This perspective, also normative in nature, is used to describe how the world *ought* to be. The third kind of value is descriptive, since stakeholder theory is adopted by management research in order to "describe, and sometimes explain, spe- cific corporate characteristics and behaviors" (Donaldson & Preston, 1995, p. 70). In this perspective, the theory is used to describe how world *is*.

Accordingly, also in the specific field of human resource management and indus- trial relation, a stakeholder perspective is considered to be a key theoretical and practi- cal framework (e.g. Jackson et al., 2014; Colakoglu et al., 2006). The emphasis on the importance of a stakeholder approach to human resource management can be traced back to the seminal study by Beer et al. (1984), which focused on the objectives of other constituencies with an interest in human resource management practices, and the subsequent performance of an organization. More recently, a growing number of HRM studies have incorporated stakeholder theory, for example by proposing the use of multiple respondents (which has been frequently advocated in the HRM literature, e.g. Boselie et al., 2009) as a way to investigate the effectiveness of human resource management systems from the perspectives of multiple actors (in this case, stakehold- ers). These studies, which do not dispute the importance of the employees' view, are based on the idea, put forward by Bowen and Ostroff (2004), that consensus among managers is crucial in shaping their concept of a "strong" human resource manage- ment system, which is more likely to be associated with high performance. Such a consensus should be placed within Legge's (1978) framework, which emphasizes the ambiguities inherent in judging HR effectiveness, and in particular the scope for a range of definitions of effectiveness.

In specific terms, the HRM literature provides three main reasons (which are very close to the three presented above) for adopting a stakeholder framework in human resource management theory and practice.

The first reason – which is related to the broader instrumental value of stakeholder theory – is the managerial one, and it is related to consolidation of the credibility of the HR Function. In particular, two normative arguments have been put forward in support of this first reason. The first argument is the one advanced by Jackson and Schuler, who observe that "the principle that effective management requires attending to all relevant stakeholders is as true for managing human resources as for other management tasks. Human resource management practices cannot be designed solely to meet the concerns of the employees. Nor can they be designed by considering only their consequences for the bottom line. Organizations that are the most effective in managing people develop human resource management systems that meet the needs of all key stakeholders" (Jackson & Schuler, 2003, p. 28). Accordingly, the reason why HR mangers should adopt a stakeholder orientation is bound up with credibility, and proposed from a general management perspective. In effect, the HRM system has to adopt a stakeholder-oriented mindset in order to be consistent with all the other management systems within the company, assuming that this consistency would result in the greater credibility of the HR Function. A second argument in support of the idea that the adoption of a multi-stakeholder framework would result in greater credibility of the HR Function has been set out by Ulrich and Brockbank (2005) who, on examining the so-called HR value proposition, interpret it as consisting of five elements, which include "serving internal and external stakeholders". The reason for including this element in the framework is that HR professionals have to treat the company's key stakeholders in a unique and important manner, and that "HR is successful if and when its stakeholders perceive that it produces value" (Ulrich & Brockbank, 2005, p. 11). In other words, the HR Function would achieve more credibility if it proved its value to a wide set of actors inside and outside the organization. Following this argument, Colakoglu et al. (2006) find that strategic human resource management research has mostly gravitated toward using financial measures of performance to assess the effectiveness of human resource management initiatives. These authors argue that it is no longer sufficient to judge organizational performance mainly from the financial stakeholders' perspective: the need to satisfy multiple stakeholders requires changing how companies measure the effectiveness of human resource management systems. In this regard, Paauwe and Boselie (2005) write that "simply defining performance in its contribution to bottom-line financial performance does not do justice to the various actors (both inside and outside the organization) involved in either shaping of HRM practices or those affected by it; it is better to opt for a stakeholders' approach, which also implies opting for a multi-dimensional concept of performance" (Paauwe & Boselie, 2005, p. 77). Consequently, consolidating the credibility of the Function requires HR Managers to adopt organizational measures of the effectiveness of the HR system able to prove the impact of the HR practices on different outcomes, thereby being accountable for results to a wide set of internal and external actors.

The second reason for adopting a stakeholder orientation in human resource management – which is related to the ethical value of the theory – is normatively associated with ethics and sustainability issues. The scholars who advance the ethical reason argue that such an approach boosts the perception of procedural and distributive justice (Simmons, 2008), and prevents forms of employee engagement which seek to further, not the interests of the employee group, but rather (and unethically) those of the shareholders (Greenwood & Cieri, 2007). Indeed, traditional shareholder-based HRM has been criticized for being subordinated to corporate elites, possibly afoot of inequality, conflict, subordination and manipulation; and unconcerned with the ethical and political components of employment relations (i.e. Alvesson & Willmott, 1996; Greenwood, 2012). Accordingly, the HRM practices may not truly work "ethically" in the organization as they would privilege the interests of one party – perhaps even at the expense of others. A correlated argument that can be included in this second reason for incorporating stakeholders' interests and needs in human resource management relates to corporate sustainability. As said, a stakeholder orientation is considered a key feature of the company oriented toward sustainability, understood as the balance among economic, social and environmental performances (Elkington, 1998). Since previous HRM research has advanced the idea that the human resource management system plays a key role in developing corporate sustainability (e.g. Gond et al., 2011; Ehnert & Harry, 2012; Taylor et al., 2012), it can be argued that, in order to support the company's overall orientation towards sustainability, human resource management practices should be stakeholder oriented (Guerci et al., 2013).

