Positive stakeholder relationships build trust and business value. By: Smith, Katherine V., Voice of Corporate Citizenship, Aug2013

A group of studies examined in our recent Research Briefs show that stakeholder engagement delivers multiple benefits to business. Positive stakeholder engagements are shown to have a positive effect not only on those directly engaged but also on other groups of stakeholders who observe the engagement.[1]

This research aligns with findings from prior studies, which suggest that expectations of firms among stakeholders in their home communities extend to their global operations. Regardless of the expectations of stakeholders abroad, stakeholders at home expect companies to treat all of their arenas of operation with consistent care -- and they will punish companies who do not meet their expectations[2].

Executives surveyed for the Center's State of Corporate Citizenship 2012 report understand the importance of stakeholder relationships. They identify engagement with stakeholders among the areas most important to the success of corporate citizenship programs.

Both from the perspective of firm performance and consumer perception, employees are increasingly considered to be among the most important groups of stakeholders. A recent 25-year study of a value-weighted portfolio of the companies on the Fortune “100 Best Places to work” list showed the stock performance of those firms 2.1 percent higher than industry benchmarks[3]. Further studies suggest that firms with better stakeholder relations face lower restraints on access to capital as their stakeholder engagement creates levels of transparency and reduces informational asymmetries, thus mitigating perceived risk so that firms are able to more easily obtain financing in the capital markets[4]; companies with better employee engagement also enjoy lower debt ratios[5] and are better able to recover from poor financial performance than firms without these strong relationships[6].

Building trusting relationships with stakeholders is not a simple task. The investment required can be significant but the potential return can far outweigh the cost of not making the effort. Henry Wadsworth Longfellow may have gotten to the heart of one argument for committing to the kind of good corporate citizenship that engenders trust: "It takes less time to do a thing right than to explain why you did it wrong."


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