



**STUDIES IN MANAGERIAL AND
FINANCIAL ACCOUNTING**

VOLUME 19

**MANAGERIAL ATTITUDES TOWARD A
STAKEHOLDER PROMINENCE WITHIN
A SOUTHEAST ASIA CONTEXT**

**LORNE CUMMINGS
CHRIS PATEL**

MANAGERIAL ATTITUDES
TOWARD A STAKEHOLDER
PROMINENCE WITHIN A
SOUTHEAST ASIA CONTEXT

STUDIES IN MANAGERIAL AND FINANCIAL ACCOUNTING

Series Editor: Marc J. Epstein

Recent Volumes:

- Volume 1: Setting the Standard for the New Auditors Report: An Analysis of Attempts to Influence the Auditing Standards Board
- Volume 2: The Shareholders Use of Corporate Annual Reports
- Volume 3: Applications of Fuzzy Logic and the Theory of Evidence to Accounting
- Volume 4: The Usefulness of Corporate Annual reports to Shareholders in Australia, New Zealand, and the United States: An International Comparison
- Volume 5: A Power Control Exchange Framework of Accounting Applications to Management Control Systems
- Volume 6: Throughout Modeling: Financial Information Used by Decision Makers
- Volume 7: Applications of Fuzzy Sets and the Theory of Evidence to Accounting II
- Volume 8: Corporate Governance, Accountability, and Pressures to Perform: An International Study
- Volume 9: The January Effect and Other Seasonal Anomalies: A Common Theoretical Framework
- Volume 10: Organizational Change and Development in Management Control Systems: Process Innovation for Internal Auditing and Management Accounting
- Volume 11: US Individual Federal Income Taxation: Historical, Contemporary and Prospective Policy Issues
- Volume 12: Performance Measurement and Management Control: A Compendium of Research
- Volume 13: Information Asymmetry: A Unifying Concept for Financial and Managerial Accounting Theories.
- Volume 14: Performance Measurement and Management Control: Superior Organization Performance.
- Volume 15: A Comparative Study of Professional Accountants' Judgements
- Volume 16: Performance Measurement and Management Control: Improving Organizations and Society
- Volume 17: Non-financial Performance Measurement and Management Practices in Manufacturing Firms: A Comparative International Analysis
- Volume 18: Performance Measurement and Management Control: Measuring and Rewarding Performance

STUDIES IN MANAGERIAL AND FINANCIAL
ACCOUNTING VOLUME 19

**MANAGERIAL
ATTITUDES TOWARD
A STAKEHOLDER
PROMINENCE WITHIN
A SOUTHEAST ASIA
CONTEXT**

BY

LORNE CUMMINGS

*Department of Accounting and Finance,
Macquarie University, Sydney, Australia*

CHRIS PATEL

*Department of Accounting and Finance,
Macquarie University, Sydney, Australia*



JAI

United Kingdom – North America – Japan
India – Malaysia – China

JAI Press is an imprint of Emerald Group Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2009

Copyright © 2009 Emerald Group Publishing Limited

Reprints and permission service

Contact: booksandseries@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. No responsibility is accepted for the accuracy of information contained in the text, illustrations or advertisements. The opinions expressed in these chapters are not necessarily those of the Editor or the publisher.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-84855-254-8

ISSN: 1479-3512 (Series)



Awarded in recognition of Emerald's production department's adherence to quality systems and processes when preparing scholarly journals for print



INVESTOR IN PEOPLE

CONTENTS

LIST OF FIGURES	<i>vii</i>
LIST OF TABLES	<i>ix</i>
ABSTRACT	<i>xi</i>
CHAPTER 1 INTRODUCTION TO THE STUDY	<i>1</i>
CHAPTER 2 STAKEHOLDER LITERATURE REVIEW	<i>17</i>
CHAPTER 3 RESEARCH METHODOLOGY	<i>53</i>
CHAPTER 4 DEVELOPMENT AND STAKEHOLDER PROMINENCE	<i>89</i>
CHAPTER 5 RESULTS	<i>113</i>
CHAPTER 6 THEORETICAL AND MANAGERIAL STRATEGY IMPLICATIONS	<i>145</i>
CHAPTER 7 SUMMARY, CONCLUSIONS, AND FUTURE RESEARCH	<i>159</i>
APPENDICES	<i>173</i>
REFERENCES	<i>209</i>

This page intentionally left blank

LIST OF FIGURES

Figure 2.1	A Stakeholder View of the Organisation	18
Figure 2.2	Modified Stakeholder Strategy Matrix	30
Figure 3.1	Qualitative Classes of Stakeholders	77
Figure 3.2	Stakeholder Hierarchical Decision Model	80
Figure 4.1	Historical Phased Model of Social Responsibility	94
Figure 4.2	A Stakeholder-Based Public Policy Development Process	103
Figure 4.3	Epistemic Community as Stakeholder Representation	104
Figure 5.1	Stakeholder Variance – Attributes Combined	121
Figure 5.2	Stakeholder Legitimacy Variance	132
Figure 5.3	Stakeholder Power Variance	135
Figure 5.4	Stakeholder Urgency Variance	139

This page intentionally left blank

LIST OF TABLES

Table 2.1	Stakeholder Literature Classification from 1983 to 2000	44
Table 3.1	Normative and Positive Elements of a Stakeholder Theory	55
Table 3.2	A Stakeholder Value Matrix	81
Table 3.3	Saaty’s Scale of Relative Importance	82
Table 4.1	Economic Development Indicators	96
Table 4.2	Social Development Indicator of Cultural Heterogeneity	99
Table 4.3	Social Indicators for Moral Dialogue	101
Table 4.4	Social Indicators for Education	105
Table 4.5	Stakeholder Prominence Hypotheses	107
Table 4.6	Stakeholder Legitimacy Hypothesis	108
Table 4.7	Stakeholder Power Hypothesis	108
Table 4.8	Stakeholder Urgency Hypothesis	110
Table 5.1	Descriptive Statistics for the Sample	116
Table 5.2	Multivariate Test – Country of Origin	117
Table 5.3	Bonferroni Tests for Stakeholder Prominence Overall	118
Table 5.4	Stakeholder Prominence by Total Respondents (via Country of Sample)	119
Table 5.5	Multivariate Test – Occupation Overall	122
Table 5.6	Multivariate Test – Occupation and Country of Origin Combined	122
Table 5.7	Bonferroni Tests via Occupation Overall	123
Table 5.8	Bonferroni Tests via Country	124
Table 5.9	Stakeholder Prominence by Owner	125
Table 5.10	Stakeholder Prominence by Manager	125
Table 5.11	Stakeholder Prominence by Full-Time Manager/Part-Time Student	126
Table 5.12	Stakeholder Prominence by Full-Time Student	126
Table 5.13	Stakeholder Prominence by “Other” Occupations	127
Table 5.14	Tests of Between Subject Effects – Legitimacy	130
Table 5.15	Bonferroni Tests on Stakeholder Legitimacy	131

Table 5.16	Stakeholder Legitimacy Across All Respondents	132
Table 5.17	Test of Between Subject Effects – Power	133
Table 5.18	Bonferroni Tests on Stakeholder Power	134
Table 5.19	Stakeholder Power Across All Respondents	135
Table 5.20	Test of Between Subject Effects – Urgency	136
Table 5.21	Bonferroni Tests on Stakeholder Urgency	138
Table 5.22	Stakeholder Urgency Across All Respondents	139
Table 5.23	Summary of Results on Stakeholder Prominence	140

ABSTRACT

This monograph explores stakeholder theory development by empirically examining the attitudes of managers and managerial students in Australia, China, and Indonesia, toward the perceived “prominence” or “salience” of selected organisational stakeholders. Past literature on stakeholder theory has placed a dominant focus on its normative or prescriptive aspects which seek to define “who” and “what” are stakeholders, and instrumental studies, which espouse the theory’s benefits. Empirical literature is limited and no studies have been undertaken to explain and predict stakeholder behaviour through an examination of the conditions under which stakeholder salience arises. A development model (based on social and economic factors) is used to argue that Australian respondents will perceive greater equality in prominence between the selected organisational stakeholders than their Chinese and Indonesian counterparts. Utilising the Analytical Hierarchy Process (AHP) as a means by which to gauge stakeholder prominence, results indicate that Chinese respondents attributed greater prominence toward government as an organisational stakeholder, and contrary to expectations, perceived greater equality (less variance) in prominence between stakeholders. The results may be influenced by the low response rate by Chinese managers in particular, and by the lower age bracket of Chinese respondents in general, which may have resulted in less entrenched attitudes toward stakeholders. The results contribute toward a positive theory of stakeholder choice by exploring the role of developmental factors in understanding stakeholder salience. The results also have implications for the formulation, implementation and evaluation of managerial strategy for salient stakeholders. Future research may explore the perceptions of stakeholder prominence within different geographic and industry contexts.

This page intentionally left blank

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1. INTRODUCTION

This study seeks to elicit “organisational manager” and “managerial student” attitudes in Australia, China, and Indonesia, toward the (1) legitimacy, (2) power, and (3) urgency of selected stakeholders.¹ The three attributes constitute stakeholder “prominence” or “salience”, and are based on a stakeholder typology model by [Mitchell, Agle, and Wood \(1997\)](#), using a methodology proposed by [Hosseini and Brenner \(1992\)](#) to generate value-matrix weights.

The study is ethnographic² in nature, the objective of which is to examine the perceived prominence of organisational stakeholders by respondents, predominantly organisational managers and managerial students in Australia, China, and Indonesia. A study of stakeholder orientation by both these groups is important in that they represent current and future primary decision-making sources within an organisation. Understanding their individual attitudes allows a greater insight into possible organisational attitudes and strategy toward certain issues, which in turn enables a greater understanding of the perceived importance of organisational participants in societies characterised by different levels of economic and social development.

The remainder of this chapter provides an introduction and motivation to the study, with respect to identification of attitudes toward stakeholder prominence. Also, there is an outline to the study, and a summary of the expected contributions to stakeholder literature that the study seeks to provide. The structure of the study in terms of chapter overview is outlined in [Section 1.5](#). For the benefit of the reader, a glossary of key terms used in the study has been provided in [Appendix A](#). These terms are constantly referred to in various sections throughout the study. Furthermore, in order to provide a condensed summary of the study, at the end of each chapter, a table is provided containing the chapter’s primary objectives and the outcomes achieved, along with the relevant sections for each outcome.

1.2. WHY SHOULD THERE BE A STUDY ON STAKEHOLDER PROMINENCE IN THESE THREE COUNTRIES?

There are three motivations underlying this study: (1) to examine stakeholder theory in an international context, which to date has not yet been attempted on a large scale; (2) to assess the function of stakeholder groups within a regional context which is characterised by intense industrialisation, affecting the cultural, economic, and political fabric of society; and (3) to gauge the extent to which a social contract exists between the principal (stakeholder) and agent (organisation). Each motivation is outlined in more detail.

1.2.1. International Context

First, there is a need to empirically test stakeholder theory, which to date has largely remained devoid of noteworthy investigation. This is important given that countries are increasingly becoming “globalised” with respect to both their economic and social structures. Notwithstanding the need for theoretical validation itself, there is also a need to provide a framework to explain the extent to which stakeholder theory applies at an international level, although some argue that stakeholder theory itself is limited globally unless transnational corporations themselves play a role in global governance (Scherer, Palazzo, & Baumann, 2006). The focus most recently has been on providing a normative foundation on which to build stakeholder theory (see Dunfee, 1995; Boatright, 1998; Donaldson & Dunfee, 1999). However, studies to date, while emphasising normative elements about who “should be” considered a stakeholder and “why”, have (apart from Jawahar & McLaughlin, 2001) yet to fully explore the potential for a positive stakeholder theory that explains and predicts stakeholder development.

The shift to a global business environment in recent years, evidenced by the increasing liberalisation of world trade, has posed several challenges to business organisations. Focus has been placed on business to adhere increasingly to internationally accepted standards of product quality, whether it be through the International Standards Organisation (ISO 9000 and 14000) or various eco-labels (Green Seal, Blue Angel) or fair-trade certification initiatives. There is also pressure to demonstrate a greater

commitment to “triple bottom line” disclosures.³ The use of child labour, health and safety levels within the workplace, and issues surrounding the environment, have all become important issues and increasingly analogous, despite the different levels of economic development across nations. This can be attributed to several major “globalisation” factors:

- The internationalisation of pressure groups which have arisen in part due to the popular press, and which are now also active in developing countries.⁴
- The acceptance of global market forces, reflected in a shift by nearly all nations toward market-based economies.
- The reduction in regulation and tariffs through international World Trade Organisation (WTO) agreements.
- The increase in the use of foreign labour.
- The exposure to international quality standards.
- The increasing shift toward democratic structures throughout the world.
- The opening up of domestic markets to foreign competition.

This trend toward globalisation, and the internationalisation of trade, has increased the need for transparency in business dealings. Organisations, shaped by and accountable solely to their home country cultures and beliefs, are coming under increased scrutiny in their international affairs, and nations are graded according to their perceived “transparency”.⁵ Many manufacturing contracts now have clauses stipulating that goods are to be produced according to acceptable standards of labour and environmental conduct (Wheeler & Sillanpaa, 1997, pp. 267–268).

Robertson (1990, p. 27) suggested that “much more needs to be done so as to demonstrate the ways in which the selective responses of relevant collective actors – most particularly societies – to globalisation, play a crucial part in the making of the world as a whole”. Referring here to the notion of an emerging global culture, the same can equally be said of specific issues that this global culture will contend with, such as the avoidance of environmental degradation, the preservation of human rights, and the equitable distribution of wealth. Concern, therefore, arises that despite emerging global systems of business, scant regard has been given to the framework for managerial decision-making between and within countries that consider the needs of organisational constituents other than investors. Grimble and Wellard, (1997, p. 189) indicate that empirical research needs to be undertaken that allows “knowledge and understanding of the key stakeholders involved in the process and the factors governing their resource allocation and investment procedures and decisions”.

The ability to deal with and respond to issues such as environmental degradation, and other social issues which face both the private and public sector, requires greater attention to be given to participants in the international trade process. More specifically, from a stakeholder's perspective, there have been calls for research into how different industries or cultural environments impact upon the assessment of the relative importance of stakeholder groups (Vitell & Singhapakdi, 1991), and the extent to which consultation and active involvement of stakeholders in the policy development process enhances the results of environmental policy (Altman & Petkus, 1994).

There needs to be a better development and operationalisation of stakeholder concepts, and empirical testing of their propositions (Gomolka, Chittipeddi, & Schenk, 1990), along with an analysis of key stakeholders involved in the process (Grimble & Wellard, 1997), and greater academic research into managerial commitment to the natural environment (Polonsky, Zeffane, & Medley, 1992). Polonsky (1995a, p. 152) argues that "there has been little examination as to how stakeholders can be, or have been, integrated into corporate environmental strategy development". Gray (1992, p. 412) also argues that greater attention needs to be given to participatory democracy in organisational decision-making, which allows for emancipation and enablement of existing but unfulfilled rights to information.

1.2.2. Regional

The second reason for the stakeholder study is to explore stakeholder development in a dynamic regional environment. Australia, China, and Indonesia were chosen because of their current and future impact on the region with regard to industrial and environmental activity, and because of their distinct difference in economic and social development. Vogel (1992, p. 47) argues the need for a better understanding of the differences in the ethical and legal contexts of business between Western and Asian countries if we are to work effectively within a global economy.

Lindblom (1980, p. 69) states, in less developed countries "the 'interest articulation' function of interest groups may be (though the case is by no means proved yet) more critical than in the more fully developed democracies". The pace of industrialisation and its effects on all social participants, render it essential that there be a more comprehensive understanding of the relationship between the organisation and the various stakeholder groups with whom it interacts.

Moreover, the different religions and cultures within the Asia-Pacific region make an assessment of the degree of stakeholder involvement potentially enriching from a research perspective. Australia is essentially a country founded on Christian principles, China is Confucian-based, and Indonesia is essentially Islamic in nature. However, all three nations face similar organisational challenges. As (Berry, Poortinga, Segall, & Dasen, 1992, p. 258) state: “Psychological processes are likely to be common features of human life everywhere, but . . . their manifestations are likely to be influenced by culture”. Culture in turn, is often influenced by economic and social factors, such as income and attitudes on religion, freedom, race, and technological advancement. The specific countries chosen for the study were selected in part based on their expected differences in economic and social criteria.

The absence of active stakeholder groups within a particular society will profoundly affect the level and extent of stakeholder involvement in the organisation. Bedi (1991, p. 113) raises concerns “that business in Asia today is what it was in the West a century ago . . . where executives are not aware of, or don’t care about the social consequences of corporate philanthropy”. However, despite calls for this type of research (Vitell & Singhapakdi, 1991, p. 68), there exists relatively little information as to the effect of attitudes of organisational participants on the perception of stakeholder importance.

While not addressing culture directly, the study hopefully seeks to address the void in stakeholder analysis given that “little thought has been given to date concerning the existence of cultural, legal and economic limitations on the scope of Stakeholder Theory” (Clarkson, 1995, p. 1).

