STAKEHOLDER ANALYSIS OF SOCIAL SUPERMARKETS

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Summary

A healthy society should look after its most vulnerable groups that have been affected both economically and socially by the recent economic crisis. A wide range of social organizations has emerged recently in order to fulfil their value-based missions within a society. They include solidarity, equity, serving, preserving human dignity and ensuring delivery of common good to vulnerable social groups. One form of these organizations are social supermarkets which are a relatively new phenomenon interlinking social needs with the traditional food supply chains. As an emerging phenomenon, social supermarkets have to be researched from various aspects in order to clarify their position, role and way of operation. In this paper, stakeholder analysis is applied. The aim is to identify various levels of stakeholders, their mission, role and interests in the operation of social supermarkets.

Key words: social supermarkets, stakeholders, stakeholder analysis, volunteers, social entrepreneurship.

1. INTRODUCTION

Social supermarkets are defined as food oriented retailers selling food to a restricted group of people living in or at risk of poverty (Holweg and Lienbacher, 2011). Social supermarkets are a social innovation that comprises social responsibility of asso-
associated individuals with the aim of showing social solidarity toward socially vulnerable persons or families, by collecting and distributing goods gathered from individual donors, large retail chains and/or other companies (Maric, 2013). Social supermarkets are supported through volunteerism, philanthropy and good will of donors making their contribution by providing work, goods and services for their daily operation. They are, by definition, non-profit organizations that base their activities on volunteerism and charity and if they generate any profits, they use them for charitable activities.

Moreover, according to Maric and Knezevic (2014), social supermarkets constitute a new retail format that fosters positive social change by fulfilling material needs of the socially disadvantaged groups and giving them an opportunity to preserve their dignity in an environment where they can choose various kinds of goods at extremely low prices.

In comparison with other retail formats, if we take into account their size in square meters or location, social supermarkets are somewhere in between convenience stores and conventional supermarkets because their area is usually less than 1000 sq. meters and they operate in neighbourhoods or quarters where their users are located. However, if we compare their assortment, atmosphere or service, they can be compared to hard discounters because they offer a merchandize mix with low to medium width and low depth and low to average quality. They are not focused on producers’ brands, while investments in interior design are extremely low. However, some characteristics are specific only for social supermarkets:

- number of SKUs in their assortment depends on donations, while food accounts for approximately 90% of their assortment;
- goods are usually distributed to the most vulnerable social groups for free; in some cases, if goods are not given for free, then EDLP policy is applied with prices lower by more than 30% compared to other stores;
- service is provided by volunteers and/or previously unemployed persons,
- opening hours are limited,
- promotional activities are scarce and are done via welfare centres, citizen associations and religious organizations,
- more intensive promotional activities are done for the benefit of donors through various activities of citizen associations, religious organizations and supporting media.

The first social supermarket in Croatia was opened in 2009 in Split and, since then more than fifteen social supermarkets have started operating in various cities. Figure 1 presents the dynamics of opening social supermarkets in Croatia until 2015. We have to point out that this dynamics is intensifying and each month there are several initiatives in different regions and cities. It is therefore hard to keep track, as centralized registration of social supermarket initiatives does not exist.
Social supermarkets are a relatively new phenomenon and scientific papers addressing this field from various aspects are scarce, especially in the field of organization and management of social supermarkets. Therefore, this paper will try to explain this phenomenon through the prism of stakeholder analysis.

First, we will give some introductory remarks on the stakeholder theory in general, and afterwards, we will apply this theory to the phenomenon of social supermarkets. The basic goal of the paper is to classify and explain the stakeholders in social supermarkets and to address their motives, interests, actions and their general role in the operation and development of social supermarkets.

2. BASIS OF THE STAKEHOLDER THEORY

As the result of inefficiency of conglomerate diversification, as well as because of rising importance of institutional investors, the *shareholder approach* that reaffirmed shareholders’ interests in corporate governance gained prominence during the 1970s (Tipurić, 2007: 24; Lazonick & O’Sullivan, 2000). According to this approach, corporate money has no social function, while social problems should be of interest only to the government and individuals. However, the side effects of one-way shareholder value maximization, such as unemployment, insufficient investments, inequality and social exclusion (Tipurić, 2007: 34), have raised serious questions about the relationship between maximization of shareholder value and sustainability of economic prosperity (Lazonick & O’Sullivan, 2000). In fact, an over-emphasis on profit maximization and on share price performance has been determined as the root cause of governance crises at the beginning of the new millennium as well as the more recent financial crisis of 2007-2008 (Spitzeck & Hansen, 2010).