The third reason for incorporating a stakeholder orientation in human resource management – which is based on the descriptive value of that theory – is an analytical one. In this regard, for example, Dipboye wrote "if any one constituency dictates what HR should be studying or definitions of the boundaries of the discipline, HR fails as a science" (Dipboye, 2007, p. 104). Indeed, HR research has called for a more extensive use of stakeholder theory in order to improve understanding of the key features of HR practices within firms. For example, Ferrary (2009) argues that adopting a stakeholder orientation makes it possible to avoid a purely instrumental approach to human resource management which reduces the understanding of conflicts within companies to mere antagonism between employers and employees. In fact, human resource management systems are determined by the interactions of a complex web of actors, because organizations are embedded in a political-economic system of both internal and external stakeholders that interact with and influence management practices. Accordingly, even if referring to a different theoretical framework (which is neo-institutional theory), several authors have advanced the idea that HR researchers could describe and explain the complexities of corporate HR systems considering that those systems are designed by companies with the objective of both meeting contextual economic demands and achieving organizational legitimacy by addressing societal/institutional demands (Paauwe & Boselie, 2009). Even though the so-called "institutional fit" is a broad concept, because it includes the various societal factors that affect HR decision-making processes within companies, it might be argued that it also includes the management of the corporate stakeholders' interests and needs. Consequently, describing and explaining HR-related topics within companies cannot overlook societal embed-

dedness as an independent variable with a major influence on the design of HR systems and on their impact on organizational performance(s) (Legge, 2005).

While the above-cited authors have analyzed "the whys" – meaning the theoretical reasons in favor of an integration between stakeholder theory and human resource management research and practice, a recent study (Osland & Osland, 2007) instead addresses "the hows". On examining the case of a Brazilian company involved in a contentious land dispute with various stakeholders (including indigenous communities), the authors identify five ways in which the Human Resource Management Department can contribute to effective stakeholder management. These are: (i) building basic stakeholder management competencies; (ii) educating the managers, workers and stakeholders involved in complex stakeholder relations; (iii) fostering an ethical culture and policies so that the organization can build a positive reputation among stakeholders, thereby helping to prevent extreme conflicts; (iv) stimulating the company to develop best practices in internal operations, which proves crucial when the company receives extensive press coverage; (v) establishing social performance metrics to measure corporate practices in terms of Corporate Social Responsibility and stakeholder relations.

3.   Key features of this study: Specific research objectives and methods

3.1 Knowledge gaps in stakeholder-bases Human Resource Management and the specific research objectives of this study

Recently, the literature on stakeholder management has called for more extensive cross-pollination with other management disciplines. For example, Freeman and colleagues, in a review of stakeholder theory in other managerial disciplines, write that "stakeholder management *is* management; consequently, this review may appear to some to create an artificial division between stakeholder theory and other managerial theories; stakeholder theory can be applied to a wide variety of management topics" (Freeman et al., 2011, p. 151). Also the HR literature has called for more extensive analysis of the combination of HRM practices and stakeholder relations (e.g. Van Buren & Greenwood, 2011). For example, the authors of the above-cited paper on the contributions of the HR Department to stakeholder management write: "future research is needed to identify other HRM practices and to test which ones constitute best practices that effectively prevent and resolve complex, ambiguous stakeholder situations with political ramifications" (Osland & Osland, 2007, p. 448). In addition, more recently, Jackson and colleagues (2014) write: "by (…) expanding the variety of stakeholders that are potentially influenced by a firm's HRM system, strategic HRM scholars have nearly unlimited opportunities to broaden the impact of their work" (p. 34).

More specifically, there appear to be two main knowledge gaps in the existing literature on HRM and stakeholder theory and management.

The first gap concerns the descriptive value of stakeholder theory, because it regards the lack of information about the stakeholders' salience in human resource management, and about the extent to which HR departments actually take those actors into account when conducting typical human resource management processes (Ferris, et al., 1999). With respect to this gap, a recent study (Guerci & Shani, 2013) adopts the

model proposed by Mitchell and colleagues (1999) to investigate the following question in the Italian context: to what extent do human resource managers perceive their typical stakeholders as having the attributes of power, legitimacy and urgency? This is a significant question because possession of these attributes is the basis for deciding how much to engage the stakeholders in organizational choices. Moreover, on studying this topic, HRM research would benefit from including a wider set of stakeholders in studies. Indeed, current research seems mostly to concentrate on the internal stakeholders (senior managers, line managers, employees). Even though some studies – both empirical (see e.g. on downsizing projects, Tsai et al., 2008) and theoretical (see e.g. Boxall & Purcell, 2003) – have looked at the role of external stakeholders in corporate decision-making in the HRM sphere, this aspect still seems to be under-explored.

The second gap that characterizes the HRM literature relates to the normative value (both ethical and instrumental) of stakeholder theory, and it concerns the specific practices that corporate HR departments should implement in order to reach more advanced levels of stakeholder involvement (Osland & Osland, 2007).