1.2.3. Stakeholders and the Principal–Agent Relationship

The third motivation for an international stakeholder study is that under traditional forms of agency theory, one party (the principal) engages another party (the agent) to perform services on the principal’s behalf, by delegating decision-making authority to the agent (Godfrey, Hodgson, & Holmes, 1997, p. 262). The study, therefore, provides an insight into the extent to which the often informal contract in a principal (stakeholder)–agent (organisation) relationship exists for particular stakeholders. This informality has been referred to in the literature (Gray, Owen, & Maunders, 1988; Gray, Owen, & Adams, 1996) as a “social contract” that an organisation has with society. Under a “social contract”, organisational

survival depends in part on the satisfaction and fulfillment of certain social requirements such as proper health and safety guidelines for employees and good environmental management. Therefore as the agent, the organisation undertakes duties and fulfils the requirements of individual stakeholders, who represent the principals.

Unfulfilled formal contracts between the organisation and its shareholders (dividends) and lenders (interest) can be acted upon through the sale of shares in the firm, or recall of loans. These contracts are firm specific, are assumed to operate efficiently under market forces, and have formal governance structures enforcing those contracts, such as the preparation of audit reports and debt covenants. However, these requirements are not defined in the same way as those that arise under more formal and explicit contracts. Breaches of the “social contract” between a firm (agent) and its constituents (principals) that result in externalities (such as environmental degradation and social and economic displacement), often occur without restitution, because of the lack of appropriate enforcement mechanisms. Furthermore, the costs of these externalities are often difficult to internalise because they occur due to actions by multiple constituencies, and manifest over a number of time periods.

Furthermore, an organisation’s effort to demonstrate benefits to a broader constituency involves advertising campaigns, corporate philanthropy, and employee share schemes. Organisations seeking to maximise utility in the short term will naturally tend to avoid costly activities that do not provide immediate benefits. Pressure from the external environment, however, is dependent upon the commitment by stakeholder participants within society. This study argues that this commitment and action arises as a result of the empowerment achieved through society’s economic and social development. For example, tax laws in developing countries lack sophistication and rigour, and authorities often lack resources to investigate tax evasion. Communities often lack the necessary activism necessary to have their voices heard. The extent of external pressures depends upon cultural norms, social attitudes, and the economic requirements of particular communities at a given point in time. Corporations acting in environments devoid of stakeholder pressure will tend to follow wealth maximisation objectives and give credence to shareholder interests over broader constituents. Organisations operating in many democratic environments face a much greater pressure to accommodate broader stakeholder interests.

This broader notion of property rights and the extension of contractual responsibility, albeit informal, render it essential that policies and practices

which ultimately affect the broader constituency and the firm's social contract with society, be developed with the input of those constituents, be they local or international. Policy approaches, which disregard broader inputs, can often lead to disequilibrium in the firm's stakeholder contract (Hill & Jones, 1992).⁶ Grimble and Wellard (1997, p. 177) have stated that stakeholder analysis improves the selection, efficiency, effectiveness and evaluation of policies and projects, and also improves the assessment of their distributional, social, and political impacts. Stakeholders can aid in adapting to change by providing a "lens for viewing and interpreting important trends in the operating environment" (Harrison & St. John, 1996, p. 49). Their active role helps the organisation achieve its primary objectives as defined by the owner (Atkinson, Waterhouse, & Wells, 1997).

In light of the absence of a formal contract, the stakeholder process instead acts as an enforcement mechanism, by monitoring organisational behaviour. The non-explicit accountability terms underlying this contract, allow for a more flexible and trusting relationship to develop between the principal and agent, thereby lowering firm risk. The accountability notion, as Gray (1992) states, provides a means to develop closer social relationships and increases organisational transparency. It has been stated that the stakeholder process embodies concepts not only from agency theory, but also from transaction cost economics and team production theory (Jones, 1995). This is because firms that contract upon the notions of trust and co-operation, as distinct from opportunism, will experience a competitive advantage against firms that do not.

Although it is not the objective to assess the degree to which these contracts operate in specific organisations, this study does seek to gauge the extent to which certain stakeholders are prominent within certain countries. As such, inferences can be made about the possible degree of fulfillment of informal social contracts, based on the perceived degree of stakeholder legitimacy, power, and urgency.

Furthermore, stakeholder relationships are also important for financial performance as past studies (see Chapter 2) have found a significant link between stakeholder management and financial performance.

1.3. OUTLINE OF THE STUDY

Stakeholder theory has yet to explain any expected differences in stakeholder prominence among countries, and has yet to widely solicit the

attitudes of constituents who are involved with the key decision-making mechanisms: those constituents being current managers and future managers (i.e., managerial students). The study seeks to contribute to the burgeoning literature on stakeholder theory.⁷ Its main contribution is to provide an empirical analysis of stakeholder orientation predominantly by managers and managerial students in three Asia-Pacific nations (Australia, China, and Indonesia). The specific focus on managerial and managerial student attitudes is important in that empirical research has identified that attitudes mediate value-behaviour relationships (Homer & Kahle, 1988; Jackson, Gillette, Goldberg, & Hooper, 1994; Cordano & Rands, 1998). That is, managerial behaviour is formulated to a large extent by managerial attitudes. Given that managerial behaviour has a significant effect on organisational behaviour, a study on managerial and managerial student attitudes is, therefore, to a large degree, a study on organisational attitudes. A study on the attitudes of managers and their willingness to embrace change may help to explain an organisation's strategic positioning toward certain issues. Furthermore, a study on managers and management students for possible differences in stakeholder orientation across three countries in the region will identify whether variations exist in current (managers) as distinct from future (managerial students) strategic organisational approaches regarding stakeholder management.

The study develops a stakeholder model based on a methodology similar to that of Hosseini and Brenners' (1992) stakeholder theory value-matrix weight (see Table 3.2), to assess the perceived strength of three attributes which affect stakeholder prominence within an organisation: (1) legitimacy; (2) power; and (3) urgency. Mitchell et al. (1997) have identified these attributes as being important components by which to measure the degree of stakeholder prominence in society. For statistical purposes, the study will use the analytical hierarchy process (AHP) matrix (Saaty, 1977), to generate value weights for each stakeholder in each country, based on the methodology outlined in Hosseini and Brenner (1992). The AHP as a methodological tool has been widely used in both academic and industrial circles to prioritise decision problems that have various alternatives. The weights in this study are tested between the three-country sample to determine whether significant differences among respondents exist with respect to the country of origin and occupation.

However, it must be recognised that organisational value and decision-making structures are not solely the result of managerial attitudes.

Frost (1995, p. 657) does state that:

- (1) The current state of an organisation at any time is the result of the supporting and resisting forces brought to bear on the organisation by its stakeholders.
- (2) The future outcome of an organisation's strategy is the collective result of all the forces brought to bear on it by its stakeholders.

An understanding of manager and managerial student attitudes may, however, allow inferences to be made about possible organisational behaviour, given that research has demonstrated a link between values/attitudes and organisational behaviour. Information as to the degree of legitimacy that both groups place on a range of stakeholders is important in determining to what extent the normative foundations of stakeholder theory apply across countries. Although examination of the legitimacy of particular stakeholders and the legitimacy of the claims that they represent appear similar, the legitimacy of stakeholders depends to a large degree on the acceptance of a broader notion of accountability, based on fulfillment of the democratic rights of individuals and groups. This degree of accountability may not be recognised to the same degree in countries, as in this study, where democratic institutions are not widely prevalent.

1.4. CONTRIBUTIONS TO EXISTING STAKEHOLDER LITERATURE

The study's main contribution is to establish a positive theory of stakeholder development that can be explained through economic and social development characteristics, specifically within the Asia-Pacific region. The study has important implications for organisations seeking to formulate policies or establish agendas whilst operating in an environment characterised by pressures from a range of sources. Organisational ability to effectively deal with constituent claims, to a large degree depends upon managerial understanding and receptiveness to these demands. Although there are inherent weaknesses in undertaking a project which has a pre-defined set of stakeholders as its starting point,⁸ the need to establish boundaries is important in providing a level of overall focus, given the study's international approach. To avoid complexity, the perspectives on a core set of stakeholders, widely recognised in the literature as having organisational claims, are canvassed (see Section 3.5 where this is established).

Incorporating the concerns of a broader range of stakeholders may have the effect of lowering firm risk by reducing the possibility of adverse reaction to organisational decisions. Adverse reaction can be in the form of: (1) industrial action on behalf of employees; (2) the calling in of loans by creditors; (3) the sale of shares in a company by shareholders; (4) regulatory costs imposed by government; (5) public campaigns and protests by environmental groups; and (6) the prohibition of the supply of goods by suppliers.

Stakeholder theory itself has emerged as a paradigm for examining the operation of the organisation in society. It has been argued in the literature that organisations which utilise stakeholder perspectives and analyses benefit in that it:

1. enables decisions to become more informative and programs to become more reflexive (Zazueta, 1995, p. 1);
2. helps to reduce political opposition to policy proposals, and prevents an organisation's environmental policy agenda being driven by parties external to the firm (Roberts & King, 1989), rendering the organisation subject to action such as government regulation, consumer boycotts, industrial action and social campaigns against the organisation (i.e., public protest), all of which impose costs on the firm;
3. localises support for projects, which are important in the implementation stage. Having policies being made at managerial level is pointless if there is opposition at the ground level where actual implementation occurs;
4. builds on conventional economic approaches such as total economic value, which measure the cost to society as a whole, rather than the costs and benefits to individuals (Grimble & Chan, 1995), whose support is necessary for successful environmental management;
5. provides a useful assessment tool in situations "where land is held and managed by the state, where there are no formal boundaries to ownership but where local rules and institutions hold sway" (Grimble & Chan, 1995, p. 123);
6. prevents organisations developing environmental policies which over-estimate the costs and constraints regarding the expectations for environmental management from both a regulatory and market perspective, thereby misjudging business opportunities that exist (Rondinelli & Vastag, 1996, p. 110);
7. enhances the environmental marketing strategies of companies (Altman & Petkus, 1994; Turnbull, 1994; Polonsky, 1995b), and their ability to handle and react to environmental crises; and

8. helps poverty alleviation, as stakeholders are more willing to invest in the well-being of future generations (Zazueta, 1995, p. 1).

From a theoretical perspective, the study attempts to broaden the realm in which stakeholder theory operates, as it provides a cross-cultural empirical analysis on a theory that has so far been driven predominantly by empirical research in the United States. The study is instrumental in that it uses a weighting process, originally developed by Hosseini and Brenner (1992), alongside a stakeholder typology model developed by Mitchell et al. (1997), to identify stakeholder salience, being the degree to which managers give priority to competing stakeholder claims, to undertake the analysis. Examining attitudes toward stakeholder prominence allows for a deeper insight into the effectiveness of the stakeholder grouping as distinct from the stakeholder issue itself. It allows a strategic assessment to be made about management's relationship with external constituents across countries characterised by differing levels of economic and social development.

1.5. STRUCTURE OF THE STUDY

Chapter 2 reviews the stakeholder literature including early developments in the corporate social accounting and disclosure literature, under three categories: (1) economic theory; (2) decision usefulness; and (3) social and political economy. The chapter then explores stakeholder theory, exploring aspects of the principal-agent relationship. Section 2.4 describes in detail, formal developments in the theory under three main literature classifications: (1) empirical; (2) instrumental; and (3) normative. A summary of the literature is then provided, along with current strengths and weaknesses within the stakeholder literature to date.

Chapter 3 details the research methodology of the study. It discusses first, how, when examined in an international environment, stakeholder concerns can either be perceived as being grounded in ethical universals that transcend cultures, or as morally relative concerns that differ according to culture and social custom. The debate over the validity and context of stakeholder concerns has thwarted attempts at grounding a prescriptive normative stakeholder theory, and highlights the importance of needing to empirically explore attitudes toward stakeholders in different geographical contexts. This provides the basis from which a positive approach to stakeholder theory can be developed; one that seeks to explain, amongst the normative universalistic vs. relativistic foundational arguments, which

stakeholders are perceived to be salient and what factors influence and shape how salience is achieved.

A brief justification is provided for the questionnaire as a method of data collection, and the basis of questionnaire translation and delivery in each country. Furthermore, the sample for the study is analysed, including the choice and categories of respondents along with the stakeholders selected. The chapter also describes the stakeholder identification typology developed by [Mitchell et al. \(1997\)](#), which utilises three attributes: (1) legitimacy; (2) power; and (3) urgency, as a measure of stakeholder prominence. This stakeholder identification typology, although in itself normative in construct with respect to attribute identification, provides the foundation for this positive approach of determining “who really counts” as a stakeholder. The chapter also describes the different stakeholder classes that arise through the strength of one or more of the stakeholder attributes, and the effect that each class has on the strategic positioning of an organisation.

Later sections detail the statistical analysis used in the study. The primary instrument for the measurement of stakeholder prominence is the AHP. This decision model allows the reader to arrive at a total score for stakeholder importance. It is detailed by exploring the foundations of the AHP and the fields to which it has been applied.

Chapter 4 examines the stakeholder concept from an international perspective, by examining how stakeholder prominence is dependent on both economic and social development factors and characteristics. The objective of the chapter is to develop a model for explaining stakeholder prominence at an international level. Particular economic and social developmental factors that may affect the strength of the attributes of the typology are explained and applied to each of the three countries in the study. Specifically, the study draws on the effects of official development assistance and per capita income, the stakeholder legal framework existing in each of the three countries, cultural heterogeneity, moral dialogue, and the extent of development of epistemic communities, in shaping attitudes toward stakeholder prominence. Using the economic and social development criteria for each country outlined in the chapter, hypotheses are formulated in Section 4.5 regarding stakeholder prominence with respect to each of the three attributes (legitimacy, power, and urgency), based on the respondent’s country of origin and occupation. Culture itself is not identified directly as a reason for differences in stakeholder prominence, as it is indirectly made up of a number of factors, including in this study, those that are economic and social in origin.

Chapter 5 provides the statistical results of the study, including its interpretation. This includes descriptive statistics of the sample, and mean scores and variance analysis regarding the prominence of the stakeholders overall and within the three stakeholder attributes for each of the three countries, and for the occupations. Chapter 6 explores the implications of the study for a positive theory of stakeholder management and managerial strategy. In particular, the study explores the implications of the results on stakeholder salience with reference to the different contexts under which these stakeholders operate in each of the three countries and the possible reasoning underlying each stakeholder's level of salience. It also explores possible changes in stakeholder salience in the future. The chapter also examines how understanding stakeholder salience can impact on strategy formulation through policy development, strategy implementation through resource allocation, and strategy evaluation through the effect of changes on existing stakeholders. Chapter 7 provides conclusions to the study across countries. It also examines the limitations of the study, in particular, the problems engaging in cross-cultural research and how the study has sought to overcome these limitations. Future areas of research for the stakeholder concept are then explored.

1.6. CONCLUSION

This chapter provided an introduction and motivation to the study with respect to the identification of stakeholder prominence. It detailed the reasons why an empirical examination of the democratic aspects of organisational decision-making at an individual level, is important in any effort to overcome problems relating to organisational democracy. Given that private capital will play a strategic role in the continued development of the Asian region, a study of manager and managerial student attitudes will provide an insight into the role that organisations may play as a mechanism for social and environmental change. Southeast Asian development will be driven by the private sector through “user charges and the privatisation of basic infrastructure ... The financing requirements for environmentally-essential infrastructure is too large to be financed from government sources” (The Monash Group, 1996b, p. 7). Therefore, increasing pressure will be placed on the business sector, not only to provide the mechanisms and facilities for resource distribution, but also to ensure that appropriate systems that seek to avoid problems are implemented. An examination of manager and managerial student values and attitudes across these countries

will determine to what extent a stakeholder theory of the firm can be applied in organisational decision-making both today, and in future years. The incorporation of stakeholder theory into organisational policy and practice, is an important element in helping to overcome current challenges being posed today.

The next chapter details the literature review of stakeholder theory.

NOTES

1. For introductory purposes, a “stakeholder” has been defined as “groups or individuals who can affect and are affected by, the achievement of an organisation’s mission” (Freeman, 1983, p. 38). Most often stakeholders will include government, financial analysts, suppliers, shareholders, community groups, employees, and unions.

2. Ethnography is the scientific description and classification of the various cultural and social groups of humankind, and is discussed in detail in Chapter 3 on research methods.

3. For example, there are many annual report awards around the world that reward social and environmental criteria. Examples include (1) the ARA Annual Report Awards (Australia), (2) The Financial Post Annual Report Awards (Canada), (3) The European Environmental Reporting Awards which are co-organised and run by professional accounting bodies in the United Kingdom, Belgium, The Netherlands, Denmark, Germany, France, Finland, Switzerland, Italy, and Portugal, (4) The Toyo Keizai Green Reporting Award (Japan), and (5) The Gilkison O’Dea Environmental Reporting Awards (New Zealand). Many of these awards align to the disclosure guidelines of the Global Reporting Initiative (GRI), an international non-profit organisation whose aim is to promulgate globally applicable “sustainable reporting guidelines”.

4. Anderson (1997, p. 87) claims that although much activity with regard to environmental awareness occurs in Northern European countries, organisations such as Friends of the Earth, have member groups in such countries as Argentina, Brazil, and Pakistan, and there are signs of green political movements in Mongolia, Brazil, India, and Mexico. Furthermore, the World Wildlife Fund (WWF) has been involved in over 400 projects in 140 countries, and Greenpeace has over 4,500,000 members worldwide with officers in 30 countries (Hutchinson & Hutchinson, 1997, p. 61).