Building on the abovementioned problems associated with the shareholder theory, a new paradigm – a *stakeholder approach* – started to gain momentum in the 1980s. The stakeholder concept has been a prominent theme in management literature for more than two decades since the publication of Edward Freeman’s seminal work *Strategic Management: A Stakeholder Approach* (de Bussy & Kelly, 2010). The ideas of Freeman (1984) emerged out of an organizational context in which the business community was
beginning to understand that it was not self-sufficient, but was dependent on external environment, as observed earlier (Emerson Mainardes, Alves & Raposo, 2012). In other words, the stakeholder management concept argues that corporations should extend their mission to include stakeholder groups beyond shareholders – that is, to enlarge the circle of stakeholders (Freeman, 1984 after Ditlev-Simonsen & Wenstøp, 2013; Polonsky, 1995), acquiring socially responsible behaviour.

It should be mentioned, though, that this idea was not completely novel, as corporations have always considered customer preferences and the well-being of employees when producing products (Ditlev-Simonsen & Wenstøp, 2013). What was new at the time was the notion of balancing these and other stakeholders’ interests in a broader, more conscious organizational strategy (Ditlev-Simonsen & Wenstøp, 2013) by attempting to affirm the principles of equality, collectiveness and solidarity (Tipurić, 2007).

Since the early 1990s, corporate responsibility issues have attained prominence in the political and business agenda (Ditlev-Simonsen & Wenstøp, 2013). The stakeholder theory builds on several disciplines, including ethics, strategy, law, economics and theory of organization, but is central in corporate social responsibility (CSR) research (Ditlev-Simonsen & Wenstøp, 2013). According to the CSR approach, companies recognize and address their responsibilities to all their stakeholders for mutual benefit or even on purely ethical/moral grounds (Katsoulakos & Katsoulacos, 2007). More specifically, CSR represents commitments and activities that extend applicable laws and regulations on trading, health and safety, human rights, consumer and environmental protection, reporting, and can be seen as a method of corporate self-regulation (Katsoulakos & Katsoulacos, 2007).

Apart from CSR, the concept of corporate social sustainability has also been extensively linked to stakeholder theory of corporate governance. Corporate sustainability is associated with support for sustainable development, long-term performance stability and survival of the corporation. It addresses the needs of present stakeholders while seeking to protect, support and enhance the human and natural resources that will be needed by stakeholders in the future (Katsoulakos & Katsoulacos, 2007). Both CSR and corporate sustainability assess the company’s economic, social and environmental impact, taking steps to improve it in line with stakeholder requirements and reporting on relevant measurements (Katsoulakos & Katsoulacos, 2007).

According to the stakeholder theory, a corporation is seen as the centre of a network of interdependent interests and partners, all of whom contribute to its efficiency (Tipurić, 2007; Emerson Mainardes, Alves & Raposo, 2012). There are, however, different opinions as to who can be called a “stakeholder”. Several studies have asked the question, “To whom is the organization responsible?” (Vos, 2003, after Ditlev-Simonsen & Wenstøp, 2013). Freeman (1984), for example, defined the stakeholder as “any group or individual who can affect or who is affected by the achievement of the company’s objectives.” Stakeholders have been defined more narrowly as risk-bearers based on the argument that a stakeholder should have some form of capital at risk, either financial or human, and therefore has something to lose or gain depending on a company’s behaviour (Clarkson, 1995, after Katsoulakos & Katsoulacos, 2007).
Some studies have focused more on evaluating and categorizing different types of stakeholders. Identifying primary and secondary stakeholders is one approach, while identifying voluntary and involuntary stakeholders is another (Vos, 2003 after Ditlev-Simonsen & Wenstøp, 2013). As for more specific groups of stakeholders, most authors list these: management, shareholders, employees, customers, suppliers, communities/governments and their agencies, administrators, activist groups and unions, courts, special interest groups (of all kinds), the public, scientific community, NGOs, environmentalists, the media, children, investors and lenders (Ditlev-Simonsen & Wenstøp, 2013; Coddington, 1993 after Polonsky, 1995; Ottman, 1992 after Polonsky, 1995). The key stakeholders usually include for example “employees” and “unions” as internal and “public”, “the media” and “the government” as external stakeholders (e.g. Taghian, D’Souza, Polonsky, 2015). Interaction between the stakeholders can be seen in Figure 2.