The present study is grounded on stakeholder theory, and, by building on the two above-reported knowledge gaps, it addresses two specific research questions. The first, which relates to the first above-reported knowledge gap and is based on the descriptive value of stakeholder theory, regards the extent of stakeholder involvement practiced by Italian HR Departments when designing each human resource management process. The other research question, which is related to the second knowledge gap and is based on the normative value of stakeholder theory, regards the actions that Italian HR managers consider useful for enhancing this degree of involvement. Our study focuses on eleven corporate actors identified in the literature as being key human resource management stakeholders, namely: owners and investors; employees; line managers; top managers; unions; company suppliers; corporate partners (if present); company customers; community; control bodies (inside and outside the company); and interprofessional funds. Moreover, responding to the call in the literature for the more extensive use of mixed methods (e.g. Guest, 2011; Janssens & Steyaert, 2009), the empirical research was carried out in two stages, each of which employed both quantitative and qualitative data collection methods.

3.2 Methods, measures, sample and data collection

The research questions were addressed by enrolling HR managers from companies operating in Italy in a two-stage research process. The HR managers of the 40 companies with the highest capitalization on the Milan Stock Exchange (included in the FTSE Mib Index) were invited to take part in the research project. Thirty of them agreed to do so (detailed information about the sample is provided in Table 1).

The study is focused on Italy for two basic reasons. The first relates to Italian HR practice: Italy is a country in line with the so-called European HRM (Mayrhofer et al., 2012) which, compared to the US Model, is characterized by a stronger stakeholder orientation and societal embeddedness. The second reason instead relates to stakeholder management practice in Italy. Indeed, according to Albareda and colleagues (2008) in the Italian context the government plays a fundamental role in promoting a multi-stakeholder management orientation by means of specific public policies. Those

policies are the result of historical factors, such as the predominance of small and medium-sized enterprises (SMEs), and the important role played by labour unions and the importance of the cooperative movement (Perrini et al., 2006). As a consequence, Italian companies have developed a high number of multi-stakeholder initiatives to communicate the value of their social and environmental investments and activities, and to develop a constructive and participatory dialogue with the stakeholders (Habish et al., 2011; Perrini et al., 2007; Russo & Tencati, 2009).

Table 1: The Companies and HR Managers in the study: Some demographics

Industries	Manufacturing – 7 companies
	Pharma – 3 companies
	Food & Beverages – 3 companies
	Building Materials & Real Estate – 2 companies
	Fashion – 2 companies
	Finance & Banking – 4 companies
	Energy – 3 companies
	Public Utilities - 2 companies
	IT & Telecommunications - 2 companies
	Retail - 2 companies
Number of Employees in companies	15,000 to 30,000 employees – 11 companies
	30,000 to 45,000 employees – 5 companies
	45,000 to 60,000 employees – 2 companies
	more than 60,000 employees – 2 companies
HRM Job Titles	19 Corporate Vice Presidents of Human Resources
	5 Corporate Talent Managers or Corporate Training and Development Managers
	6 Country Vice Presidents for Human Resources
Respondents – Gender	25 males and 5 females

The first stage of the empirical research consisted of a survey that asked the HR Managers to quantify, on a scale from 1 to 10, the degree of stakeholder involvement in designing the nine above-listed human resource management processes. The specific question was: To what extent are the following stakeholders involved in designing the following human resource management processes?, where 1= no involvement; 10 = maximum involvement. Since the definitions of involvement that we found in the HRM literature were explicitly focused on employee involvement (e.g. Marchington & Wilkinson, 2005), we decided to further clarify the concept of involvement by adopting a definition from the stakeholder theory literature: stakeholder involvement denotes a process (or processes) of consultation, communication, dialogue and exchange; involvement is high where these activities are numerous and/or of high quality, while low involvement is the opposite of high involvement (taken from Greenwood, 2007). An invitation to respond to a web-based survey was sent to the HR managers that had agreed to participate in the study, and all of them completed the questionnaire.

The second stage of the research investigated what actions are considered important for the better involvement of stakeholders in Human Resource Management. The question was addressed by using a focus group methodology: all the HR manag-

ers who had completed the questionnaire in the first stage were re-contacted to discuss the results of the survey with them. Two focus groups were organized, and all the survey respondents took part in either one or the other (17 in the first focus group, 13 in the second). The rationale for using focus groups was to generate data and insights that would have otherwise been less accessible without the social interaction of the group. In particular, the focus group participants collectively reacted to the stimuli proposed by the interviewer, and in doing so they added to each other's stories and experiences using their own terms (Bloor, 2001). During the focus group meetings, the HR managers were shown aggregated results from the survey, and asked to collectively identify what actions could foster a stakeholder orientation in their practices. To avoid focusing on overly "narrow" or "local" actions, the discussions were steered towards a configurational approach to human resource management (Delery & Doty, 1996), which holds that implementing sets of human resource management practices (also called 'bundles') is more likely to have an impact on performance than single stand-alone initiatives. Accordingly, the focus group discussions with the HR managers did not deal with each individual process analyzed in the first stage of the research. Instead, they focused on the HR system as a whole, conceived – according to Arthur and Boyles – as "a multi-level construct, consisting of multiple hierarchically arranged components" (Arthur & Boyles, 2007, p. 78). Each focus group meeting lasted 2 hours, and was divided into two sessions: in the first, two sub-teams of 6 or 7 people worked on the topic, while in the second the sub-teams' ideas were reported to the whole group and discussed. As suggested in the literature on qualitative research (Morgan, 1999), the focus groups were led by a researcher who moderated the discussion, and they included an observer. The discussions of the two focus groups were recorded and transcribed, and each transcript was read, coded and analyzed to identify the managerial implications of the survey data which emerged from the discussion. An analysis report was prepared for each focus group. After completing the analysis, in order to assure interpretation validity, three external readers[2] with knowledge and experience of human resource management read the transcripts, highlighting the managerial implications that emerged from the discussion.