5. Transparency International is one such organisation. Its “Corruptions Perceptions Index” ranks 180 countries in the world by their perceived level of corruption determined by experts and opinion surveys. It also produces a “Bribe Payers Index” that ranks the likelihood of firms from 22 large exporting countries engaging in bribery whilst operating abroad.

6. Hill and Jones (1992) state that principal-agent relationships, as defined by agency theory, can be seen as a subset of the more general class of stakeholder-agent relationships, albeit with two differences. First, in stakeholder-agent relationships, there exist sources of friction such as barriers to entry, and organisational inertia,

that managers may use to shape the environment. However, reaction by stakeholders to counter this may be hindered by inertial forces such as political costs. Second, in stakeholder-agent relationships, change (which is a constant) brings about a disequilibrium between stakeholders due to socio-political factors, which is not assumed in agency theory.

7. Stakeholder theory is essentially based on a democratic participatory concept, whereby an organisation, for both moral (normative) and economic (instrumental) reasons, embraces the viewpoints of constituents other than stockholders, who are effected by the achievement of the organisation's mission (Freeman, 1983, p. 38).

8. Weaknesses of closed-ended questions include suggesting ideas that a respondent would not otherwise have; in this case suggesting a particular group as a stakeholder.

This page intentionally left blank

CHAPTER 2

STAKEHOLDER LITERATURE REVIEW

2.1. INTRODUCTION

This chapter examines the literature surrounding stakeholder theory. [Section 2.2](#) outlines the nature of what is a stakeholder, whereas [Section 2.3](#) overviews the literature on social accounting and reporting and details how it served as an antecedent to the specific literature on stakeholder management. [Section 2.4](#) covers the mainstream literature on stakeholder management by examining the three distinct categories of stakeholder literature as outlined by [Donaldson and Preston \(1995\)](#): (1) *descriptive*; (2) *instrumental*; and (3) *normative*. The normative category includes a discussion on how the theory's fundamental aspects have been rejected outright by some authors, as a basis for a theory of the firm, due to the perceived paradox in relation to the firm's multi-fiduciary duty beyond the shareholder. [Section 2.5](#) summarises the literature to date and outlines its main limitations, including the primary emphasis on seeking to normatively ground the theory. [Section 2.6](#) then provides the conclusions with a table summarising the research objectives and outcomes.

2.2. WHAT CONSTITUTES A STAKEHOLDER THEORY?

[Freeman \(1983, p. 38\)](#) defines a “stakeholder” as being “groups or individuals who can affect and are affected by, the achievement of an organisation’s mission”. They are taken to include government, suppliers, customers, investors, political and industry groups, employees, unions, and the community in general, who act to influence a firm (see [Fig. 2.1](#)). Scholars are still unresolved as to what constitutes a stakeholder. [Mitchell et al. \(1997\)](#) provide a condensed evaluation of scholarly attempts to define

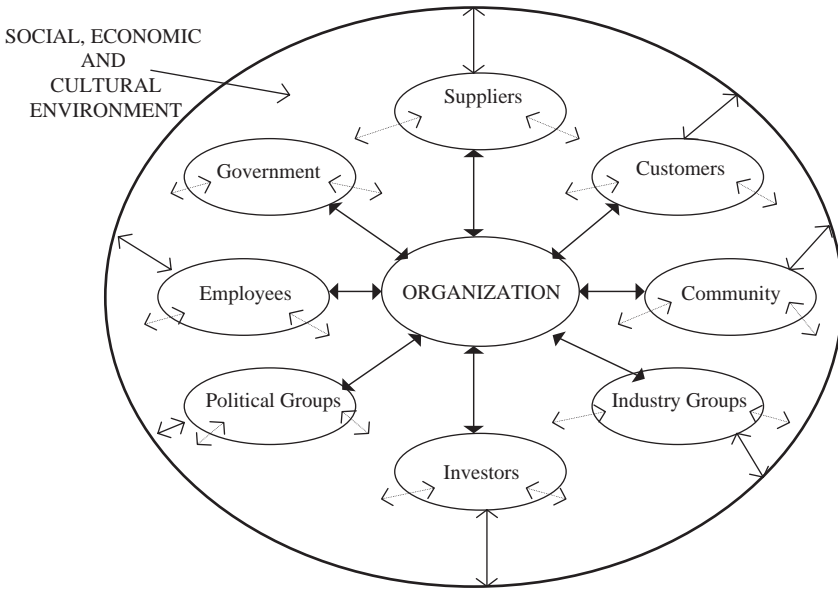


Fig. 2.1. A Stakeholder View of the Organisation. *Source:* Prepared for this Research.

“what is a stakeholder?” The perspectives range from the broad to the narrow; from those participants who are actively engaged with the firm, to those who are affected by its activities. They can be individuals, institutions, communities, groups, and to some, the natural environment (Starik, 1995; Drisco & Starik, 2004). Donaldson and Preston (1995) state that they are defined more for their legitimate interest in the corporation, rather than the corporation’s interest in them.

A review of stakeholder literature to date (Appendix B) indicates that there are five distinct “stakeholders” who are quoted from the text of the literature: (1) customers, (2) employees, (3) community, (4) shareholders, and (5) suppliers. Some even argue for God (Schwartz, 2006). The extent to which these groups are actually seen as important by a firm’s respondents will be addressed in more detail in the next chapter, which discusses the methodology of the study.

In addition to their direct impact on an organisation, stakeholders also interact amongst themselves through the social, economic, and cultural environment. This can provide a “joint front” on which to tackle organisational issues head on. Whilst this interaction may engender positive

synergies such as an above-average return on investment for an enterprise located in an economically disadvantaged area (a benefit for investors), which in turn increases employment (a benefit to employees), and consequently reduces dependence on welfare (a benefit to government), stakeholder interaction can also result in conflicts of interest. The forced closure of an inefficient and polluting manufacturing plant on economic and environmental grounds, in turn increases unemployment within a particular region, and increases dependence on welfare. It is not, however, the objective of this study to explore how stakeholder themselves interact, although this does provide for interesting future case-study research, but instead to examine to what degree each stakeholder is perceived as more prominent than another stakeholder.

The following two sections examine the early literature surrounding stakeholder theory and the explicit stakeholder theory itself. The literature search was undertaken through a number of sources, including:

- (1) online-based research tools, such as *Proquest*, and other search engines;
- (2) the International Association of Business and Society website (<http://www.iabs.net/>), and its associated journal *Business and Society*, which specialises in stakeholder theory research;
- (3) the bibliographys of selected journal articles;
- (4) “*The Corporation and its Stakeholders: Classic and Contemporary Readings*”, edited by Max B.E. Clarkson (1998); and
- (5) the author’s attendance at *The International Association for Business and Society*, Tenth Anniversary Meeting in Paris, France, June 24–28, 1999.

To understand how interest in a stakeholder theory of the firm came about, it is important to examine the early literature surrounding corporate duties and the theory of the firm, which is reviewed in the next section.

2.3. EARLY STAKEHOLDER LITERATURE

Attempts at constructing a “stakeholder theory” have been incomplete to say the least, and are partly attributable to an inability to reach an agreement on stakeholder definition. The notion of stakeholder theory itself was initially defined by Ansoff (1965), who maintained that the “objectives of the firm should be derived by balancing the conflicting claims of various ‘stakeholders’ in the firm”. Ansoff took an “explicitly systems-based view of the organisation” (Gray et al. 1996, p. 45). However, the concept that

business has an obligation beyond the fiduciary duty to stockholders has been present in the literature for nearly 70 years.

Merrick Dodd (1932), in a classic article regarding the duties of corporate managers, states that “several hundred years ago . . . our law took the position that business is a public profession rather than a purely private matter” (p. 1148), and that “society may properly demand that it be carried on in such a way as to safeguard the interests of those who deal with it” (p. 1162).

Freeman (1984) notes that early work at the Stanford Research Institute during the 1960’s (Stanford Research Institute, 1963) concentrated on a broader notion of the concept of stakeholder, and both Cyert and March’s (1963) book *A Behavioural Theory of the Firm*, and Igor Ansoff’s (1965) book *Corporate Strategy* sought to make initial use of the “stakeholder” concept, although the social concept inherent in its reference was subjugated to economic objectives.

Related research has been in the area of Interest Group Theory, which purports that many different interests compete to control government policy, and that their conflicting interests can balance out each other to provide good government. Interest Group Theory supports much of the ideas inherent in stakeholder theory. The earliest known proponent, although not explicitly so, was the French political writer Alexis de Tocqueville (1961), who wrote *Democracy in America* (2 volumes, 1835–1840), which examined the administrative systems in the United States and the influence of social and political institutions on the habits and manners of its people, which was seen at the time, as the most original and definitive work on the American political system. Elmer Schattschneider’s (1942) *Party Government* and David B. Truman’s *The Governmental Process, Political Interests and Public Opinion* are two contemporary manifestations. Truman (1971) argues that there is no “national interest” apart from the interests of pressure groups. Pressure groups provide the necessary linkage between people and government, and by pursuing their own interest, national interest is defined.

Interest Group Theory is based on pluralism, is ideologically neutral, and focuses on the processes by which individuals form interest groups and influence government. Predominantly a U.S.-based theory, an interest group can be defined as an organised body of individuals who share policy goals and seek to influence policy. Examples in Australia include the Australian Medical Association (AMA), the Australian Council for Social Services (ACOSS), the Australian Council of Trade Unions (ACTU), and the Australian Consumers Association (ACA). Interest groups do seek political office, but most seek to use their power to influence and shape government policy. Interest group power emanates from: size (number of members),

wealth (funding), organisational strength, leadership, access to decision-makers, and internal cohesion. Under the Interest Group Theory, power is a dynamic factor, which constantly ebbs and flows between interest groups, resulting in a temporary equilibrium. Adherents believe that government is held together by: (1) latent groups which support the system, (2) overlapping membership in different groups, (3) checks and balances of group competition, and (4) agenda building.

The development of the idea that firm behaviour may be guided by a moral sense of duty toward its “stakeholders”, appears to have provided the impetus for a search for a theoretical perspective that would underpin the empirical literature gathered to date on corporate social reporting, and fulfil the missing “strategic” element that characterised the correlation found between corporate social and economic performance and social disclosure (Ullmann, 1985, p. 552).¹ However, initial empirical work in the 1970s was to focus on what was termed “corporate social responsibility”. This literature emerged during a period of significant social and political change in Australia, North America, and Western Europe, whereby increasing attention was given toward analysing an organisation’s commitment to broader social principles and its relationship with constituents in society.

2.3.1. Corporate Social Responsibility

Corporate social responsibility (CSR) studies encompass both corporate social accounting and reporting (CSAR). Mathews (1997) provides an excellent overview of the progress in social and environmental accounting research over the past 25 years, whereas Deegan (2000, pp. 318–349) and Schaltegger and Burritt (2000) each provide a review of recent media articles on CSAR in Australia, and contemporary aspects of environmental accounting at a global level. Gray, Kouhy, and Lavers (1995) state that over time, three research paradigms have emerged within the social and environmental accounting literature: (1) economic theory; (2) decision usefulness; and (3) social and political economy. Each of these three paradigms is now discussed in greater detail.

2.3.1.1. Economic Theory

Under the functionalist economic theory studies paradigm, CSAR is part of the political and regulatory spectrum in which a company operates. This paradigm is based on a structured view of the world, incorporating the concept of efficient markets and adhering to the theory of “agency”.

Agency theory examines the relationship between the principal and the agent (see Section 1.2.3), and the agency costs of equity and debt, such as monitoring and bonding costs, which reduce opportunistic behaviour by managers in an equity relationship with owners, and by shareholders in a debt relationship with external creditors. Under the Positive Accounting Theory, as espoused by [Watts and Zimmerman \(1978, p. 115\)](#), social responsibility disclosure is seen as one method by politically visible firms to avoid unwarranted political attention. From a direct stakeholder-theory perspective this would entail engaging stakeholders for the primary purpose of enhancing organisational strategy ([Savage, Nix, Whitehead, & Blair, 1991](#); [Polonsky, 1996b](#)), as distinct from addressing underlying stakeholder concerns.

2.3.1.2. Decision Usefulness

Decision usefulness studies, examine the potency of accounting information in explaining the decisions that users make about a company, such as its price, and its comparison with other companies. The decision usefulness literature occupies a majority of the literature to date and includes studies which examine the relationship between social and environmental disclosures and:

- (1) the activities of pressure groups ([Tilt, 1994](#));
- (2) the social performance of the organisation ([Ingram & Frazier, 1980](#); [Freedman & Jaggi, 1982](#); [Wiseman, 1982](#); [Shane & Spicer, 1983](#));
- (3) share prices ([Belkaoui, 1976](#); [Mahapatra, 1984](#)); and
- (4) variables such as size, industry, geographic location, debt, and profitability ([Trotman, 1979](#)).

There have also been studies on the content analysis of disclosures ([Ernst & Ernst, 1976](#)), and analyses of the sources of information used in investment decision-making ([Harte, Lewis, & Owen, 1991](#); [Perks, Rawlinson, & Ingram, 1992](#)). This decision usefulness perspective is similar to the approach set out in the forthcoming section on instrumental studies (see [Section 2.4.2](#)).

Although both economic theory and decision usefulness studies offer a rich variety of empirical data on which to work, the whole social accounting spectrum has “waxed and waned” ([Gray et al., 1995, p. 47](#)), constantly suffering from a lack of focus and a clear theoretical direction. The disparate balance between theory and practice regarding CSR has left decision usefulness literature seriously undertheorised. The main problem with the economic theory and decision usefulness perspectives lies in the perceived

inability to theoretically ground the organisation within the social and political environment in which it operates.

2.3.1.3. *Social and Political Economy*

Social and political theory/economy studies see the political and social landscape as central factors affecting organisational behaviour. CSAR is seen to produce political and social documents, which reinforce existing corporate ideological arrangements (Tinker, Lehman, & Neimark, 1991).

Emphasis is placed on class distinction and the prejudicial role of the state in affecting corporate social behaviour. The practicality of this approach is somewhat reduced (but by no means eliminated) in democratic societies, where interest groups of all persuasions are actively involved in the political process. However, Gray et al. (1995, p. 53), makes a distinction between *classical political economy* which focuses on class and prejudice (a Marxist perspective), and *bourgeois political economy* (associated with J.S. Mill) which although recognising system inequality, attaches importance to differences in value rather than to predetermined notions of class or the role of the state.

It is out of this bourgeois interpretation of political economy (see Gray et al., 1995, p. 53) that stakeholder theory can emerge as a serious theoretical perspective on which to understand the organisational society relationship. Under this interpretation, organisational management recognises the need for stakeholder support in order to ensure the continued success of the company. The ability of the stakeholders to support or hamper organisational management can then depend, in turn, on social and economic factors that determine the prominence of stakeholders within society, as is explained in Chapter 4.

CSR studies can arguably be seen “implicitly” as a proxy for “stakeholder” studies. Early work here also focused on how CSR could affect a firm’s financial performance. The results from over more than 20 years (see Orlitzky, Schmidt, & Rynes, 2003 for a meta-analysis) elicit mixed results, although most indicate an overall positive relationship. Some studies find a direct (Hillman & Klein, 2001) and lagged (McGuire, Sundgren, & Schneeweis, 1988; Waddock & Graves, 1997) positive relationship, some no relationship (Aupperle, Carroll, & Hatfield, 1985), and others a mixed relationship (Griffin & McMahon, 1997).

The CSR literature represents a more formal approach to examining the interaction of the organisation in its broader environment. CSR still exists as a research paradigm, but has broadened its traditional focus on “social” criteria to include environmental accounting and reporting.

Like the legitimacy theory, contemporary “stakeholder” theory does not emerge explicitly from the CSR literature; however, as Gray et al. (1995, p. 52) point out, it does share a similar socio-political paradigm with respect to its links with political economy. Early work on the role of the firm and CSR serve as a precursor to “mainstream” stakeholder literature. However, stakeholder literature specifically addresses the role of the individual stakeholder in organisational affairs as distinct from the communal social responsibility of the organisation. Therefore, political economy aspects of stakeholder theory have yet to appear explicitly in stakeholder literature. Although not addressing political economy in this study, the premise that stakeholder prominence in a given society could be influenced by economic and social factors, allows for a political economy approach to be developed for stakeholder theory,² one that examines how salience for certain stakeholders is embedded and maintained within the historical and socio-political constructs of a given society, and the continued lack of salience for other stakeholders.

2.4. MAINSTREAM STAKEHOLDER LITERATURE

Although stakeholder theory can be categorised in many ways, be it organisational-centred vs. stakeholder-centred, or framework building studies as compared to singular case studies, this study uses the categorisation provided by Donaldson and Preston (1995), who classify stakeholder theory literature into three distinct categories: (1) descriptive, (2) instrumental, and (3) normative. Apart from already having completed a progressive summary of the stakeholder literature, their categories represent the different unique aspects under which the theory can be viewed.