Building on the above-mentioned list of potential stakeholders, this management approach takes place across three levels: identification of stakeholders, development of processes that recognize their respective needs and interests, and establishment and building of relationships with them and with the overall process structured in accordance with organizational objectives (Emerson Mainardes, Alves & Raposo, 2012). While developing organizational strategies, firms must realize that they are responsible to numerous internal and external stakeholders and that each stakeholder group has a different set of expectations relating to the firm’s performance, which may cause a conflict between the firm and its stakeholders (Polonsky, 1995). For example, owners often expect profit maximization, while employees expect safe working conditions – following one strategy does not allow expectations of all groups to be met, which results in “conflict” between the organization and its stakeholders (Polonsky, 1995).

**Figure 2:** Interaction of stakeholders with the firm and adjacent shareholders

From the corporate perspective, some stakeholders such as employees and customers are critical for corporate survival (Lozano, 2005 after Spitzeck & Hansen, 2010) as they provide the organization with essential resources (Pfeffer and Salancik, 1978 after Spitzeck & Hansen, 2010). This line of reasoning is usually referred to as instrumental stakeholder theory and provides the basic rationale for the question of why stakeholder concerns should be considered when deciding on how an organization should be directed and controlled (Spitzeck & Hansen, 2010). However, in search for a more integrative approach taking into account the interests of the majority of stakeholders, a process of effectively integrating all stakeholders should be designed as follows (Freeman, 1984):

1. Identify relevant stakeholder groups in relation to the issue being addressed;
2. Determine the stake and importance of each stakeholder group;
3. Determine how effectively the “needs” or “expectations” of each group is presently being met;
4. Modify corporate policies and priorities to take into consideration stakeholder interests.

Despite their rapid expansion, the concept of social supermarkets has only sporadically been covered in academic literature (e.g., Holweg, Lienbacher & Schnedlitz, 2010; Holweg & Lienbacher, 2011), while the issue of identifying the stakeholders of social supermarkets has been completely neglected. As social supermarkets represent a relatively recent social invention that “flourished” in Europe since the start of the last economic crisis, the scarcity of research does not come as a complete surprise. However, as the activity in this area has shown constant rise, the absence of a more systematic approach to social supermarkets calls for an application of more sophisticated theories of organization and management.

The stakeholder analysis is applied in this paper because of the reasons mentioned above. As the aim is to identify various levels of stakeholders, their mission, role and interests in the operations of social supermarkets, we begin the application of the stakeholder theory to social supermarkets by classifying the key groups of stakeholders, namely, the individuals, organizations and the society in general. The next step is also based on the approach of Freeman (1984) where we determine the stake and importance of these stakeholders, as well as their interests and the extent to which their expectations are being met. We conclude with the ways of modifying policies and priorities in order to, where possible, take into consideration stakeholders’ interests.

3. STAKEHOLDERS OF SOCIAL SUPERMARKETS

As mentioned earlier, each stakeholder group has a different stake, importance, role, and different expectations and interests regarding an organization. Some stakeholders provide the organization with essential resources for everyday operation. Some stakeholders give meaning to an organization and are in the focus of its mission. Some of them facilitate the position of the organization in the society. Some of them contribute to its image and service level. While some of them find their own interests in the organization’s operations.
This part of the paper uses various secondary resources (Maric, Knezevic and Kovac (2015), Maric, Knezevic, Dzambo (2015), Holweg and Lienbacher (2011), Dzambo, D (2015), Case Rijeka (a and b, 2015)), and tries to sum up and systemize stakeholders important for the management of social supermarkets. At this stage of the research we did not perform any interviews or exploratory in-field research.

Based on the aforementioned secondary resources, in social supermarkets, we can observe three levels of stakeholders, namely (see Figure 3): (1) individuals directly involved in social supermarket operations, (2) organizations that facilitate operations by providing various resources and (3) the society in general.

**Figure 3:** Stakeholders involved in social supermarkets

Source: Authors’ work

Based on the presented classification, we are going to explain each level of stakeholders looking at their general role, way of action, motives, interests and expectations they have with regard to social supermarkets as organizations.

### 3.1. Individuals Directly Involved in Social Supermarkets

There are three types of individuals involved in the daily operation of social supermarkets. They include (1) social entrepreneurs, (2) volunteers, (3) users, (4) individual donors.

By definition, social entrepreneurs are people who perceive a social problem. In this case, the social problem is absolute poverty and danger of hunger. They start an action and encourage other stakeholders to organize. Their basic role is to initiate, or-
ganize and drive the action of other stakeholders. In the case of social supermarkets, their motives are philanthropic by nature, but through their action, they get an opportunity to serve the society and to achieve a certain level of self-actualization and self-promotion. Their interests include social engagement in solving the problem of hunger and social exclusion through fair distribution of food and other groceries, see Figure 4.