4. Results

4.1 Results from the first stage of the research (survey)

In order to answer the question: 'What level of stakeholder involvement is practiced by the HR Department in designing each human resource management process?', we computed the averages and standard deviations of the scores attributed by the HR managers (shown in Table 2). A set of t-tests and ANOVA tests were performed to check for differences in responses linked to demographics; these found no significant differences related to the respondents' gender, job title, company size or industry sector.

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2   The external readers were two Professors in Human Resource Management and one Professor in Organizational Theory and Design from three Italian universities. We chose them as external readers because they had conducted previous research in HRM and, since the focus groups were held in Italian, the fact that they were Italian meant we could give them the original transcripts in Italian.

**Table 2: Stakeholder involvement in designing HRM processes –
Averages and standard deviations**

	Owners and Investors	Employees	Line managers	Top managers	Unions	Company Suppliers	Company Partners (if present)	Company Customers	Communities	Control Bodies	Interprofessional Funds	TOTAL
	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV
HR strategy and planning	8.28	5.48	6.66	8.46	4.17	2.31	3.00	4.39	3.83	4.52	2.53	4.88
Job analysis	5.00	5.52	7.07	7.36	3.24	2.00	1.86	3.07	1.93	3.62	1.82	3.86
Recruitment, selection and induction	5.41	5.24	7.76	8.00	2.31	2.12	3.00	3.29	3.38	3.24	2.06	4.16
Training, development and career planning	5.86	6.41	7.59	8.00	3.24	2.96	3.71	3.29	2.21	3.59	4.83	4.70
Performance appraisal and management	5.97	6.45	8.03	8.39	2.45	2.12	2.57	3.64	2.03	3.14	1.68	4.23
Compensation management	7.59	5.00	7.14	8.64	3.83	2.04	3.14	2.96	2.38	3.90	1.83	4.40
Health and safety	7.14	7.83	7.59	8.36	6.62	4.31	3.43	4.86	5.59	6.93	2.83	5.95
Industrial relations	5.86	4.97	6.24	7.04	8.00	2.15	3.00	2.54	3.62	3.38	2.00	4.44
Internal communication	6.76	7.21	7.48	8.43	4.38	2.04	3.43	3.89	3.66	3.93	1.56	4.80
TOTAL	6.43	6.01	7.28	8.08	4.25	2.45	3.02	3.55	3.18	4.03	2.35	4.60
	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV	ST DEV
HR strategy and planning	2.17	2.35	1.65	1.48	2.14	1.46	2.52	3.07	2.24	2.92	2.07	2.19
Job analysis	2.76	2.50	2.02	1.99	2.29	1.36	1.46	2.43	1.41	2.50	1.63	2.03
Recruitment, selection and induction	2.54	2.49	1.83	1.74	1.75	1.82	2.24	2.73	2.26	2.63	1.73	2.16
Training, development and career planning	2.71	2.18	1.76	1.31	2.08	2.11	2.29	2.75	1.74	2.81	2.68	2.22
Performance appraisal and management	2.85	2.18	1.70	1.17	1.97	1.93	2.37	2.79	1.92	2.77	1.67	2.12
Compensation management	2.46	2.55	2.13	1.16	2.39	1.59	2.41	2.81	2.38	3.04	1.54	2.22
Health and safety	2.42	1.39	1.62	1.31	2.54	2.65	3.05	2.95	2.57	2.64	2.53	2.33
Industrial relations	2.85	2.46	2.21	2.55	2.88	2.34	2.52	2.27	2.43	2.46	1.88	2.44
Internal communication	2.34	2.30	1.55	1.14	2.38	1.59	2.37	2.54	2.33	2.51	1.46	2.05
TOTAL	2.57	2.27	1.83	1.54	2.27	1.87	2.36	2.71	2.14	2.70	1.91	2.20

Of the eleven stakeholders, four received involvement scores higher than 6, which is the midpoint of the 1-10 scale employed: (i) Top Managers were attributed the highest level of involvement (8.08), particularly in the areas of Compensation Management (8.64), HR Strategy and Planning (8.46), and Internal Communication (8.43); (ii) Line Managers scored second highest (7.28), with particularly strong involvement in Performance Appraisal and Management (8.03); (iii) Owners and Investors had an average score of 6.43, with particular involvement in HR Strategy and Planning (8.28); (iv) and Employees (6.01) were attributed most involvement in the Health and Safety (7.83) and Internal Communication (7.21) areas. The remaining stakeholders all received scores lower than 5. The lowest scoring group was Interprofessional Funds (2.35), while Company Suppliers – it is worth noting – did not do much better (2.45). As regards human resource management processes, the most significant result is that they were all attributed scores less than 6 (which was the midpoint of the 1-10 survey scale). In particular, the respondents judged the level of involvement to be between 4 and 5 for all human resource management processes except Health and Safety, where it was higher (5.95), and Job Analysis, where it was lower (3.86). To sum up, the overall level of involvement attributed by respondents was 4.6, which can be considered proof of poor stakeholder orientation among the Italian HR managers.