For Donaldson and Preston (1995), the *descriptive* approach describes and explains specific corporate characteristics and behaviour through concepts outlined in the theory, and incorporates empirical research to date. The *instrumental* approach identifies the relationship between stakeholder management and conventional corporate objectives, whereas the *normative* approach interprets the function of the corporation in relation to basic moral or philosophical guidelines. The distinct difference between the three approaches is that the normative approach is categorical in that it asks “what should happen?”; the instrumental approach is fundamentally hypothetical in that it asks “what happens if?”; and the descriptive approach determines “what happens?” (Donaldson & Preston, 1995, p. 72).

The next sub-section provides a detailed analysis of some of the major stakeholder work undertaken up to 2007 in each of the three [Donaldson and Preston \(1995\)](#) categories. Although references are made to many of the chapters, in addition, a brief summary of each chapter with respect to classification and contribution, has been provided in chronological order in Appendix C.

2.4.1. Descriptive Stakeholder Literature

Despite offering the potential to provide greater insight into stakeholder theory, there is a lack of a significant amount of descriptive or empirical studies examining the interaction of and involvement by stakeholders in the organisational management process. In fact, [Preston and Sapienza \(1990, p. 367\)](#) state that “the stakeholder model has not been subjected to any substantial amount of empirical research . . . and no one has tried to discover the extent to which multiple stakeholder objectives are actually achieved in any significant sample of firms”. Recent studies in the past five years, however, have started to provide much-needed empirical data that have sought to test the assumptions underlying the many normative and instrumental stakeholder theory studies.

Research has analysed the power of certain non-shareholder stakeholders when a firm’s products, markets, and technologies are closely related. [Barton, Hill, and Sundaram \(1989\)](#) found that the more concentrated the firm’s stakeholder constituency, the greater the potential to wield power, and the less likely the firm was to engage in high-debt activities. [Preston and Sapienza \(1990\)](#) found that other positive performance indicators such as corporate profitability and growth, have also been attributed to strong stakeholder performance indicators, such as financial soundness and employee retention. Also, they contend that successful stakeholder management does not occur in one group at the expense of another. Instead, stakeholder groups collectively gain or lose from the same patterns of organisational success or failure (p. 373).

In turn, however, positive economic performance has been found to moderate CEO responsiveness to stakeholder concerns (what CEOs would like to do but cannot), despite a strong community orientation by CEOs ([Dooley & Lerner, 1994](#)). That is, profit causes CEOs to moderate their concerns for stakeholder expectations, specifically those of the customer and shareholder, with regard to the firm’s environmental performance. In a related paper, [Lerner and Fryxell \(1994\)](#) examined the general relationship

between CEO attitudes toward certain stakeholder groups and organisational activities undertaken for those groups, and found that although the relationships are unclear (attributed to external conditions and internal inertia), CEO preferences may have a modest influence on charitable activities.

Pinfield and Berner (1992) in a Canadian study found that an increase in news articles of a large logging company was attributed to stakeholder concern over land use and pollution. Further evidence supporting the assumption that stakeholder resources are secondary to financial performance comes from Morris (1997), who found that stakeholder management devices such as ethics committees or codes of ethics and public affairs offices, affected the perceived internal moral climates within a firm, but not supervisory or middle-managerial attitudes about CSR.

Stakeholder theory has also been applied as a significant influence on the level of social responsibility disclosure, through measures of stakeholder power such as the percentage of stock owned by management, corporate political contributions and debt/equity ratios, and other variables such as government and regulatory influences, public affairs staff, and charitable contributions (Roberts, 1992).³ Furthermore, it was found that current period levels of social responsibility disclosure related to prior-period measures of economic performance, stakeholder power, and strategic posture. Stakeholders have also been seen as being the main users of corporate social disclosure, and have expressed their dissatisfaction at the level of disclosure and their desire to see standards and legislation enforce social responsibility (Tilt, 1994).

This power relationship between stakeholders and the organisation, has only been seen to apply to institutional stakeholders, specifically where information generation activity was perceived to be undertaken by top staff professionals within specialised staff structures serving the technical or institutional environment of an organisation, as distinct from general managerial awareness (Kreiner & Bhambri, 1991). This result implies that stakeholder perspectives are embraced by organisations only when structures exist which can pose a threat to the legitimacy and support of the firm. This has been reinforced by research (Fineman & Clarke, 1996) in the United Kingdom in the supermarket, automotive, power, and chemical industries, which found that pro-environmental responses were dependent on stakeholder power. The classification of a director as being either of CEO or non-CEO status, and inside or outside the daily operational realm, have also tempered perceptions of the power of certain stakeholder groups⁴ (Wang & Dewhurst, 1992), as have differences in policy agendas by

respondents (Cordano & Rands, 1998). Greenley and Foxall (1997) found that although a company's orientation to multiple stakeholders is positively associated with company performance, the association depends upon competitive hostilities in the external environment. Competitive rivalry appears, therefore, to mitigate strategic efforts to address the diverse interests of multiple stakeholders, despite arguments that resources should be allocated optimally to address multiple stakeholder interests in order to improve performance.

Stakeholders have also been categorised strategically as supportive, mixed blessing, non-supportive, and marginal (Savage et al., 1991; Polonsky, 1995a, 1996b), which serves as a basis for managing stakeholders, and "counter challenges to ... potential threats" by environmental activists (Pinfield & Berner, 1992, p. 32).

A study by Agle, Mitchell, and Sonnenfeld (1999), sought to examine the relationship between the stakeholder attributes of legitimacy, power, and urgency, and the salience of a particular stakeholder. Examining 80 CEOs in large U.S. firms, the authors found that stakeholder salience (legitimacy, power, and urgency) is positively related to all stakeholder groups examined, those being shareholders, employees, customers, government, and communities. In particular, the salience of shareholders, employees, and customers was higher than that of government and community. The Agle et al. (1999) study was the first to empirically test the Mitchell et al. (1997) model, although it did not examine the degree to which one stakeholder is considered salient against another, or the differences between societies regarding stakeholder prominence, which this study seeks to achieve. The authors concluded that "the traditional production view appears to remain dominant in the minds of large corporations' CEOs" (p. 520). Organisational concern toward stakeholder issues can, therefore, be seen to be contingent upon, and subject to, several variables such as CEO preferences, positive economic performance, and the perceived power of a particular stakeholder.

Reynolds, Schultz, and Hekman (2006) found that indivisible resources and unequal levels of stakeholder salience constrain managers' efforts to balance stakeholder interests. Shropshire and Hillman (2007) were the first to undertake a longitudinal study of changes in stakeholder management over time to seek to explain why firms experience significant changes in stakeholder management. Using the Kinder, Lydenberg, Domini & Co (KLD) database from 1992 to 1999, they found that firm age and size, along with industry shifts in stakeholder management were significant factors. To a lesser degree organisational risk and performance also affect the likelihood of change, as do managerial discretion, ownership, and succession.

To sum up on the descriptive literature to date, studies have been varied and have been absent of any significant structure or central theme. Although studies have examined (1) stakeholder importance under given economic conditions; (2) how stakeholders can co-operate with or threaten an organisation; (3) how stakeholders can be used to instigate changes within organisations; and (4) changes in stakeholder management, there has been a distinct absence of any guiding theoretical perspective underlying this research. Empirical research has waxed and waned without any formal underlying model or framework under which to guide such research, leading some to see the descriptive approach as having limited significance as a basis for justification of a stakeholder theory (Donaldson & Preston, 1995, p. 77). This is because of the perception that any empirical evidence which confirmed or denied stakeholder theory, be it through trend-based behaviour or not, would not influence the beliefs of the theory's adherents, who, from a normative perspective see the whole concept of stakeholder management as being a *fait accompli* or the "right thing to embrace" (*ibid.*, p. 77).

Although this may provide a valid ethical argument, the absence of empirical studies would impede the theoretical foundations of stakeholder theory, by denying the rich insight that case-specific and geographical studies could provide. Such a process "would be akin to a football team forfeiting weekly games because of the belief that they have a physically superior team on paper. While such a process may bode well for expert pundits, little good would come to the game itself". As Gomolka et al. (1990, p. 77) note on stakeholder theory: "objective variable measurement devices are critical to the field's success as a field of inquiry into the intellectual marketplace".

The moral superiority of the stakeholder concept is based to a large degree on democratic foundations, where the disbursement of rights is seen as inherent within the fabric of democracy itself. Such implied reverence to the constructs of stakeholder theory may not apply to the same degree in societies that traditionally do not have a history of embracing a multi-perspective democratic approach to decision-making. Despite concerns about the contribution to the stakeholder theory argument, empirical evidence does allow for an examination of stakeholder theory across various geographical and industrial groupings. In turn, empirical studies provide a guiding light for instrumental studies which extol the benefits or otherwise of adopting a stakeholder theory for the organisation.

2.4.2. Instrumental Stakeholder Literature

Instrumental studies on stakeholder management, according to [Donaldson and Preston \(1995\)](#), help to predict changes in the external environment that result through enhanced communication with external stakeholders. They state “that corporations practicing stakeholder management will, other things being equal, be relatively successful in conventional performance terms” (p. 67), as measured by profitability, stability, and growth (see [Clarkson, 1991](#)).

Earlier work on this premise, although not explicitly stakeholder-based, can be found in the corporate social performance literature, which examines the effect of corporate social disclosure in annual reports on the financial performance of a firm (e.g., [Belkaoui, 1976](#); [Ingram, 1978](#); [Mahapatra, 1984](#)).

[Cornell and Shapiro \(1987\)](#) highlighted the ways in which corporate financial policy depends, to a large extent, on the role of non-investor stakeholders, through the implicit claims/contracts made by management.⁵ They suggest that stock price response to implicit claims (or promises by the firm such as software upgrades for computer packages sold), depend on the extent to which the announcement conveys information to both investor and non-investor stakeholders. Furthermore, financial policies may be chosen as a signal of the intention to pay implicit claims. That is, when large explicit claims are being made, firms reduce future opportunity costs by lowering debt, as the cost of financial problems which arise due to a failure to deliver on these claims, is likely to be larger than the direct cash drain indicates.

[Harrison and St. John \(1996\)](#) argued that greater innovative success will be achieved through stakeholder team involvement, thereby reducing the chances for adverse behaviour by firm participants, which leads to industrial campaigns, consumer boycotts, and government inquiries. [Atkinson et al. \(1997\)](#) state that an organisation’s primary objective of profitability is dependent upon secondary objectives such as strategic planning which drive performance on the primary objectives. For this strategic plan to be effective requires the input of stakeholders. There are a number of studies that examine the relationship between corporate social performance and economic performance, as mentioned in [Section 2.3.1.2](#), although they have not been pursued under the guise of stakeholder theory.

The instrumental (interpretive) literature is, therefore, dependent heavily upon empirical literature, although this, as [Donaldson and Preston \(1995, p. 78\)](#) suggest, does not detract from the overall validity of the theory. The importance of stakeholders to the current and future financial success of

Stakeholder Potential to Threaten the Organisation

	HIGH	LOW
<p>HIGH</p> <p>Stakeholders Potential to Cooperate With the Organisation</p>	<p>Stakeholder Type 1: Mixed Blessing Strategy: Collaborate</p>	<p>Stakeholder Type 2: Supportive Strategy: Involve</p>
	<p>Stakeholder Type 5: Bridging Strategy: Mixed Approach</p>	
<p>LOW</p>	<p>Stakeholder Type 3: Non-supportive Strategy: Defend</p>	<p>Stakeholder Type 4: Marginal Strategy: Monitor</p>

Fig. 2.2. Modified Stakeholder Strategy Matrix. *Source: Polonsky (1995a).*

a firm, can be seen by several studies already undertaken, although the extent to which they apply in practice remains largely untested to date.

An important contribution to the stakeholder literature has been from Polonsky (1995b) who focuses on how greater organisational effectiveness can be achieved, and marketing strategy enhanced, through the adoption of a categorical approach to stakeholder involvement. Fig. 2.2 indicates that a stakeholder’s orientation determines whether it is supportive, marginal, non-supportive, or mixed blessing (see also Savage et al., 1991; Polonsky, 1996b). This figure is important for the current study in that stakeholders potential to co-operate with or threaten an organisation, does in many ways correlate with their degree of prominence (legitimacy, power, and urgency) and class, based on the Mitchell et al. (1997) model described in detail in Sections 3.6 and 3.7.

The perceived benefits for the organisation in identifying the type of stakeholder as listed earlier, include enhanced strategic decision-making based on a greater cost–benefit analysis of current and future firm activities, as well as a more accurate assessment of stakeholder relationships that need improvement. These benefits accrue not only in the private sector, but also in government (Roberts & King, 1989).

Citing evidence from a U.S. airline industry dispute, Savage et al. (1991) posit that executives should strive to change relationships with traditional non-supportive stakeholders from that of being less co-operative to more

favourable (mixed blessing). The organisation should involve supportive stakeholders, monitor marginal ones, defend against non-supportive types, and collaborate with mixed-blessing stakeholders. This allows stakeholders to be managed according to a new generic strategy based less on involvement and more on incentive, which enhances the organisation's chances for future co-operation with traditionally marginal or non-supportive stakeholders.

Jones (1995) advances an instrumental theory of stakeholder management which is based on a synthesis of the stakeholder concept, economic theory, and applications from behavioural science and ethics (see Brenner & Cochran, 1991; Brenner, 1993). He adopts an instrumental approach to stakeholder theory by positing that the problems of opportunism, inherent in organisations, can be overcome through the development of relationships and contracts based on trust and co-operation. Competitive advantage arises through trustworthy behaviour with stakeholders such as employees, rather than short-term cost-efficient opportunistic behaviour by management. This contractual framework has also been given attention by Freeman and Evan (1990), who see the contractual bargaining by parties as a series of multilateral stakeholder contracts, although they concede that it is not a full explanation for the development of the modern corporation.

Hosseini and Brenner (1992) proposed a multi-criteria decision-modeling approach, based on the stakeholder theory of the firm as outlined by Brenner and Cochran (1991), utilising an analytical hierarchy process, to estimate stakeholder value matrix weights. They describe the process used to generate stakeholder value weights and relative influence weights for a hypothetical organisation. It is this modelling approach that is used in this study, and a further examination of the model will be reserved for Section 3.8.2.

Only a few instrumental stakeholder studies (e.g., Steadman & Garrison, 1993; Steadman, Green, & Zimmerer, 1994) have sought to examine stakeholder theory in an international context. Although not empirical in nature, the authors posit that comparisons between Japanese and American firms indicate that the economic success of Japanese firms has mitigated stakeholder demands with regard to the formulation and implementation of corporate policy, and that concerns for the environment are not highly prioritised. However, Polonsky (1996a) raised concerns that greater distinction needed to be made between internal and external stakeholders, and that internal stakeholders do in fact have power in Japanese firms. Steadman et al. (1994, p. 711) concluded that "global business will, in time, create emerging stakeholder groups with increased power and influence over the Japanese business system". Research has yet to determine to what extent this proposition has affected policy development within the Australasian

region in general, and whether economic and social characteristics are an overriding factor in mitigating stakeholder power.

Altman and Petkus (1994, pp. 39–40) suggested that the application of social marketing principles, or “the design, implementation, and control of programmes seeking to increase the acceptability of a social idea, cause or practice in a social group” to the public policy debate on the environment through a conceptual framework, can help engender co-operation and foster the development and implementation of environmental policies by government policy makers and non-governmental stakeholders. Furthermore, it can be a more effective approach than formulating and applying a *standardised* policy to all stakeholders, which although less costly, may result in greater levels of stakeholder conflict, or a *differentiated* strategy, which although comprehensive, is more costly.

As seen in Fig. 2.2, the Modified Stakeholder Strategy Matrix, Polonsky (1995a) states that the stakeholder management process that identifies and incorporates environmental stakeholders into the development process, can contribute to a more effective natural environment strategy by identifying, through a matrix, a stakeholder’s ability to co-operate or threaten an organisation. It can also enhance the environmental marketing strategy of the firm (Polonsky, 1995b). Involvement by various stakeholders allows cross-fertilisation on environmental policy development to occur, which in turn reduces the strategic risk of the firm.

Polonsky (1995b) documents several examples within the literature of how the incorporation of a stakeholder process in firm decision-making can

- (1) aid in a takeover of a manufacturer of steel facing closure (Maranville, 1989);
- (2) help hospitals and health maintenance organisations compete more efficiently (Blair, Savage, & Whitehead, 1989; Whitehead, Blair, Smith, Nix, & Savage, 1989); and
- (3) engender an awareness by firms involved with the environment, of the need to provide public accountability via the media as a means to respond to radical public groups or activists which threaten the legitimacy of the organisation (Pinfield & Berner, 1992).

Also, stakeholder involvement has been seen as having the ability to

- (1) identify, via an integrative framework, strategic issues that affected each stakeholder of a particular U.S. corporation, and in the process look for patterns and coalitions, and the contradictory effects of those issues (Freeman, 1983);

- (2) incorporate into the NCR Corporation (a data and information-processing systems company), a means by which to achieve corporate success (Gomolka et al., 1990);
- (3) identify issues that most frequently contribute to cost overruns in the U.S. Department of Energy's environmental and waste management activities (Jackson et al., 1994); and
- (4) be used as part of a workshop to inform controversial social decisions and create policy alternatives in a debate over the economic and environmental objectives of a proposed coal mine in the state of Sabah, East Malaysia (Gregory & Keeney, 1994).