**Figure 4:** Social entrepreneurs as stakeholders of social supermarkets

The second stakeholder group includes “volunteers”. They are people who share their time, knowledge and skills in serving the local community on a voluntary basis. There are various motives for their engagement: contributing to the idea of a better, fairer world, developing their own knowledge and skills and developing relationships with others within the local community. Volunteers have an extremely important role in operational activities of social supermarkets, both in fundraising and in distributing collected goods. For example, Maric et al, (2015) describe how volunteers contribute their knowledge, skills and time in fundraising activities in Rijeka Social Supermarket. Figure 5 summarizes the basic characteristics of volunteers working in social supermarkets.
As an entrepreneurial initiative, social supermarkets are organized to serve their users. As mentioned above, users of social supermarkets are people living in poverty or in danger of poverty. Figure 6 shows their basic characteristics. Across Europe, there are various approaches in defining the users of social supermarket. In some countries, users are strictly people involved in social welfare programs who obtain goods free of charge, but there are examples where social supermarkets are open to the general public and offer goods significantly below average prices in the traditional retail network. In their essence, social supermarkets are oriented toward socially endangered citizens and unemployed persons. In social supermarkets, food is distributed in a more humane way than in food banks. They try to preserve human dignity by offering the possibility to select the necessary goods (dominantly food and toiletries). Users have a short-term expectation to satisfy the most urgent physiological needs, but in the long run they also expect activities which will help them to get out of the situation of absolute poverty and social deprivation.

Therefore, social supermarkets should organize various activities apart from classic fundraising and distribution. For instance, those additional activities could be involving users as volunteers and giving them the opportunity to pay the society back – which leads to the re-establishment of dignity and self-esteem. Other additional activities could be workshops on how to search for a job, educational activities to improve users’ skills, competences etc. In this sense, social supermarkets have enormous potential to improve their role and image in the local community and to develop as value improving social initiatives.
Also, according to Case Rijeka (2015a), there is an additional group of individuals involved in the operation of social supermarkets – the “donors”. As described in the case of Rijeka Social Supermarket (Case Rijeka 2015a and b), in comparison to organizations from the profit sector, individual donors in Croatia are more significant contributors of food and other goods needed in social supermarkets. Action within this group is moti-

Source: Authors’ work

![Figure 6](image1.png)

**Figure 6**: Users as stakeholders of social supermarkets

Source: Authors’ work

![Figure 7](image2.png)

**Figure 7**: Individual donors as the stakeholders of social supermarkets

Source: Authors’ work
vated and driven by actions of social entrepreneurs and volunteers. It can be observed from the mentioned case that reactions of this particular group strongly depend on the positive image developed in the media regarding social supermarket activities. Figure 7 shows the role, motives, interests and expectations of this group of stakeholders.

3.2. Organizations as Enablers and Providers of Social Supermarkets

Based on analyses in Croatia (done by Maric and Knezevic et al., see publications from 2013 until present) and Austria (done by Holweg and Lienbacher et. al, see publications from 2010 until present), at organizational level, we can distinguish three main groups of enablers and providers in the field of social supermarkets. Two of them are non-governmental organizations: civil society organizations and religious institutions. The third group includes members of traditional food supply chains. In the following section, we will briefly outline their contribution and role.

**Civil society organizations:**
- Promote civil values such as: fairness, inclusion, social engagement, poverty reduction etc.;
- Organize activities in order to provide community service (in the case of SSM: helping the poor and fair distribution of groceries);
- Systematically manage scarce resources to achieve the common good in the segment not directly covered by government social support programs;
- Participate in various support programs to the civil society, through project applications to EU funds, government incentives and various foundations;
- Have an interest in public self-promotion in the local community.

On the other hand, *religious institutions*:
- Promote values such as dignity of every human being, protection of life, protection of family;
- Have the attitude that the poor enrich the society and promote love for the poor;
- Encourage their members to provide resources (money, labour and time) for reducing poverty and helping others;
- Use their own resources (space and money) for the purpose of solving the problem of poverty;
- Their activities can be aimed at helping their own members, but often this is not the case.

Maric and Knezevic (2014) point out that in the Croatian case, religious institutions are more significant in this area of social entrepreneurship than civil society organizations. According to the presented findings, more than two thirds of social supermarkets in Croatia operate to some extent with the support from religious institu-
tions. Some of them could be illustrative examples of good cooperation between those two groups of stakeholders (i.e. between religious institutions and civil society organizations), but this topic has to be scrutinized in some future in-field research activity.