Examination of the standard deviations indicates that both the involvement of each stakeholder in different HR processes, and the stakeholder orientation of each HR process, are widely variable (the overall standard deviation is 2.2 on a 1-10 scale). The variability seems to be highest (>3.00) in three particular areas: involvement of Company Customers in HR Strategy and Planning, (3.07), involvement of Company partners in Health and Safety (3.05), and involvement of Control Bodies in Compensation Management (3.04). By contrast, the responses show the strongest agreement (standard deviation < 1.5) for involvement of: Employees in Health and Safety (1.39); Company Suppliers in HR Strategy and Planning (1.48); Communities (1.41), Company Partners (1.46) and Suppliers (1.36) in Job Analysis; and Interprofessional Funds in Internal Communication (1.46). To be noted is the particular case of Top Managers: the standard deviation associated with this stakeholder group is low (<1.5) for 6 out of 9 human resource management processes. In particular, the processes of Performance appraisal and management (1.17), Compensation Management (1.16), and Internal Communication (1.14) have the lowest standard deviations.

4.2 Results from the second stage of the research (focus groups)

In the focus groups, the HR managers discussed the actions that can be taken to improve levels of stakeholder involvement. The insights arising from these discussions are reported in this section. It should be made clear that the purpose of the survey – according to the descriptive value of stakeholder theory – was to explore the existing practices of stakeholder involvement (i.e. how the practices *are*); on the other hand, the purpose of the focus groups – according to the normative value of stakeholder theory – was to collectively identify the actions considered important for increasing the level of that involvement (i.e. how the practices *ought to be*).

Regarding these proposed actions, we have decided to include here only those actions identified by both focus groups, which garnered consensus among all partici-

pants, and which were considered clear and specific by the external expert readers who analyzed the transcripts. Therefore, this paper will not report those actions that were considered useful by only a few focus group participants or a specific set of companies, and/or which the external expert readers judged to be unclear.

The first insight that emerged from the focus groups was that a multi-stakeholder approach to Human Resource Management is only possible if the entire company adopts it, starting from Top Management. It seems especially important for stakeholder-oriented human resource management to be consistent with the decisions that companies take, for example concerning the environmental impact of factories, transparent communication with the local community in which the company operates, and the business ethic adopted by managers at the various levels of the organization. There follows an exchange between two participants in the first focus group:

> Participant A: 'How can I be stakeholder-oriented if my managing director is completely shareholder-based! That's impossible, even if I have a seat on the board of directors!''
>
> Participant B: ' You're right! For example, when we were closing down a mill in Sicily, the company's managerial team – and I'm part of that team – decided to inform the local community at the end of the process, even though I knew and I told them that some local suppliers were recruiting people at that time. Our employees had the skills required by these companies, and if we'd been transparent from the outset, we could have set up an outplacement process.'

The second point that emerged from the focus groups was that learning to deal with stakeholders on a day-to-day and proactive basis enables a stakeholder-oriented style of human resource management. It is only 'by doing things when they are not needed' that it is possible to create value exchange mechanisms that are satisfying for all the actors involved. For example, establishing and cultivating a positive relationship with the local community – by which is meant both institutions and organized groups of citizens – is a key asset for corporate choices with an impact on town planning, employment, or the environment. It requires identifying which stakeholder classes are to be considered in the decision-making processes, understanding their objectives and interests, establishing ongoing and collaborative relations with them, and monitoring their satisfaction and its impact on the company's performance. An illustration of this was provided during the second focus group by one Human Resource Manager:

> Participant C: 'Two years ago we implemented a new production line in one of our factories. We invested a lot of money, and we doubled the area occupied by the factory. The area where we operated was really problematic, because in the past many companies there had caused a great deal of pollution. Our factory is by the Tyrrhenian Sea, and tourism is an important economic activity for that community. Of course, our group–which is not Italian––would not have understood the difficulties that we faced, even though it was investing in Italy. How could we build consensus on investment in the local community? We were able to do so only because we had built up close cooperation with the municipality over the years, and because we could present to the community (and to citizens' associations) the benefits of the intervention in terms of employment, and show that a large part of the investment was aimed at reducing the environmental impact of the factories. We had some problems at the beginning, but the municipality helped us find the most suitable solutions.'

The third insight from the focus groups concerns what companies can do to foster a stakeholder-oriented mindset. The participants identified the need to address proactively (rather than merely for compliance) the managerial constraints and procedures introduced by recent new regulations on sustainability, and they explored ideas about how to accomplish this. For example, the Consolidation Act on Safety (Italian legislative decree no. 81/2008), or the law on corporate administrative responsibility and management and control bodies (Italian law no. 231/01), could be means to induce managers to embrace a stakeholder-oriented view of the firm, and act according to this view. Indeed, such laws can provide concrete opportunities to put in place managerial choices that satisfy the company's stakeholders. Another possibility is to use tools such as a corporate vision, mission, or code of ethics to steer the actions of individuals within the organization: for example by including respect for corporate values in individual or team performance appraisal systems, or 'praising' and valuing behavior considered virtuous for stakeholder management. In this regard, during the focus group, two Human Resource Managers of two multinational manufacturing companies with many factories in Italy said:

> Participant D: 'Three years ago our company made a significant investment in Health and Safety, as a response to some major incidents that had occurred in some of our Italian factories. Even though we were fully compliant with the Italian legislation in this area, we launched a program that modified our ethics code and mission to include Health and Safety principles. The cascading down of the new managerial approach was implemented by a strong partnership with two important stakeholders: the unions, which were involved from the inception of the process in the design of the interventions included in the program; and the local hospitals of the communities where our mills are located, which played a very important role.'