Despite the informative work undertaken in the stakeholder literature using the instrumental approach, it is, like the descriptive approach, not seen as a sound perspective on which to justify stakeholder theory according to Donaldson and Preston (1995, p. 78), because the studies do not include reliable indicators of the stakeholder management side of the relationship, such as the independent variable. However, the instrumental stakeholder approach has the potential to provide a rich understanding of the effect of stakeholders on organisational policy and procedures. It is particularly promising within the international arena as it provides a "real world" aspect to organisational behaviour within different economic and social contexts, subject to empirical testing to validate or repudiate the various instrumental factors in the decision models.

Much of the focus has been on seeking to normatively ground stakeholder theory as a "new" theory of the firm. Such a focus is understandable, given the attacks by some to the legitimacy of the stakeholder approach itself (Goodpaster, 1991; Den Uyl, 1992; Sternberg, 1997; Marcoux, 2003) and its predominant focus on economic theory as a basis to identify stakeholder relationships, as opposed to social and moral aspects (Hendry, 2001). As such, stakeholder theorists seek justification by appealing to the philosophical underpinnings of what stakeholder theory represents. This can be achieved by prescriptive arguments that form part of a normative approach to theory formation, and this literature is explained in the next sub-section.

2.4.3. Normative (or Theory Building) Stakeholder Literature

Normative or theory-building papers are those that make recommendations. They are prescriptive in nature, and usually propose a course of action or recommend policies, and from an organisational perspective they help in the

“identification of moral or philosophical guidelines for the operation and management of corporations” (Donaldson & Preston, 1995, p. 71). Normative stakeholder literature has by far been of the most interest to stakeholder theorists to date. It has sought to provide guidance as to

- (1) Who “should be” a stakeholder. (Carroll, 1991; Freeman, 1994)
- (2) Why organisations “should” embrace a stakeholder concept. (Savage et al., 1991; Jones, 1995; Polonsky, 1995a, 1995b)
- (3) Why stakeholder theory “should be” seen as a paradox in terms of an organisation’s fiduciary duties. (Goodpaster, 1991; Den Uyl, 1992; Sternberg, 1997)
- (4) Why stakeholder theory “should be” consistent with the economic nature of enterprise/organisations. (Donaldson & Dunfee, 1995, 1999)
- (5) Why stakeholder theory should see the firm as a system of social relationships between stakeholders rather than purely relationships grounded in economic theory. (Hendry, 2001)

Donaldson and Preston (1995), Harrington (1996), and Wijnberg (2000) posit that the justification for stakeholder theory lies in its strong normative base, for its use as a guide for the operation of business, and also the implementation and review of public policies that regulate business. The incorporation of a stakeholder perspective is often seen as philosophically the “right thing to do”, as it results in moral scrutiny of our economic and social systems (Harrington, 1996). Gibson (2000) asserts that stakeholder theory should be “deontological”, in that it demands that we treat stakeholders not as more than just a means to an end, but as an end unto itself. This perspective is similar to that adopted by Wijnberg (2000), who utilises the ethics and politics of Aristotle to seek a more explicit set of ethical principles. The Aristotelian approach is to take a position with respect to what one considers being good. In essence, the paper argues that the greater the role of stakeholders in organisational politics, the more society will benefit from virtuous managers who act with practical wisdom based on ethical norms.

Freeman (1983), in a review of early literature, discusses the conceptual notion of a stakeholder and places the stakeholder concept firmly within a framework that embraces corporate planning/business policy, CSR, and one that views the world under a systems model. Attention is given to developing a corporate strategy for stakeholder management, with specific roles for the enterprise and executive. Freeman was adamant to point out that foundation literature on stakeholders was normative in origin, having little “philosophical sophistication”.

Carroll (1991) sought to categorise social responsibility into four types: (1) economic, (2) legal, (3) ethical, and (4) philanthropic. The ethical component in particular is examined in light of three ethical/moral types of management which exist, that can be used to orientate toward organisational stakeholders. These types can be immoral, amoral, and moral management, each of which would have a different approach toward accounting for stakeholder needs. Identification of the different moral types to satisfy ethical responsibilities can aid an organisation in seeking to improve its ethical climate.

Dunfee (1995) sought to provide greater clarification by outlining five requirements for a generic normative stakeholder theory:

- (1) An enterprise/organisation's primary obligation must be to produce goods and services and, if required, generate profits in a manner consistent with the general expectations of the relevant economic communities in which it operates.
- (2) All decisions concerning stakeholder interests must be consistent with widely accepted hypernorms.
- (3) In defining stakeholders and in prioritising the conflicting claims of stakeholders, an organisation must identify and incorporate in its decision-making, the legitimate general expectations of the relevant economic communities in which it operates.
- (4) Resolution of conflicts between principles 1 and 3 must be done consistently with the legitimate norms and priority preferences of the relevant economic communities in which the enterprise/ organisation operates.
- (5) An organisation may be further responsive to the interests of significant stakeholders in its decision-making as long as it does not directly violate the valid general expectations of the relevant economic communities in which it operates.

Dunfee (1995, p. 6) also stated that for stakeholder theory to apply in a global context, it must satisfy three primary criteria: (1) be generic and applicable to all organisations; (2) be consistent with the economic nature of enterprises/organisations; and (3) be specific enough in definition to provide normative guidance to decision-makers.

Dunfee (1995, 2006), and Donaldson and Dunfee (1995, 1999) have proposed an Integrative Social Contracts Theory (ISCT). The ISCT seeks to normatively ground stakeholder theory by proposing that rational human beings, aware of their bounded moral rationality, will agree to a broad "macrosocial contract". Donaldson and Dunfee's (1999) social contracts

approach to resolving ethical dilemmas seeks a balance between these two alternate points by adopting a pluralist position.

In cases of conflict between stakeholders, Donaldson and Dunfee (1999, p. 248) state that the norms of the community having the most significant interests in the decision should have priority. Only when no hypernorms exist by which to gauge stakeholder claims, would organisations exercise free choice, by reference to relevant socio/political communities.

The problematic nature of hypernorms is that often, universal obligations are broad in nature, ill defined, and lacking in specificity. There is often little guidance on the extent to which hypernorms can be measured. For example, most would agree that having a healthy and safe working environment is important, but at what point do we say that a working environment is safe? Allowing flexibility in determining what is a norm and what is not, can often allow the debate over the normative grounding of the theory to descend into a relativistic argument. Where does a hypernorm begin and end? What is sacred, and what is not in terms of value? How do we measure “care for the environment”? One person’s concept of “care” may differ from that of another. What is a “human right abuse”? Can it extend to areas not traditionally identified as human rights abuses, such as urban poverty and drug abuse, which are prevalent in Western countries?

This does not detract from seeking to provide a normative grounding for stakeholder theory, and the literature to date seeking to do so must be credited. However, it must be acknowledged that any attempt to refine the theory via a normative foundation, be it through the development of the ISCT outlined by Donaldson and Dunfee (1995) or the “holistic” approach (see Starik, 1995) which argues for a stakeholder perspective incorporating the natural environment, does come under scrutiny. Its relevance as a means by which to assess corporate stakeholder strategy is questioned when the normative core becomes difficult to ground and prescribe. The extent to which moral behaviour is bounded, is contextual and dependent upon the transparency of the individual society in question and the existing value structures, which include the dissemination of information to society’s moral participants, and the ability by them to choose alternatives and voice their opinion.

In Donaldson and Dunfee’s (1999) book *Ties That Bind*, the authors argue for flexibility between societies where conflicts in question do not breach fundamental hypernorms. Drawing on the concept of “moral free space”, the authors state that communities can differ in terms of local norms, provided that fundamental universalistic principles are not breached. Although flexibility is an advantage, many issues and hypernorms cannot be

justified in local terms. Issues such as the environment often cannot be defined in any localised context and require multilateral approaches to proposed solutions. Flexibility at the nation-state level allows for compromises and trade-offs that can weaken the core aims underlying the hypernorm. In an era of globalisation this promotes both secularism and allows for inconsistency.

Clarkson's (1995) work on stakeholder relationships in totalitarian and democratic societies sought to provide a basis on which to examine stakeholder theory in a global context. Drawing on the political ideology model of Rokeach (1973),⁶ Clarkson states that the different orientation toward the fundamental human values of "freedom" and "equality" underlay the different political ideologies that exist between countries, ultimately affecting stakeholder power. This is because one society may have a number of stakeholders, each active in the participation process because of the democratic nature of the system, whereas other countries which are less democratic may have only a few primary stakeholders actively engaging an organisation. This may affect the ultimate success of the organisation because as Clarkson (1995, p. 10) suggests

when one class of stakeholder, whether it be a political party in power or a controlling stockholder, is favoured at the expense of other legitimate stakeholders, neither a nation nor an organisation will be successful in the long-term.

Clarkson's work is important in that it identifies the state (and the differences in political systems) as an important factor in stakeholder prominence. Clarkson identifies a broader systems-based approach to stakeholder identification, and focuses to a large degree on the ideological perspective of the political state, although the work remains untested from an empirical perspective.

There have been other philosophical arguments underlying the normative approach. Apart from the debate on the legitimacy of the "stakeholder" approach to interpreting the theory of the firm, there have been those who see stakeholder theory as representing a critical theory perspective that incorporates both feminist and natural environment approaches. Furthermore, attempts have been made to strategically categorise stakeholders in terms of how they can be perceived by an organisation.

The following three sub-sections provide examples of normative literature that (1) perceives the whole concept of a stakeholder theory as a paradox, because of its multi-fiduciary nature; (2) views stakeholder theory from a critical perspective incorporating both feminist and natural environment claims; and (3) seeks to prescribe how organisations could perceive

stakeholders in relation to a common typology, and as such categorise stakeholders into groups that may or may not harmonise with the organisation.

2.4.3.1. *Stockholder Perspectives and the Stakeholder Paradox*

The use of a stakeholder analysis for managerial decision-making, despite the advantages, has not been without its critics. In a more general sense, opponents of stakeholder theory and the concept of business having a social responsibility, have labelled anything other than a concern for stockholders as “socialist in nature” (Freidman, 1970; Den Uyl, 1992). According to the Freidman perspective, it is the “invisible hand” of capitalism that maximises social satisfaction.⁷ Freidman argues that the social responsibility of business is solely to utilise resources to maximise profits, not to have moral responsibilities, which might reduce funds available to shareholders through expenditure on social concerns.

It has been suggested (Goodpaster, 1991; Den Uyl, 1992; Sternberg, 1997) that the assumption that an organisation has a *multi-fiduciary* duty to all stakeholders is “paradoxical”. Sternberg (1997) believes that it detracts from the more strategic obligation that the firm has to the private property of the stockholder. As the stakeholder approach can be either *multi-fiduciary* (ethics without business) or *strategic* (business without ethics), the concept of a firm having an obligation to stakeholders instead of shareholders may breach the primary fiduciary duty between the corporation and its stockholders (Goodpaster, 1991; Den Uyl, 1992), that being the principal–agent relationship. Obligations and concern given to stakeholders, who may withdraw co-operation from the organisation, has been perceived by some as subjecting it to actions “of those who are the most vocal or politically savvy (Den Uyl, 1992, p. 254). Others see the stakeholder concept as rendering the organisation vulnerable to “extortion”, and allowing stakeholders to undertake a “protection racket” (Sternberg, 1997, p. 8). These viewpoints essentially see the stakeholder concept as destructive in nature; another attempt at undermining the strategic position of the firm. These authors have rejected stakeholder theory in all its manifestations, but have failed to adequately put in place alternative solutions to the problems that befall traditional conceptions of proprietary rights. Furthermore, there is no recognition of the principal–agent framework existing beyond the explicit manager–shareholder (equity) or manager–debtholder (debt) relationship.

Obligations according to Goodpaster should be non-fiduciary in nature, based on the recognition that the conscience of the corporation is an

extension of the conscience of its principals, and therefore morality should govern any principal–agent relationship. The separation thesis, which states that an organisation can never be firm strategic (business without ethics), while at the same time owing a multi-fiduciary duty to other stakeholders (ethics without business), underlies this stakeholder paradox.

Freeman (1994) calls into question this viewpoint by asserting that there needs to be a reinvention of business to reflect the fact that business and ethics are not autonomous theories, but instead become interwoven through increasing dialogue between business, academia, and philosophy. Moral discourse must be examined in the same light as business value creating activity.

Similarly, Hendry (2001) criticises the predominant economic theory focus of existing stakeholder work, which sees the moral basis of stakeholder relationships being interpreted from an economic “nexus of contracts” standpoint. Although acknowledging that the economic focus overcomes the separation thesis dilemma outlined earlier (the need to separate the moral and economic discourses of business), Hendry argues that you cannot reduce the moral purely to the economic. Instead, ethics is about the social relationships between moral actors (stakeholders), which have largely been ignored to date.

Buchholz and Rosenthal (2005) have sought to define the organisation along a pluralist perspective, rejecting the inherent “atomic” individualism that presupposes much of stakeholder theory whilst at the same time rejecting the feminist position of Wicks, Gilbert, and Freeman (1994).

Although the stakeholder perspective and the paradox that is central to its argument reflect an extremely conservative perspective, there has also been literature that examines stakeholder theory in a more radical framework.

2.4.3.2. Critical or Feminist Perspectives

One theoretical viewpoint, which has emerged from a commitment to examine “new value” creating activity, has been a critical or feminist perspective, with its emphasis on caring and restructuring business language. Wicks et al. (1994) reinterpret the stakeholder concept from the traditional “autonomous” position of the “bounded” corporation which seeks to manage and control the external environment, a perspective which is present within other stakeholder literature (Polonsky, 1995a, 1996b), toward a view which sees the organisation as a holistic mechanism, influenced by language and culture, and where the individual and community are “two sides of the same coin” (p. 483). Emphasis is placed on power decentralisation, consensus, and communication.

Related to the feminist perspective of a more caring moral approach, has been the argument that the non-human natural environment can be integrated into the stakeholder management concept (Starik, 1995). This argument includes the observation that the natural environment should be recognised as a vital component of certain organisations, that the stakeholder concept is more than anthropocentric in origin, and that non-human nature currently is not adequately represented by other stakeholder groups, although it could be incorporated into several stakeholder management processes. Starik claims that this integration would provide a more caring, holistic, value-oriented, focused, and strategic approach to stakeholder management, potentially benefiting both nature and organisation. Phillips and Reichart (2000) contradict Starik's claim that the environment is a separate stakeholder, but do argue nonetheless that it may be accounted for within a fairness-based stakeholder approach. That is, the environment should be considered instrumentally as a means by which to achieve accountability to the local community, for example, thorough environmental clean-up campaigns and awareness programs, rather than as a stakeholder itself. Frost (1995) also used stakeholder analysis to understand the ethical and moral issues facing the Australian primary resources sector, albeit in a more firm-centered orientation. According to Frost, the use of stakeholder analysis can overcome many difficulties that are inherent in such a politically sensitive sector, and allow for a sustainable approach to primary resource development.

According to Grimble and Chan (1995, p. 116) a stakeholder approach to the environment can be justified in five ways:

- (1) Environmental problems or issues are perceived to be bounded by natural/physical systems that cut across social, economic, and political units.
- (2) Environmental impacts tend to extend beyond the initial system, therefore, leaving the costs of externalities to be borne by others (see also Monash Group, 1996a, p. 6).
- (3) Natural resources are essentially public resources, not under private control.
- (4) Resource appropriation adversely affects future productive capacity.
- (5) Natural resources generally have multiple, non-compatible uses.

This radical perspective, although in its infancy, offers much in the way of placing stakeholder theory within a new "holistic" perspective. This perspective views humankind as being part of a wider framework encompassing the natural environment and "all living things", rather than

accountability being solely to the human form, and ultimately involved the re-examination of the structural aspects of society itself as well as the organisation.

In a recent paper, [Reed \(1999\)](#) advocates a critical theory perspective on stakeholder management. In drawing on the theoretical precepts of the work of German critical theorist Jürgen Habermas, Reed navigates through complex issues underlying critical theory to argue that stakeholder theory is founded on three normative realms of legitimacy, morality, and ethics. Consequently, discourse in each of these realms should be engaged in to ensure that those with a stake in an organisation are heard.

The more radical elements of stakeholder theory have much to offer in both a prescriptive and Utopian sense. However, a fundamental shift is required in the opinions of those involved in both the practical and academic sectors of stakeholder management in the short term, for this perspective to become a major guide in organisational strategic management. Too great a compromise may be required in a practical sense in order to accommodate an ever-changing array of claims based on moral and ethical factors that are both human and non-human (the natural environment) in nature. This is especially so in an international environment where even the most central of stakeholders, such as employees, may not be accorded due process.

2.4.3.3. Strategic Typology

A number of studies have sought to categorise stakeholders according to their strategic relationship with the firm. Typologies are to a degree a combination of both an instrumental and a normative perspective. They are normative in that the objective of typologies is for the organisations to identify to whom they should pay attention. However, they are instrumental in the sense that one can aim to predict the success/failure of firm policy and processes by identifying stakeholders who hold prominence within the organisation. Distinction has been made between stakeholders which are internal and external ([Carroll, 1989](#); [Steadman et al., 1994](#); [Polonsky, 1996a](#)), and primary and secondary ([Carroll, 1989](#)).