The last group of organizations includes members of traditional food supply chains. These are profit organizations such as producers, distributors and retailers in FMCG (fast moving consumer goods) sector. As analyses show, food waste occurs at different points in the food supply chain, but it is most evident at the retailing and consumer stages (for instance see: Parfitt et al., 2010; Lundquist et al., 2008; Kader, 2005). Estimates given by Lundquist et al. (2008) show that more than a half of grown food is wasted in post-harvest and post-production phases. Parfitt et al. (2010) scrutinize the types of losses within the generic food supply chain and they systemize estimations given by various authors for various countries. On the global scale they cite Kader’s (2005) estimation that one third of produced food is lost (wasted) before it reaches consumers.

These losses occur due to poor planning within various companies within the chain, turbulences in consumer demand, inadequate technologies in transport and storage, lack of integration and communication within the channels, inappropriate packaging, problems in operational processes, underdeveloped infrastructure, lack of knowledge on market trends etc.

Due to the mentioned problems, members of food supply chains often experience financial losses in terms of slow moving and obsolete inventories, which increase handling and warehousing costs and losses due to expiration date issues, and losses because of waste management costs. Therefore, they are interested in the operation of social supermarkets as a possible solution to those problems. Through donations to social supermarkets, they can improve their own efficiency by reducing costs of storage and by removing surpluses from the supply chain. In addition, they can increase their business performance by obtaining tax benefits for donations. More importantly, they can build a positive image in the field of social responsibility by ensuring free media coverage when donating to social supermarkets. Examples of social supermarkets analysed by Schneider (2012) and Holweg and Lienbacher (2011) show that members of food supply chains are significant supporters and drivers of social supermarket initiatives in Austria. Unfortunately, this is still not the case in Croatia.

3.3. Facilitators of Social Supermarkets in Society

Finally, there are stakeholders who are responsible for setting up the entire operational field and common ground for all the actors in a certain country. The local community and the government are the two levels of stakeholders involved in this process. This paper will not explain in detail how rules are determined and it will not discuss concrete supporting measures, but it will briefly explain the role of these facilitators in the field of social supermarkets. However, future research should explore and explain these issues in more detail.

The local community has a good awareness of the social problems at the local level and has an interest in finding a local solution. They support and promote local civil
society initiatives by providing resources and organizing a more equitable distribution of goods to its members.

The government is interested in solving social problems at the national level, but it is not always sufficiently efficient in this process. Therefore, it gives support to initiatives in the field of improving social inclusion (for example, it provides space, financial support, education etc.). By implementing various measures, it encourages cooperation between the profit and non-profit sector, but also expects greater involvement of individuals and civil society organizations. It is also responsible for setting up the legal and fiscal framework for social supermarkets. As a new phenomenon, we can expect that social supermarkets will bring a positive change in the socio-economic situation at the local level.

4. CONCLUSION

Social supermarkets represent a specific form of social enterprises that reconcile social and market components of business. They possess elements of social enterprises focusing on the work of volunteers and achieve a social impact by reducing poverty and fostering solidarity, social responsibility and civic initiatives.

There are three levels of stakeholders involved in the operation of social supermarkets. They are: (1) individuals involved in the operation of social supermarkets, (2) organizations that facilitate operations by providing various resources and (3) the society in general. Each stakeholder has a different role, different interests and ways of behaviour. This paper analyses and discusses these stakeholders and their role.

In this paper, we have used various secondary resources in order to systemize data on stakeholders of social supermarkets. Based on the findings presented in this conceptual paper, the second stage of the research is planned as an exploratory in-field research combined with a set of interviews, in order to improve these observations and to clarify the role of each stakeholder group.

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ANALIZA DIONIKA SOCIJALNIH SAMOPOSLUGA

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Sažetak

Zdravo društvo trebalo bi se brinuti za najranjivije skupine koje su u ekonomskom i socijalnom smislu pogođene posljednjom gospodarskom krizom. Cijeli niz socijalnih organizacija nedavno se pojavio kako bi ispunili svoje vrijednosne zadaće: solidarnost, jednakost, služenje, očuvanje ljudskog dostojanstva i osiguranje općeg dobra za ranjive skupine društva. Jedan oblik ovih organizacija su socijalne samoposluge, relativno novi fenomen koji povezuje socijalne potrebe s tradicionalnim lancima opskrbe hranom. S obzirom da se radi o novom fenomenu, socijalne samoposluge treba istraživati iz različitih aspekata kako bi se razjasnio njihov položaj, njihova uloga i način rada. U ovom radu primjenjuje se analiza interesno-utjecajnih skupina. Cilj je utvrditi različite razine dionika, njihovu misiju, ulogu i interese u odnosu na rad socijalnih samoposluga.

Ključne riječi: socijalne samoposluge, dionici, analiza dionika, volonteri, socijalno poduzetništvo.

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