> Participant E: 'Also in my company hospitals were involved in a Health and Safety program. They delivered specific training to all our permanent employees: doctors described cases of workplace accidents which they had treated in the past, and psychologists helped our people focus on the benefits of a healthier lifestyle. We not only reduced the number of incidents, we also created partnerships with local associations to promote fitness schemes and many of our employees were helped to give up smoking'.

In addition to the above-described actions that companies can take to foster a stakeholder-oriented mindset, the HR managers in the focus groups stressed that this mindset needs to be supported by management education. In the words of one participant:

> Participant F: 'My managerial team is very competent and committed. I sit on the company's managerial board, and we have never devoted time to addressing issues related to stakeholder management. I'm sure that it would be very easy to adopt a stakeholder orientation for most of the members of the board, considering their personal values. But we don't do this. Of course, it's a problem arising from our organizational culture, but I guess that the education that we all received has an impact. There are people with MBAs from top-ranked business schools in Italy and abroad on the board, but we know nothing about stakeholder management, business ethics or sustainability. As a result, we don't assume that these topics should be dealt with at our monthly meetings'.

The focus groups also perceived a pressing need for education among human resource managers. Commenting on the preceding statement, another manager said:

> Participant G: 'The composition and background of the members of the managerial board certainly matters. But the gap is wider: in my HR team, looking at all the people that directly report to me, I don't see any competencies in the areas covered by this research. And these are outstanding professionals, with IR and HRM education and professional experience at other successful companies. We, as HR, are the first who should learn about stakeholder management'.

In conclusion, the actions considered crucial for fostering a stakeholder orientation in the human resource management system are: adopting a stakeholder mindset throughout the organization, starting from top management; cultivating relations with stakeholders on a day-to-day and proactive basis; dealing proactively (and not merely for the sake of compliance) with the managerial constraints and procedures introduced by regulations and laws; and continuous management education.

5. Discussion of the findings

5.1 Involvement of stakeholders in designing each HRM process

The purpose of this research question was to gain better understanding of the extent to which HRM is stakeholder oriented. In particular, we investigated the extent to which Italian HR departments involve stakeholders when designing their various human resource management processes. Our findings can be discussed in terms of two overarching themes: differences between the involvement of internal versus external stakeholders, and stakeholder involvement in the HR Strategy & Planning process.

As regards the involvement of internal versus external stakeholders, our results indicate that the stakeholders most taken into account (>6 on a 1-10 scale) – apart from Owners and Investors – were all internal to the company: Top Managers, Line Managers and Employees. Conversely, all the external stakeholders (Control Bodies, Company Customers, Community, Corporate Partners, Suppliers, Interprofessional Funds) were less considered. In other words, the survey respondents seemed to pay less attention to the claims, perceptions of fairness and legitimacy, and consequent definitions of performance, of the company's external stakeholders. What this study empirically suggests, based on the selective sample of companies, appears consistent with the finding of other studies that "HRM seems to consider only stakeholders within the organizational boundaries, overlooking the effects of HRM practices on society" (Janssen & Steyaert, 2009, p. 147). On the basis of the normative value of stakeholder theory, we therefore advance the idea that increasing the level of involvement of external stakeholders is a means to improve the HR practices currently implemented by the companies analyzed. Moreover, to support companies in taking advantage of this opportunity, we argue that HRM research might more extensively focus on how external stakeholders affect, and are affected by, the company's human resource management system. In particular, previous studies have demonstrated the importance of social legitimacy in HRM (e.g. Boon et al., 2009), and offered useful theoretical frameworks for creating new knowledge. An example is the contextually based theory elaborated by Paauwe (2004), who proposes the presence of a dominant coalition which makes HRM choices addressing the pressures from competitive mechanisms, institutional mechanisms, and key cultural features of the organization. Moreover, our findings about internal stakeholder involvement seem consistent with two

phenomena studied by the HR literature: (i) the so-called 'strategic shift' in HRM (e.g. Kochan, 2007; Van Buren et al., 2011), which has been critically described as the "wholesale and uncritical adoption of the language and motivation of strategy within HRM to the detriment of ethical reflection about how employment practices affect various stakeholders" (Van Buren et al., 2011, p. 210); (ii) the adoption, within HRM research, of a unitarist view of the firm: that is, the assumption that there are no underlying and inescapable conflicts of interest between management and other stakeholders – employees in particular (Moore & Gardner, 2004). Indeed, in regard to the latter, the survey results show that employees are the internal stakeholders least considered when human resource management processes are designed, while top managers are the internal stakeholders most considered. This might support the idea that HR managers play a mediating role in trade-offs between organizational performance and employee well-being (Peccei et al., 2013), with the inevitable role conflict that HR managers and professionals face in striking this balance (Wright & Snell, 2005). In this theoretical context, we suggest that, in order to support effective stakeholder-oriented HR practices, HRM research might adopt a pluralist approach to studying the HR discourses that can achieve a balanced involvement of internal stakeholders (such as Top Managers, Line Managers, and Employees).