[Savage et al. \(1991\)](#) and [Polonsky \(1995a, 1996b\)](#) classify stakeholders as supportive, marginal, non-supportive, or mixed-blessing. This typology is similar in some respects to the stakeholder strategy matrix developed by [Clarkson \(1991\)](#) and the environmental management program stages espoused by [Hunt and Auster \(1990\)](#). [Clarkson \(1991\)](#) and [Hunt and Auster \(1990\)](#) characterise managerial strategies into reactive, defensive, accommodative and proactive, and organisational commitment toward the

environment into beginner, firefighter, concerned citizen, pragmatist, and proactivist, respectively. All authors developed their perspectives with the aim of enabling companies to implement more effective corporate strategy.

Rowley (1997) advocates the use of a social network analysis to advance stakeholder theory, by accommodating multiple and interdependent stakeholder demands, so that an organisation's conformation to stakeholder expectations is a function of the network density (the number of stakeholders), and the centrality (the degree to which it acts as an intermediary) of the organisation. Dependent on the extent of the organisational environment possessing high/low density and centrality, organisations can then be classified as: (1) commander (high centrality/low density); (2) compromiser (high centrality/high density); (3) solitarian (low centrality/low density); or (4) subordinate (low centrality/high density).

Mitchell et al. (1997) combined the relationship attributes of power, legitimacy, and urgency to generate a typology of stakeholders which expanded the existing theoretical base regarding stakeholder identification and salience. They sought to overcome existing discrepancies within the literature on what constituted a "stakeholder" by proposing that stakeholder salience or prominence in their relationship with managers be directly related to the number of attributes that each stakeholder possesses in relation to the firm. If stakeholders possess all three attributes of power, legitimacy, and urgency, then stakeholder salience to firm management is high. Neville and Menguc (2006) have also used Mitchell et al. (1997) as a basis for their framework for stakeholder "multiplicity".

The Mitchell et al. (1997, p. 880) version of stakeholder theory therefore allows managers to determine the legitimacy of stakeholders, and "to become sensitised to the moral implications of their actions". Previously authors have used these elements to explain stakeholder differentiation. The notion of power was also used by Hill and Jones (1992) in their stakeholder–agency theory as a missing element to overcome disequilibrium conditions inherent within the traditional agency theory framework, and has been demonstrated empirically to be a factor in the recognition of stakeholder claims where the stakeholder was part of an institutionalised environment, and where specialist staff structures could focus on them (Kreiner & Bhambri, 1991). Fineman and Clarke (1996, p. 727) also acknowledged that there were "systematic differences between the industries, characterised by the nature and level of threat the stakeholder is seen to pose to the manager or firm, and the stakeholders perceived legitimacy".⁸

Jawahar and McLaughlin (2001) advocate a descriptive stakeholder theory whereby stakeholder prominence is fluid and dependent on the stages

of the organisations life cycle (start-up, growth, mature, decline), which has different needs and strategies to deal with each stakeholder at given points in time, and [Friedman and Miles \(2002\)](#) have undertaken work on compatibility, and using Greenpeace as an example seek to determine why and how organization/stakeholder relations change over time.

[Kaler \(2003\)](#) rejects the typology approach adopted by [Donaldson and Preston \(1995\)](#) of classifying literature into normative, instrumental, and descriptive, insisting that the descriptive and instrumental approaches are in essence second order theories. Stakeholder theory instead is a typology based on a distinction between either perfect (unqualified) or imperfect (qualified) obligations and duties toward both shareholders and stakeholders (non-shareholders) alike, based on the argument as to whether stakeholder claims on the business are either strong or weak ([Kaler, 2002](#)). There is a need to limit the number and degree of stakeholders and responsibilities to them, and consequently obligations to shareholders/stakeholders are not enmeshed in claims about property rights and economic superiority ([Kaler, 2006](#)).

Strategic typology provides a convenient way in which to undertake empirical research, as boundaries and classes within the stakeholder realm are clearly set out. The following two sections provide a summary of the literature reviewed in this chapter along with identified limitations to date.

2.5. LITERATURE SUMMARY

[Donaldson and Preston \(1995\)](#) contend that much of the stakeholder literature to date has been normative; however, since their article the literature appears to be evenly divided between all three categories. Despite the normative literature being “categorical” in its approach, although the instrumental literature is “hypothetical”, it is often unclear as to the approach some articles are taking, a point not lost on [Dunfee \(1995\)](#), with the literature often embodying both normative and instrumental elements. Furthermore, the descriptive work that has been undertaken has been without structure, ranging from perceptions as to what issues organisations perceive as strategic, to differences in stakeholder perception by alternate-director types (e.g., CEO vs. non-CEO).

[Table 2.1](#) provides a structure to the stakeholder literature from 1983 to 2006, via the three categories. A brief summary of each of the papers listed below are provided in chronological order in [Appendix C](#). In conjunction with this summary, the review of the stakeholder literature in [Section 2.4](#) has

Table 2.1. Stakeholder Literature Classification from 1983 to 2000*.

Empirical Tests for Accuracy (Descriptive)	Framework Building (Instrumental)	Normative
Barton et al. (1989)	Cornell and Shapiro (1987)	Freeman (1983)
Gomolka et al. (1990)	Roberts and King (1989)	Evan and Freeman (1988)
Preston and Sapienza (1990)	Freeman and Evan (1990)	Carroll (1991)
Kreiner and Bhambri (1991)	Brenner and Cochran (1991)	Goodpaster (1991)
Vitell and Singhapakdi (1991)	Savage et al. (1991)	Den Uyl (1992)
Roberts (1992)	Clarkson (1991)	Hill and Jones (1992)
Pinfield and Berner (1992)	Hosseini and Brenner (1992)	Brenner (1993)
Wang and Dewhurst (1992)	Steadman and Garrison (1993)	Freeman (1994)
Dooley and Lerner (1994)	Altman and Perkins (1994)	Wicks et al. (1994)
Gregory and Keeney (1994)	Steadman et al. (1994)	Clarkson (1995)
Lerner and Fryxell (1994)	Grimble and Chan (1995)	Donaldson and Dunfee (1995)
Tilt (1994)	Jones (1995)	Donaldson and Preston (1995)
Fineman and Clarke (1996)	Polonsky (1995a)	Dunfee (1995)
Greenley and Foxall (1997)	Polonsky (1995b)	Frost (1995)
Morris (1997)	Harrison and St.John (1996)	Starik (1995)
Cordano and Rands (1998)	Polonsky (1996a)	Harrington (1996)
Agle et al. (1999)	Polonsky (1996b)	Sternberg (1997)
Reynolds et al. (2006)	Mitchell et al. (1997)	
	Polonsky and Ryan (1996)	Reed (1999)
	Rowley (1997)	
	Atkinson et al. (1997)	Jones and Wicks (1999)
	Friedman and Miles (2002)	Gibson (2000)
	Neville and Menguc (2006)	Phillips and Reichart (2000)
		Wijnberg (2000)
		Jawahar and McLaughlin (2001)
		Hendry (2001)
	Kaler (2002)	
	Kaler (2003)	
		Marcoux (2003)
		Drisco and Starik (2004)
	Kaler (2006)	
		Buchholz and Rosenthal (2005)

*Categories divided and presented in chronological order via the categories in Donaldson and Preston (1995).

highlighted that stakeholder theory, as Donaldson and Dunfee, (1995, p. 88) suggest, lacks “a normative foundation for both assessing the ethical validity of the interests asserted by particular groups of stakeholders, as well as for identifying and prioritising the rights and duties of affected stakeholders”. That is, it lacks the normative sophistication necessary for

making precise moral distinctions in moral dilemmas. Like traditional moral theory, it has been accused of lacking specificity in being able to explain ethical issues in business.

As mentioned in [Section 2.4.3](#), significant emphasis has been placed recently on establishing a normative foundation for stakeholder theory in terms of the legitimacy of the theory itself, and “who should be” a stakeholder. As indicated in previous sections, much effort has been spent seeking to establish “ground rules” for the operation of stakeholder theory, by seeking to clarify what constitutes a stakeholder, and why stakeholders are important. This pursuit of a normative core is made more difficult when examining the moral and ethical requirements of organisations across countries in an international context.

From a normative perspective, the stakeholder literature has a diverse array of theoretical bases. [Evan and Freeman \(1988\)](#) have adopted a Kantian-based perspective, whereby stakeholders are justified as ends in themselves rather than as being a vehicle for achieving greater social accountability. Later they sought to reinterpret a transaction-cost economic argument ([Freeman & Evan, 1990](#)). [Freeman \(1994\)](#) then seeks to incorporate contracting costs and the agency principle into a set of moral ground rules on stakeholder legitimacy. This was an attempt to address the absence of a justification for stakeholder claims based on moral legitimacy. Furthermore, [Jones \(1995\)](#) synthesises the stakeholder concept with economic theory and behavioural science. More critical perspectives ([Reed, 1999](#)) with feminist interpretations ([Wicks et al., 1994](#)) and natural environmental considerations ([Starik, 1995](#)) have also been put forth. [Donaldson and Dunfee \(1999\)](#) emphasise a social contract-based approach to stakeholder theory. Attempts, therefore, at developing a normative stakeholder theory have been incomplete in the past and may very well continue to be so, because contemporary organisational behaviour with regard to stakeholders is complicated and to a degree inconsistent, and thus difficult to prescribe. However, this does not prevent further attempts at prescribing stakeholder theory.

Recent theoretical work has focused on the nature and role of stakeholder theory, deemed “instrumental” approaches, and emphasis placed on definition and legitimacy issues, such as recognising the level of networking between stakeholders as a factor in organisational behaviour ([Rowley, 1997](#)).

There are several problems with some of the concepts and operational aspects of stakeholder theory, which have yet to be addressed that have already been identified in the literature. [Ambler and Wilson \(1995\)](#) have highlighted a number of points which have also been referred to by other

authors. At least nine such points have been noted. Each will now be discussed:

- (1) *Determining the stakeholders* – There is a dilemma in deciding the range and variety of these groups, and the rights that one group has to the other. Attention has increasingly focused on defining stakeholders along moral lines, where reference is given to “how human beings create and exchange value” (Freeman, 1994, p. 418). Dunfee (1995) recognises the need to incorporate the “legitimate general expectations” of relevant economic communities (RECs) in defining and categorising stakeholder claims. Mitchell et al. (1997) state that those searching for a narrow definition of stakeholder theory, are ultimately seeking to identify a core set of stakeholder constituents.
- (2) *Confusion of purpose* – The broader the stakeholder groups, the broader the demands on the company, which may confuse its purpose.
- (3) *Success* – Corporations may become frustrated at stakeholder theory’s determination of success being left to society rather than the company.
- (4) *Measuring the “stake”* – The broadening of stakeholder theory from quantifiable stakeholders (employee wages) to encompass social variables, such as the environment which may not be easily quantifiable, making the “stakes” impossible to compare.
- (5) *Competition* – Freeman’s notion of a company’s competitors being stakeholders is devoid of practical meaning if each is a stakeholder of the other.
- (6) *Litigation* – An increase in stakeholders may mean rights may not be fulfilled, which may lead to an increase in litigation and a reduction in resources normally available to traditional stakeholders.
- (7) *Distribution of benefits* – Benefits distribute themselves according to market forces. To propose that social rather than market forces determine the allocation of stakeholder interests of such resources as time, money etc., may benefit one stakeholder but harm another. Gray et al. (Gray, Kouhy, & Lavers, 1995; Gray, Dey, Owen, Evans, & Zadek, 1997) state that the theory is silent on how it monitors and responds to stakeholder needs. They also point out that stakeholder theory is predominantly seen from a management perspective, one that interpreted from a Marxist perspective fails to address the issues that affect or contribute to inequities in these relationships. Social value is only examined if it contributes to the corporation as well. Mitchell et al. (1997) sought to broaden the theory by specifying three attributes that makeup a stakeholder; namely power, legitimacy, and urgency.

- (8) *Distribution of power* – Stakeholder theory does not indicate how stakeholders are to be represented, or how power is to be provided to protect their interests. Gray et al. (1995), from a classical political economy perspective, have criticised the theory for not addressing “central systemic issues that initially construct the relationships, or indeed, to recognise the structural inequities in the relationships” (p. 54).
- (9) *International interests* – Stakeholder theory becomes vague when deciding in today’s “global economy” which societal view applies, and where boundaries lie, i.e., local or international? Stakeholder literature has predominantly been focused within the North American environment, and theoretical constructs to date have not sought to explain stakeholder theory in a broader context, which encompass other countries and geographical regions. Stakeholder obligations must “be compatible with the background political, social and legal environment” (Dunfee, 1995, p. 4), and cannot be dependent upon any one particular environment.

Donaldson and Dunfee (1995, p. 88) have thus sought to address some of the above problems through their ISCT and their work on hypernorms. Donaldson and Dunfee’s (1999) recent attempt at arguing an ISCT, seeks to provide moral guidance in ethical dilemmas by appealing to hypernorms or fundamental universal principles as a means by which to obtain resolution to a specific problem. In the absence of specific hypernorms, individuals or organisations would follow “priority rules”, or established modes of conduct in order to address ethical issues. This allows the maintenance of the necessary “moral free space” in which to accommodate diverse cultural aspects.

ISCT, like much of the normative literature on stakeholder theory, focuses on prescribing “who should be” considered a stakeholder, “what should be” considered important ethical issues, and “how to” resolve ethical dilemmas. Although this is important in providing a “guiding light” as to the structure and boundaries under which stakeholder theory operates, and the methods by which to approach ethical issues in business, little focus has been given to understanding empirically, how stakeholder theory operates. Within stakeholder theory itself, there has been no serious attempt at formalising a model or framework as a basis for explaining and predicting stakeholder prominence, that would result in an understanding of “which” stakeholders and “what” issues are considered important by organisational decision-makers in different economic and social environments. Related research on Interest Group Theory has sought to explore why certain groups are powerful in a public policy context (see Section 2.3).

The failure to provide a single normative theory within the stakeholder literature, mirrors other firm–society research paradigms, such as that of “coalitions” in organisational theory, which have been accused of “lacking a substantial amount of organisational research” (Stevenson, Pearce, & Porter, 1985, p. 256), attributable again to disparities on the definition of the concept of “coalition” and its difficulty in being identified within organisations. Overall, it has been stated that there has been a general lack of normative focus throughout the entire firm–society literature during this period (Gray et al., 1995, p. 47). Nevertheless, the abundance of empirical research throughout the 1970s–1980s on corporate social performance as discussed earlier proceeded in the absence of a strong theoretical approach to explain its behaviour. Similarly, there is no reason why empirical research cannot proceed in a similar manner within the stakeholder sphere despite the argument that stakeholder theory lacks a strong normative core.

Jones and Wicks (1999) sought to converge both the normative and instrumental aspects of the literature, and provide a much-needed amalgamation of two aspects of stakeholder theory. Their justification was to enhance the credibility of the theory by merging a normative core with a practical focus inherent within an instrumental approach, that is, a well-defended normative core with supportive instrumental arguments to demonstrate practicability. Their belief is that neither approach is complete without the other. If achieved, such a convergence would create a hybrid from both social science- and ethics-based theories. In the need for convergence, Jones and Wicks quote from Weaver and Trevino (1994, p. 132) that “self-contained normative enquiry may become too abstract, or too idealistic, to be of any practical value”. As a result it could fail those who make the firm a going concern. Freeman (1999) argues in a response to the Jones and Wicks proposition, that instead of convergence, stakeholder theory needs more divergence in order to obtain a greater understanding of the organisation, and that there is more than one way to be effective in stakeholder management. There is, therefore, significant disagreement amongst scholars as to the direction of future research and the format that it should take. As Dunfee (1995, p. 4) points out, “there has been remarkably little consensus concerning how the core concept of the theory should be applied”.

From an international context, as mentioned earlier in this review of the literature there have been several attempts in recent years, both normatively (e.g., Clarkson, 1995; Dunfee, 1995; Donaldson & Dunfee, 1999), and instrumentally (e.g., Steadman & Garrison, 1993; Steadman et al., 1994; Polonsky, 1996a), to apply the stakeholder concept, although to date this

approach remains untested to a large degree. The focus has been on normatively prescribing “why and what should be”, with particular focus on the definition of a stakeholder.⁹ Even Mitchell et al. (1997, p. 854) contend that their term “prominence” is part of a “comprehensive typology of stakeholders based on the normative assumption that these (three) variables define the field of stakeholders: those entities to whom managers should pay attention”. Furthermore, they acknowledge that their stakeholder attributes (legitimacy, power, and urgency) are “socially constructed”, not objective “reality” (p. 868).

Approaches to theory construction in many disciplines have tended to be either normative or positive in focus. This has been so in the field of both accounting and economics. As the literature has identified a lack of structured empirical work within stakeholder theory, the next chapter proposes a positive approach to stakeholder theory construction. Such an approach can help to address the limitations within the current literature and enable a greater understanding of why attitudinal differences may exist between respondents across societies with respect to stakeholder prominence. Given that recent theoretical literature has shifted focus to narrow interpretational issues, it is only fitting that empirical research be undertaken to determine the extent to which certain organisations (traditionally seen as stakeholders) are themselves accorded legitimacy and authority.