The second main theme of our findings concerns the role of stakeholders in the HR Strategy & Planning process. Our study suggests that certain stakeholders display levels of involvement significantly lower than those of others: for example, the local communities in which companies operate, and companies' partners and suppliers. Assuming the normative value of stakeholder theory, these findings suggest two possible areas of improvement for HR practice and possible directions for further HR research.

First, our findings show a lower level of involvement of suppliers and partners. Even if this result is not sufficient evidence that they are marginalized – it is for example likely that these stakeholder groups are only invited to provide their inputs when the HR activities are of relevance to them – it can be argued that suppliers' and partners' needs and interests are not a priority in HR managers' decision-making processes. As a consequence, the idea could be advanced that increasing their level of involvement is an area of opportunity for improving the HR practices currently implemented by the companies analyzed. This could be achieved by the more extensive adoption of a supply-chain perspective. A supply chain is "a set of three or more entities (organization or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer" (Mentzer et al., 2001, p. 4). Supply-chain management is considered important from a human resource management standpoint because managing people within and across firms in supply-chain relationships is crucial for developing a competitive advantage (Ketchen & Hult, 2007; Lengnik-Hall et al., 2013). This area of improvement for HR practice might be also considered a promising direction for future HR research. Indeed, although the literature contains specific calls for organizations to manage human capital from a supply-chain perspective (Carter & Carter, 2007; Lummus et al., 2007), and offers some managerial guidelines based on empirical studies on this topic (e.g., Koulikoff-Souviron & Harrison, 2007), there continues to be a lack of re-

search on HRM in the supply chain literature (Giunipero et al., 2008). Accordingly, our recommendation is that, to support human resource management practices strategically oriented to company suppliers and partners, HRM research might benefit from closer integration with supply-chain research.

Secondly, the level of involvement of local communities in the HR Strategy and Planning process, which has been found to be relatively low, suggests another possible area for improving the current HR practice of the companies analyzed and a possible avenue for further HR research. Indeed, the HRM literature has recently dealt with the involvement of local communities when studying downsizing strategies. Some researchers (e.g. Cascio & Wynn, 2004) advocate "comprehensive downsizing strategies", which consider the effects on stakeholders when downsizing, and in particular the role of the communities in which companies operate, and the local institutions. The assumption is that, in a downsizing process, employees may form alliances with those stakeholders to gain influence over the firms. For example, Tsai et al. (2005) combine resource dependence and institutional factors to propose a dynamic model that yields insights into not only stakeholder influence strategy theory but also the role of local communities and institutions in human resource management – with specific regard to downsizing projects. Taking this model only as an example, we agree with the authors, who call for extensive investigation of this topic in relation not only to downsizing but also to various human resource management practices. We therefore recommend that, to support HR practices strategically oriented toward communities, HRM research should more extensively study how local communities affect, and are affected by, a broad set of corporate HR practices.

5.2 Actions that HR managers can take to enhance stakeholder involvement

The second stage of the research, which relied on two focus groups and related to the normative value (both ethical and instrumental) of stakeholder theory, addressed the question of what actions can be taken to involve stakeholders more closely in Human Resource Management. The actions identified as important were: adopting a stakeholder mindset throughout the organization; interacting with stakeholders on a day-to-day and proactive basis; proactively tackling the managerial constraints and procedures imposed by regulations and laws; pursuing continuous learning about stakeholder management.

Considering the previous literature, two of the stakeholder management practices identified by Osland and Osland (2007) have not been surfaced in this study: the development of excellent internal operations, and the implementation of social performance metrics to monitor the quantity and quality of stakeholder relations.

The findings confirm the importance of, and extend knowledge about, some of the practices also identified by those authors (i.e. the key role played by the establishment of a pervasive stakeholder culture and by continuous learning processes on stakeholder management). These are now discussed. Regarding the establishment of a stakeholder-oriented organizational culture, the list of actions that emerged from the focus groups suggests that enhancing stakeholder involvement within the company's human resource practices requires creating a strong stakeholder orientation across the organization as a whole. In fact, the actions highlighted by the focus groups are not

specific to human resource management; rather, they embrace the entire organization and the way in which its members – and leaders, in particular – conceive stakeholder management. In line with recent studies (e.g. Arnold, 2010), we argue that advancing a company's stakeholder orientation demands a change in its organizational culture, which is an attribute of the organization consisting of assumptions – taken-for-granted beliefs about reality; values – normative, moral and functional criteria for decision-making; and artifacts – organizational practices informed by assumptions and values (e.g. Geertz, 1973; Trice & Beyer, 1984). That seems to fit with the concept of stakeholder culture, which has been recently defined as "the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders" (Jones et al., 2007, p. 142). The actions that the focus groups identified as necessary to achieve a more stakeholder-oriented human resource management all have to do with the cultural basis from which the company assesses and responds to stakeholder concerns, rather than with specific practices, such as organizational routines or processes. At the same time, the HR management literature has stressed the notion of HR professionals as agents of change (e.g. Keegan & Francis, 2010), "champions" of change (e.g. Ulrich, 1997), or "transformative" change agents (e.g. Caldwell, 2001). Building on this, an interesting area for future research might be exploration of the fit between specific HR practices and the organizational stakeholder cultures in which they are embedded. Such research could further explore the potential coupling of the potential role of the HR system in changing the stakeholder culture within the organization with the degree of fit between HR practices and the evolving organizational stakeholder culture.

A second consideration in regard to our findings concerns the call for management education processes to enable development of a stakeholder orientation within the company. More specifically, the literature on stakeholder management has advanced the idea that organizations seeking to relate more effectively to their stakeholders need to develop what are called 'stakeholder management capabilities' (Freeman, 1984, p. 53). More recently, the idea that stakeholder involvement is *per se* a learning process has also emerged (Girard & Sobzac, 2012). In addition, given that the advent of a stakeholder orientation requires a change in the company culture, the emphasis placed by the HR managers surveyed on learning is not surprising. Indeed, many scholars have conceived cultural change as a learning process that requires the organization members to modify their cognitions and attitudes (e.g. Bartunek & Moch, 1987). The key feature of the learning processes tied to cultural change is that they are systemic and operate on many levels, individual, collective and organizational (March, 1991). Recent studies have put forward comprehensive definitions of the planned and proactive features that enable and encourage such learning processes via the design and management of learning mechanisms. For example, Shani and Docherty (2003) identify three different types of learning mechanisms: (i) cognitive, defined as "the bearers of languages, concepts, symbols, theories, frameworks, and values for thinking, reasoning, and understanding consistent with new capabilities" (Fredberg et al., 2011, p. 123); (ii) structural, defined as "organizational, physical, technical, and work system infrastructures that encourage practice-based learning" (Fredberg et al., 2011, p. 124); and (iii) procedural, defined as "the rules, routines, methods,

and tools that can be institutionalized in the organization to promote and support learning" (Fredberg et al., 2011, p. 125). Considering the salient role of the HR system in promoting and sustaining learning processes within the organization (e.g. Schimmel & Muntslag, 2009), future research on the HR policies and practices correlated with the design and management of learning mechanisms and the effectiveness of learning processes within the context of stakeholder management seems likely to generate new insights relevant to both further theoretical development and HR practice.

6. Conclusions

The aim of this study has been to advance understanding of a stakeholder orientation in HRM research by examining Italian HR managers' views on the involvement of a wide set of internal and external stakeholders. In particular, in line with the descriptive value of stakeholder theory, a survey was conducted to investigate the degree of stakeholder involvement in the design of various human resource management processes. At a second phase in the research process, and in line with the normative value of stakeholder theory, the survey results were discussed in two focus groups, which explored what organizational actions might enhance this degree of involvement. The survey results quantified the extent to which various stakeholders are considered in human resource management processes, while the focus groups elicited the conditions that can help foster a stakeholder orientation of the human resource management system as a whole.

Like any empirical study, this research has four main limitations.

The first limitation, related to the qualitative stage of our research, can be divided into two specific sub-topics. The first is the normative approach assumed in this phase of our study; indeed, the ethical and instrumental reasons why stakeholder theory should be adopted by managers in general and HR managers in particular might be questioned or problematized, and this study has not done so. The second is the best practice approach adopted in this study; indeed, because we adopted this approach, we could not identify any contextual condition that might heighten or mitigate the effects of the actions identified for improving the level of stakeholder involvement.

The second limitation concerns the research design, which did not make it possible to capture some typical issues that may arise in stakeholder management: (i) the possible presence of stakeholders with disparate ideas about how a corporation should conduct its business, and the consequences of those incongruent needs on corporate stakeholder management strategies; and (ii) the presence of alliances among groups of stakeholders with the same interests and needs, which is also a key element for designing effective stakeholder management corporate practices.

The third limitation is the composition of the sample (which, despite the high number of SMEs and family-owned companies in Italy, was limited to a specific portion of the national economy: the highest capitalization companies listed on the Milan stock exchange) and its nature (the sample only included HR managers, and not other actors from the same companies or their stakeholders).

A final limitation, related to the previous one, is that the research relied only on HR managers' perceptions. Even if all the possible remedies proposed by literature (i.e. Chang et al., 2010) have been implemented (such as formal policies assuring re-

spondents of anonymity and confidentiality, or counterbalancing the order of questions), same-respondent studies can suffer from common method variance. Future research could overcome this problem through analysis of secondary data sets, such as sustainability reports of the companies in question, or external ethics ratings, and/or through multiple-respondents studies.

Overcoming the four above-reported limitations might be considered a possible direction for future research intended to endorse stakeholder theory as a key theoretical lens through which to explore HR-related topics. Moreover, future research might employ theories different from stakeholder theory, such as micro-politics, neo-institutional theory, or resource dependence theory, to explore the political-economic system of both internal and external stakeholders in which companies are embedded and that interacts with and influences human resource management practices. Those theories, which our paper does not employ, might be alternatively applied to shed light on diverse facets of the phenomenon; or they might be simultaneously applied as competitive theoretical frameworks. In conclusion, we propose some specific directions for future research that would support effective stakeholder-oriented human resource management practices. In particular, we advocate the following: a focus on striking a balance between the claims of external versus internal stakeholders; closer integration between the HRM literature and the supply-chain literature with respect to managing relations with company suppliers and partners; a more extensive adoption, in HR research, of "open system theories" that might recognize the impact of the societal environment on the HR-related decision-making processes within the firm in order to study relations between the company and local communities; conceptualizing stakeholder management as a cultural change process that requires the development of specific organizational capabilities; studying the role of the HR system in bringing about the required cultural change; and exploration of the design and management of different types of organizational learning mechanisms likely to support individual, collective and organizational learning, and the role that they can play in enhancing stakeholder involvement practice.

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