2.6. CONCLUSION

This chapter has reviewed relevant stakeholder theory literature undertaken up to 2006. Section 2.2 commenced by discussing the “nature” of stakeholder theory itself, including the groups commonly seen as being organisational “stakeholders”. Early literature in the area of corporate social accounting, a precursor to the stakeholder literature, was analysed in Section 2.3 through three distinct categories: economic theory, decision usefulness, and social and political economy. This social-political economy perspective is seen to serve as a prelude to the main developments within stakeholder theory itself. In Section 2.4, the studies were classified into descriptive, instrumental, and normative literature. Emphasis was placed on the criticism that the theory creates a “stakeholder paradox” because of its multi-fiduciary duty, and the emerging critical aspects of stakeholder theory along with attempts at creating a strategic typology that incorporate both a normative and instrumental perspective. A literature summary was then provided in Section 2.5, highlighting some of the limitations to date.

What has emerged amongst the literature has been the predominant emphasis on building a normative stakeholder theory and the absence of any structured descriptive approach. This has often led to criticisms on how to determine who is a “stakeholder”, and how to explicitly define this normative approach.

The next chapter seeks to outline how a positive approach to stakeholder theory development, would provide a much needed practical focus to literature, by explaining and predicting attitudes toward stakeholders. It focuses on the methodology for the model. In particular, the respondents to be tested, the stakeholder typology model for the study, and the stakeholders to be used, are outlined. The chapter then details the data collection method and the statistical measures to be used.

NOTES

1. Although not specifically developing a theoretical approach, [Ullmann \(1985\)](#) did develop a three-dimensional contingency framework model based on stakeholder power, strategic posture, and the economic performance of the firm. He sought to explain how social performance programs are used as tools for managing social demands, which may provide one explanation for the correlation between an organisation’s social and economic performance and its social disclosure.

2. For an introduction to the critical theory approach, see an overview of [Reed \(1999\)](#), in [Section 2.4.3.2](#).

3. The 130 corporations, investigated in 1984, 1985, and 1986 by the Council on Economic Priorities (CEP), were used as the sample to estimate the social disclosure model.

4. [Wang and Dewhurst \(1992\)](#) on a sample of 2,361 directors of 291 U.S. companies, found differences in stakeholder orientation. Outside directors (not a member of management) had a much stronger orientation toward employees than inside directors, and non-CEO directors had a stronger stockholder orientation compared to CEO directors who were more oriented toward customer needs and government requirements.

5. [Barton et al. \(1989\)](#) empirically tested the theoretical assertions of [Cornell and Shapiro \(1987\)](#) regarding capital structure variation. They used a firm’s diversification strategy, that is, the relatedness of its product lines, as a proxy for Net Organisational Capital (NOC) (the difference between the value of net organisational assets and liabilities), as NOC cannot be directly tested. Firms with high NOC are expected to have high explicit claims (as promises increase the value of the firm) and lower debt. Their results found that firms that sold to a related customer base, thereby implying a similar product line and a smaller boundary of stakeholders, had lower debt ratios than companies with unrelated businesses. The conclusions implied that when there is high NOC based on implicit claims/promises, there will subsequently be lower debt, and this is directly correlated to lower

product/stakeholder diversity. Therefore the more concentrated the stakeholder presence is, and therefore more powerful, the more conservative firm capital structure will be.

6. Rokeach (1973) purports that the meanings of the terms “conservative”, “liberal”, “right-wing”, and “left-wing”, are becoming increasingly difficult to define when juxtaposed between countries for the purpose of ideological classification. This is because each ideology has a different standpoint on what constitutes each of these terms. Instead, Rokeach proposes that greater understanding and comprehension can be given to ideological differentiation when examined from the perspective of the fundamental values of “freedom” and “equality”, which are less simplistic.

7. The “invisible hand” argument was first described in Adam Smith’s (1776) *Wealth of Nations*, which sees the invisible hand of the free market transforming the individual pursuit of gain into the benefit and well-being of society.

8. Fineman and Clarke (1996) examined the attitudes of 112 U.K managers from six industries regarding their attitudes and views toward certain groups who have been identified as green stakeholders within their particular industries. They found that groups such as customers, creditors, and employees are not perceived to be able to alter organisational perspectives on the environment, regardless of the industry involved. However, other stakeholders such as green organisations, governments, and other regulators, are taken seriously in organisational planning and design of products and processes. The stakeholder’s effect on a certain industry is to a large degree determined through its legitimacy, and ultimate ability to impose costs on the industry.

9. The definition of stakeholder has ranged from the narrow to the broad. Mitchell et al. (1997, p. 860) provide an excellent review of the alternative perspectives.

This page intentionally left blank

CHAPTER 3

RESEARCH METHODOLOGY

3.1. INTRODUCTION

The aim of this chapter is to outline the research methodology for the study. [Section 3.2](#) will discuss how a positive stakeholder theory can be formulated against the contrasting philosophies of moral universals and moral relativism. The aim of this section is to explain how stakeholder claims such as employee health and safety and environmental protection represent moral universals (fundamental ethical norms) and how differences in their perceived importance have less to do with claims of moral relativism and more to do with economic and social advancement, which can thwart the fulfilment of stakeholder objectives. The conflicting philosophies can hinder a normative approach to stakeholder theory in an international context and highlight the importance of a positive theory of the firm that can explain and predict stakeholder development in different contexts.

[Section 3.3](#) will provide a justification for the questionnaire as a method of data collection for the descriptive study and will also detail the approach used to construct the questionnaire including the basis for translation into both Mandarin and Bahasa Indonesian. [Sections 3.4 and 3.5](#) will respectively list both the respondents sampled and the stakeholders selected. [Section 3.6](#) will outline how stakeholder prominence is determined, with a discussion of the three key attributes that comprise the [Mitchell et al. \(1997\)](#) stakeholder typology model, their being legitimacy, power, and urgency. [Section 3.7](#) will build on this model by outlining the different stakeholder classes that result from a combination of one or more of the stakeholder attributes. [Section 3.8](#) will describe the instrument used to measure stakeholder prominence, there being the AHP. An overview will be undertaken on its use throughout a wide section of literature, and an illustration of the decision model will be given. [Section 3.9 and 3.10](#) will outline the tests for significant differences, including the use of multiple analysis of variance (MANOVA) and the Bonferroni correction to test for significant differences in stakeholder prominence between the countries and

occupations under examination (through p -value adjustment). Before the main study, a pilot study was undertaken of undergraduate accounting students at Macquarie University in September 1998. Details of this pretesting of the questionnaire will be overviewed at Section 3.11. The conclusion to the chapter will be Section 3.12, followed by a table summarising the research objectives and outcomes for this chapter.

3.2. TOWARD A POSITIVE STAKEHOLDER THEORY

Positivists contend that, for a theory to be relevant, it must be able to “explain and predict” certain behaviour in different environments. Although the stakeholder literature has fallen into the three categories (1) normative, (2) instrumental, and (3) descriptive, Donaldson and Preston (1995, p. 72) express concern that apart from the normative element, both the instrumental and the descriptive approaches have not as yet been formally stated or developed.

In the literature, there has been no explicit attention given to exploring a positive-based theory of stakeholder prominence, one that would involve different countries and systems. A positive approach would provide a basis for predicting and explaining the level of stakeholder prominence and behaviour in different regions of the world. Although Donaldson and Preston (1995) offer little hope for a descriptive stakeholder approach being the “foundation” for stakeholder theory, Jones and Wicks (1999) contend that a descriptive theory of the firm needs to be more developed before any testing can take place. Jones and Wicks (1999, p. 208) contend that a descriptive theory of the firm, based on empirical evidence

would create a wealth of research opportunities and would probably catapult stakeholder theory into the ranks of major theories of the firm.

Similar to Jones and Wicks (1999) who proposed a “convergence theory” combining both normative and instrumental elements, a positive stakeholder theory, which in essence can be seen as a descriptive theory, that has its roots in social science, would be based on instrumental and descriptive elements. Such a theory will be able to explain why certain stakeholders are and will be more powerful than others in countries and societies characterised by differing levels of development. From a stakeholder perspective, this involves being able to predict stakeholder behaviour from testable hypotheses. Explaining and predicting constitutes more than pure description and empirical testing. A positive stakeholder theory of an

organisation would allow a framework for explanations about stakeholder behaviour that are both intuitively appealing and which reflect a more accurate predictive power for decision makers. For the manager of an organisation, this would allow an assessment of the strategic environment in which the firm operates in terms of where influence lies. For stakeholders themselves, a positive theory would allow an understanding of the extent to which their “voices” are heard within an organisational context. The differences between the nature and the role of both a positive and a normative stakeholder theory, developed from general differences in positive and normative approaches from different disciplines, are outlined in Table 3.1.

From Table 3.1, a positive approach would examine the perception of certain stakeholders in given physical (geographical) environments, as distinct from the moral realm of “who should” be a stakeholder that exists in the normative literature. The role is to explain and predict stakeholder prominence between different contexts based on different sets of criteria (e.g. economic and social characteristics). Such a theory, despite having empirical results being limited to the social context under examination (e.g. the specific countries tested), would enable a greater practical insight to both the nature of stakeholder development and the environments that both shape and nurture their existence.

Table 3.1. Normative and Positive Elements of a Stakeholder Theory.

Element	Normative	Positive
Nature	“What/who should be” prescriptive	“What/who is” explain and predict
Focus	Moral realm of stakeholders	Physical realm of stakeholders
Role	To prescribe the role of corporations based on an ideal model of what the corporation represents	To explain and predict the degree of stakeholder power, legitimacy, and urgency
Example	Who is a stakeholder?	Which stakeholders are more powerful than others, and why?
Reason for use	Failure to justify the role of the organisation	Failure to predict organisational behaviour toward stakeholders
Advantages	Provides vision	Intuitively appealing better predictive power
Limitations	Use of value judgment	Deemed socially contextual

A positive approach to theory development is based on realist philosophy, which states that there is a reality that “exists out there”, independent of our perceptions. From a stakeholder theory standpoint, this reflects the differences in perception of the validity of a wide range of stakeholders themselves and their claims across different environments. [Mitchell et al. \(1997\)](#) do state that with respect to their stakeholder model (to be used in this study), the degree of legitimacy, power, and urgency accorded to stakeholders is based on a large degree on economic and social characteristics. [Mitchell et al. \(1997, p. 868\)](#) state their stakeholder attributes (legitimacy, power, and urgency) are socially constructed, not objective reality, and are “variable”, not “steady state”. However, the fundamental claim for each stakeholder is a manifestation of issues that are natural end states in themselves, be they environmental protection, employee satisfaction, or accountability to government. This does not detract from a positive theory argument in the sense that this type of theory in the stakeholder context relates to the possible explanations for stakeholder prominence. In a stakeholder sense, people in different countries perceive stakeholders in different ways, and thus, a positive approach would provide a framework for explaining differences between stakeholders. This framework then allows for the development and testing of hypotheses regarding stakeholder legitimacy, power, and urgency (to be outlined in more detail in [Section 3.6](#)). A positive stakeholder theory would contribute toward an understanding of questions such as:

- Why may certain stakeholders be more powerful in one country but not another?
- What may cause differences between stakeholders with respect to legitimacy, power, and urgency in particular countries?
- Under what conditions may stakeholder theory apply, and why may there be differences between groups with respect to adherence to these hypernorms, which then are reflected through differences in prominence accorded to stakeholders.

Answers to such questions are important if a globalised stakeholder theory is to provide

- (1) a practical basis on which to explain the degree of prominence of certain interest groups;
- (2) a practical approach to understanding conditions conducive to their development; and

- (3) an assessment of an organisation's position within the broader socio-political business environment.

Under a positive stakeholder theory approach, certain characteristics are used to formulate hypotheses that seek to explain the degree of stakeholder prominence. However, positive theories cannot be proved to be correct, they can only be disproved. Positive theories with their hypotheses' testing strip away what isn't, whereas normative theories provide "building blocks" about what should be. A continued absence within the literature of a definitive explanation of what a stakeholder is and to what extent one particular stakeholder is seen as more prominent than another renders it important that empirical research be engaged, in order to enrich our understanding of organisational participants in society. That is, do employees hold the same degree of legitimacy across societies, are all governments perceived to be powerful claimants on organisations, and are the claims of environmental groups as urgent in all countries?

A systems-based approach to stakeholder theoretical development, one which embraces the role of economic and social development, can provide both a rich base on which to assess the degree of stakeholder prominence and a much needed dynamism into the stakeholder theory literature. Although developmental factors may seem an obvious reason as to why differences in stakeholder prominence may exist, surprisingly this aspect has not been explored in great detail in the stakeholder literature theory to date, despite offering us a rich perspective on attempts to explore stakeholder theory in a global context.

Any search for a global perspective to stakeholder analysis, one that encompasses different economic and social systems, cannot proceed without an examination of "morality" in a broader context. As mentioned in Section 1.2.1, the move toward globalisation and the problems that are posed when different systems converge poses challenges for organisations. At the core of all stakeholder claims lie deeply held convictions about moral behaviour. Unions ardently strive to uphold labour rights, whereas shareholders seek a return on capital invested in an organisation, and governments seek to raise taxes. Understanding this is important in being able to broaden stakeholder theory toward a more global setting, whereas in the process, repositioning it contemporarily is a possible major theory of the firm. In particular, research needs empirically to identify managerial attitudes toward certain stakeholder claims. Managers, being organisational custodians, are in an important position to influence organisational policy.

In an international context, this involves examining fundamental differences that may affect stakeholder prominence. The foundation for these differences lie in whether stakeholders themselves and the claims they represent are being perceived as either fundamental ethical universals or relative to the social context in which they operate.

3.2.1. Ethical Universals

“Ethical Universals” or moral universals are norms, principles, policies, or goals that are not a function of time or place. The most prominent of the philosophers who adopt universal positions have been Emmanuel Kant and John Rawls.

Emmanuel Kant (1724–1804) held a belief that all humans morally value goodwill. Will (the reason for a person’s actions) is good if it can be universalised; that is all individuals can be guided by it. Kantian ethics is deontological in nature in that factors other than consequences are considered in ethical judgements and action. The approach is rational rather than emotional. Kant stipulates that there are three reasons for doing one’s duty: (1) self-interest; (2) because of the immediate satisfaction it gives a person; and (3) because it is felt to be the morally correct thing to do.

This sense of duty to do the right thing requires respect for moral principles and rules that are enshrined in universal law. Adherence to these rules becomes a categorical imperative. These rules should be followed even when we may have a reason not to do so, such as when a decision may not benefit us. The importance of the Kantian approach to ethics is that it acknowledges that you should act according to how you would expect others to act. Emphasis is placed on treating persons as ends in themselves, never as means to another end. This belief has implications for behaviour between individuals and between organisations and their external constituents, in that although an organisation may not agree with certain stakeholder groupings, the claims of those stakeholder groups that have universal connotations must be respected. In a utopian society, the claims of all of those wishing to be heard would be accorded due process and factored into organisational decision-making.

John Rawls (1921–2002), a contemporary ethical theorist, drew heavily upon the work of Kant. His book, *A Theory of Justice* (Rawls, 1971), developed the notion that justice is achieved through the fulfilment of a social contract. He purports that if individuals were given a choice of the

fundamental conditions that govern society, under a “veil of ignorance”, individuals would choose a position of mutual self-interest.¹

Once the veil of ignorance is lifted, those in society who are less fortunate should have their interests protected. Contemporarily speaking, this would mean that regardless of political pressures, all stakeholders with claims on a firm would have their claims heard and recognised. A practical application of this are the “stakeholder statutes” that have been enacted within many states in the United States, which seek to preserve “stakeholder” interests by allowing managers to consider the interests of constituents other than shareholders in decisions, without risking a breach of “duty of care” to shareholders. This protection can also be accorded through judicial decisions that are handed down, which enforce a “duty of care” toward stakeholder constituents.²

In contemporary society, moral universals are evident, among others, in the philosophical perspectives inherent in local, national, and international agreements (Donaldson & Dunfee, 1999, p. 60). Examples are resolutions or proclamations by international bodies such as the United Nations, which are often endorsed by a majority, if not all, of the 185 participating governments of all religious, cultural, and social denominations. Agreements on human rights, the environment, codes of business conduct, or standards of quality reflect a normative commitment by the participating nations to ethical principles of behaviour.³

Ethical universals themselves lie at the foundation of individual stakeholder group claims (i.e. the right to a clean environment, the right to a fair wage, or the right to a quality product). Although this appears to logically explain how stakeholders should be treated, given the fact that these claims represent fundamental values within society, disparities often exist in prominence between groups within and across societies, as claims compete against each other in a political environment. However, this does not detract from the validity of universals themselves as to whether they occupy a prominent position in the consciousness of the citizens of a particular society with respect to the legitimacy of issues such as environmental and labour rights.

Hegel (1956) analysed countries in terms of their world history and saw moral development as being dependent on the growth of subjective awareness by individuals and collectives that occurred when individuals dissented from group norms. Given that individual and collective subjectivity often conflicted, moral development occurred when there was integration between the two, specifically when “individual discretion was guided by universal reason and collective subjectivity was guided through

the state by the general will of the people” (Bird, 1996, p. 113). In a practical sense, this is reflective of democratic institutions. Although not dependent entirely on economic and social advancement, democratic institutions emerge as societies and groupings to achieve: (1) the necessary means, economically and financially, to fulfil stakeholder claims (health and safety requirements, environmental standards, superior standards of product quality); and (2) the required social criteria such as laws and statutes, educational standards, dialogue, and diversity, which provide a base for stakeholder legitimacy.

From a stakeholder perspective, Donaldson and Dunfee (1999) advocated the concept of ethical universals through their “hypernorm” concept as a basis for theory construction. Dunfee (1995) and Donaldson and Dunfee (1999) emphasise that financial and ethical choices that affect stakeholder interests must be based on widely accepted *hypernorms*. Hypernorms represent fundamental concepts of human behaviour, which are universal in nature, encompassing concepts such as “virtue, beneficence and decency” (Donaldson & Dunfee, 1995, p. 96). They are a reference point and benchmark for locally generated norms, which are often influenced by economic or social factors. It is important to state that hypernorms are not the manifestation of an ethnocentric view on what is right or wrong, but instead represent and reflect fundamental rights and concepts that transcend existing socio-economic boundaries. Although hypernorms are ethical universals, they are flexible, which avoids them being absolutist, while maintaining global benchmarks of morality and ethical behaviour. Donaldson and Dunfee (1999, p. 243) state:

Such fundamental, universal standards cannot be overridden by local customs, norms or laws. If universal standards exist and can be incorporated into the assumptions of a generic, and thereby global stakeholder theory, then all firms, independent of the expectations of host and home countries alike, would be required to satisfy such universal obligations.

These hypernorms are therefore a thin set of generally recognised universal ethical principles. For example, as was mentioned earlier, a hypernorm from an employee and union perspective represents the right to a fair and just wage and to work in an environment characterised by strong health and safety practices. For customers it is the right to receive goods in sound condition at a fair and competitive price. For shareholders, it is the right to receive an adequate return on investment, and for government, it is the right to levy fair taxes for the benefit of the people. Although these ethical universals are seen as foundational in their own right, the actual

claims of the particular grouping to which they relate often conflict or are not fulfilled, depending on the social and economic context, thereby becoming more predominant in some societies but not others.

That is, fulfilment of employee claims of a fair wage and safe and healthy working conditions is tempered by the extent of a society's development. For example, factories in Britain during the Industrial Revolution, and throughout the nineteenth century, were notorious for unsafe working conditions. However, in contemporary Britain, these conditions do not exist to the same degree because of progress in industrial democracy, human rights, and legislative arrangements surrounding employee entitlements, which are all characterised by social and economic development. The same cannot be said for many developing countries, which continue to harbour organisations that exploit child labour, operate "sweatshop" conditions in factories and suppress freedom of speech.

Despite obvious differences between countries with respect to the level of development, there exists an argument that certain beliefs and practices, despite being different across societies, are acceptable as distinct sets of values. This is contrary to the universalist philosophy and is termed "moral relativism".

3.2.2. Moral Relativism

Moral relativism is the belief that truth has no objective standard, but varies from individual to individual. From a moral development perspective, this may imply that development can be defined as emotional and irrational processes based on mechanisms of habit, reward, and punishment. From a business ethics perspective, this can imply that no one organisational behaviour is seen as being superior to another. What is ethically acceptable in one country may not legitimately be so in another. Some of the more predominant philosophers adhering to this perspective, although implicitly, are Thomas Kuhn (1922–1996), whose original work on *The Structure of Scientific Revolutions* in 1962 (see Kuhn, 1996 for third edition), and Michel Foucault's (1926–1984) *L'Archéologie du savoir (The Archaeology of Knowledge)* (1969), were noted for their assertion that moral values, knowledge, or meaning are relative to some particular framework or standpoint, be it the individual subject, a culture, or a conceptual scheme.

Relativists argue that moral standards of different cultures are like isolated islands of values, each of which gains its justification through the social customs of that particular culture. It is often argued from a political

perspective that certain countries and regions have distinct value systems that make any attempt at comparison relative in nature. This has manifested itself in recent times in the political arena with claims by certain Asian political leaders of distinct “Asian values” for developing Asian Economies, and the resistance to the perceived “westernisation” of their societies. As Godiment (1999, p. 97) notes of the concept of “Asian values”:

For more than a decade, aspirations to independence on the part of newly arising Asian economies, official frustration at interference from the West on issues of human rights and citizenship, the resurgence of a public neo-Confucianism competing with the civic philosophy of European tradition, and above all sheer pride among Asian officials and professionals, has built up the theme of Asian values as separate from universal values.

If moral relativism were applied in its entirety toward stakeholder theory, then there would be no need to explain the differences between societies with respect to stakeholder prominence. Stakeholder theory itself would become mute because of the inability to benchmark corporate behaviour and determine the degree of fulfilment of stakeholder rights. Consequently, judgments could not be made as to the degree of applicability of stakeholder theory across different societies.

However, relativism can be viewed as a means by which to counter concerns that global corporate ethics mask economic neo-colonialism. The setting of high benchmarks for corporate performance across the many stakeholder realms, such as the requirement that “child” labour not be used in the manufacture of products, or that products be verified “environmentally friendly”, may be given credence in countries which enjoy the necessary economic means to do so. However, to emerging economies, rightly or wrongly, such measures can be perceived as hindering economic and social growth, by “locking out” local enterprises from export markets and increasing the strain on low-income families. In developing countries, which may not be able to afford the costly claims of a broader stakeholder grouping,⁴ stakeholder claims may often go unfulfilled. The moral relativist position (differences in norms are merely social custom) may see the imposition of a prescriptive stakeholder theory, with its costly stakeholder claims, as being detrimental to the immediate economic and social well-being of society. A broadening of stakeholder claims may be rejected on this basis, although non-recognition of stakeholder rights may also be an excuse for nepotism and corruption.

In this context, moral relativism can highlight the difficulties in seeking to prescribe a code of ethics and to interpret the applicability of empirical findings to a particular theoretical perspective in a global context. As outlined

in Section 2.2, stakeholder literature has identified marked differences between authors regarding perceptions as to (1) what constitutes a stakeholder; (2) whether the firm is dependent on the stakeholder, the stakeholder on the firm, or whether they are mutually dependent; and (3) whether the firm/stakeholder relationship is inherently contractual or moral in nature (Mitchell et al., 1997, p. 858). Moral Relativism in its purest form would result in an array of firm objectives and obligations, equal to the many different cultural, economic, and social systems that constitute the global framework for organisational behaviour.

To what extent relativism can be used as a legitimate argument against the fulfilment of stakeholder claims and to what extent it masks the contravention of fundamental ethical norms such as human rights abuses, nepotism, and corruption, which contravene basic standards of behaviour in any society, regardless of cultural or religious makeup, can be conjectural. Relativism in its extreme form can become the ultimate excuse for the ignorance of fundamental and inherent rights; rights that although not explicit in legislative arrangements are present within the general moral framework of society and often have their foundations in the various religious and philosophical teachings that underpin this social fabric.

A relativist defense of behaviour in a societal or organisational context ignores the concept that ethical principles are the natural end point in social functioning and thinking, which are in part biological (in terms of cognition) and part environmental (in the sense of a particular society's exposure to other societies or knowledge sharing) in construct. Progress in human rights over 300 years in western European societies and many of its former colonies has seen the abolition of state sanctioned killing, the abolition of slavery, promotion of gender equality, equal employment opportunity, and the enshrining of "one person one vote", to name but a few. Societal changes in these issues have less to do with the distinct cultural aspect of a particular country and more to do with the natural human evolutionary or self-realisation aspects of humankind itself (i.e. the right to life, the right to freedom, the right to equality, and the right to vote). More importantly, moral relativism suffers from what is known as the "naturalistic fallacy". That is, confusion exists between the belief that "everyone has their own values" (matters of fact) and the belief that "everyone ought to have their own values" (matters of value). For example, if a relativist were asked whether the corporation should respect the health and welfare of employees in the workplace, we would most likely get a positive response. However, his/her position on no universal human values is a fallacy because although he/she advocates one position, the fact remains that certain organisations do

not respect employee health and welfare; therefore, the person is denying that a value judgment can go beyond oneself.

The issue of ethical relativism is further brought to light by the concept of “bounded moral rationality”. Donaldson and Dunfee (1999, p. 29) state that ethical decision-making is limited physically and psychologically by (1) one’s ability to discover and process all facts necessary to implement an ethical theory and (2) the ability to devise a means by which to judge morality in line with accepted moral conviction. To provide guidance in light of the bounded moral rationality argument, Donaldson and Dunfee (1995, p. 93) state that guidance is obtained from a macrosocial contract that an organisation has with its participants, which is based on the establishment of functional normative standards for guidance in economic affairs.⁵

The extent to which we recognise ethical universals while recognising the need for diversity between societies highlights the difficulty in assessing effective moral conduct given that there are differences between individuals and organisations. The bounded nature of this moral rationality becomes even more apparent when distinguishing between countries, characterised by diversity in social, political, and economic development (examples being tolerance and diversity, and technological advancement). The extent of what is bounded depends on the particular society in question. Closed and undeveloped societies will be highly bounded, as there is greater rigidity and less tolerance of alternate political and social beliefs and behaviour. However, more open and developed societies will tend (with exceptions) to be less bounded, as systems will be less rigid, and greater empowerment exists at the individual level through education, democratic rights, and other forms of self-governance.

Along with globalisation, new rules and standards emerge for business and government to respect in order to participate in the “global economy”. Over time, the extent of differences between countries with respect to bounded moral rationality would be expected to dissipate, as all countries develop and exchange greater cultural, social, and economic ties. These interactions analyse and challenge existing social behaviour within a particular society and allow for the adoption of certain values of other societies. In fact it may be safe to say that over time, this globalising effect will render the claims by particular stakeholder groups between societies increasingly analogous.

The polar differences between universalism and ethical relativism, manifested as it has through either Hypernorms or Bounded Moral Rationality, highlight the complexity in finding a theoretical underpinning for stakeholder involvement, whether the theory is absolutist in the sense that “Corporations should for moral reasons, embrace a wide stakeholder

constituency in their affairs”, or relativist in the sense that “Corporations should embrace whatever stakeholders they feel the organisation needs”. Even the notion of pluralism, which seeks to accommodate both perspectives and offers a sound basis on which to explore a normative theory, along with Donaldson and Dunfee’s (1999) Integrative Social Contracts Theory (ISCT), fails to explain and predict stakeholder behaviour. What is argued in this study is a need for a positive theory of stakeholder development that can explain the reasoning underlying the differences that emerge in what respondents in different countries find important with respect to stakeholder prominence.

When considering differences across societies with respect to the prominence of stakeholders, it is therefore important to understand that although development can explain differences in stakeholder prominence based on the moral universals inherent within stakeholder claims that emerge over time, there is a relativist viewpoint that justifies differences based on cultural traditions, thereby placing social conventions above nature. Both the universalist and relativist positions can be used as arguments to support/reject stakeholder theory. Although the claims of stakeholders are fundamental in nature and represent natural end states in being, the activation of these claims occurs within different economic and social environments. The relativist argument that values are distinct and that differences can legitimately exist between societies with respect to beliefs and practices can often fail to fulfil the inherent rights of stakeholder groups within society, although the argument could understandably be used as a means by which to resist costly stakeholder claims in undeveloped societies which could not afford the luxury of fulfilling an entire range of stakeholder needs.

This study adopts the position that there are universal values, and the differences in the prominence of these values between societies can be explained through economic and social development factors. The extent of these development factors moderates the equilibrium in prominence across stakeholders and affects the ultimate fulfilment of stakeholder claims.

Given these arguments for empirically studying stakeholder theory in an international context, the next section will outline the method for the study’s data collection.

3.3. DATA COLLECTION METHOD

Solicitation of attitudes toward stakeholders will be undertaken through a “closed-end” questionnaire. Justification for a quantitative approach as

distinct from a qualitative approach (e.g. case studies, field research) with respect to the format of the questionnaire lie in the ease with which such large numbers of responses can be interpreted across cultures, rather than the validity of the research method itself. Furthermore, there can be differences in the meaning, interpretation, and perception of words and body language when analysing specific characteristics in a case study in one country when compared with different characteristics in case studies in other countries. Although a quantitative approach does not eliminate these differences, the aim in this study is to test a model of stakeholder prominence across countries, and therefore, comparisons are made easier through standard formats, despite contentions by some that qualitative research has greater interpretative power.⁶

A copy of the questionnaire can be seen in the appendices (Appendix D). The questionnaire was translated from English to both Mandarin and Bahasa Indonesian, for use in China and Indonesia, respectively. The Indonesian translation was undertaken by a senior lecturer in Indonesian Studies at the University of Sydney, and a Chinese research assistant at the Asia Pacific Research Institute at Macquarie (APRIM) University undertook the Chinese translation. Both translators sought to translate based on the meaning of the questionnaire as distinct from an actual “word for word” translation. For example, the word “stakeholder” does not have a direct translation into Chinese or Indonesian, and it is only a relatively recent term in western nations. Therefore, terminology similar to “groups affecting an organisation” was used to convey the actual meaning. Post-exit interviews of respondents indicated there were no problems in conveying the meaning of the actual stakeholder groups. For example, managerial students understood what a supplier and an employee were and their relationship to the organisation.

The questionnaire comprises three sets of multiple pairwise comparison grids based on the three attributes (legitimacy, power, and urgency), which seeks to elicit respondents’ beliefs regarding stakeholder prominence in each of these attributes. Value judgments will be derived on an individual basis (200 managers and 200 managerial students), with one response from each respondent in all categories of employment, as distinct from a group consensus approach based on group deliberation as to stakeholder prominence. The main advantage for an individual approach is the logistical ease by which it can be carried out and the reliability of the judgments. The advantage posed by a consensus-based approach includes the constructive nature of the exercise.⁷

3.4. SAMPLE

As outlined in the literature review in Chapter 2, stakeholder literature needs to solicit the opinions of participants in the organisational stakeholder process in order to obtain an understanding as to their influence on organisational policy and processes. Management students were identified as a sample set due primarily to their *ex ante* effect on future organisational decisions. Managers were identified as being of significant influence in current organisational decisions.

For the sample, 200 management students enrolled in management programs at four educational institutions, and 200 managers in public and private corporations nationwide were selected in each of Australia, China, and Indonesia ($[200 \times 3] + [200 \times 3] = 1200$).

3.4.1. Management Students

In each of the three countries, some of the students were full-time and others engaged in a combination of full-time work and part-time study (full-time manager/part-time student). The questionnaires were circulated by the researcher at each of the following four educational institutions within the three countries throughout the period, September–November 1999:

- Postgraduate Certificate in Management/MBA Program – Macquarie Graduate School of Management – Macquarie University, NSW, Australia.
- Executive MBA Program – Guanghua School of Management – Peking University, Beijing, China.
- Master of Management Program – University of Indonesia (MMUI); and the MBA Program-Institut Pengembangan Manajemen Indonesia (IPMI) – Jakarta, Indonesia.

Each of the institutions teach post-graduate management students, who are enrolled in business/commerce degrees. The researcher was present when the questionnaires were being distributed and completed.

3.4.2. Managers

Managers of corporations were selected from two main sources. In Australia, corporations were selected from the text *Duns Asia/Pacific Key*

Business Enterprises 1998/99 (Dun & Bradstreet Information Services, 1998), and in Indonesia from the *Key Business Directory of Indonesia/ Philippines and Thailand: 1997/98 Edition* (Dun & Bradstreet (Singapore) Pte Ltd, 1997). Although these texts also provided addresses for enterprises in China, they were not provided in Mandarin text, and therefore, due to domestic postal regulations, could not be used within China.⁸ Therefore, corporations were selected from *The China Phone Book and Business Directory – 1999* (China Phone Book Company, 1999) produced in China and a leading source of contact information for corporate enterprises. Company names and addresses in this text were provided in both English and Mandarin. In both Australia and Indonesia, questionnaires were mailed by the researcher, whereas in China a research assistant was engaged under the supervision of the researcher.

In all three countries, the sample was predominantly selected from those organisation's within the manufacturing and natural resources industries, including industrial chemicals, fisheries, food production, mining, pharmaceuticals, plastics, and textiles, given the significant focus on secondary industries in China and Indonesia. It was not the intent of the study to control for industry bias, other than to exclude industries that did not have a manufacturing component or were not related directly to the environment through their industry activities, given the use of environmental groups as a stakeholder (see Appendix E for a list of the corporations in all three countries).

Organisations were subject to two mailouts. Organisations who did not respond to the first questionnaire were sent another copy. For the first mailout (September 1999), envelopes were addressed to the name of the general manager stated in the source book, whereas for the second mailout (December 1999) envelopes were addressed to "The General Manager" in all cases. This was to capture companies that had a change in the general managerial position since the date of publication of the source books.

3.4.3. Categories of Respondents

Although the sample consisted primarily of managers and managerial students, chosen because of their current or future role in being the focal point for representing organisational perceptions about external stakeholders, the respondents in this study were actually classified into five categories because some respondents were both a manager and a student.

First were owners of organisations, second were full-time managers, third were both full-time managers and part-time students, fourth were full-time students, and fifth were “other” respondents. Owners⁹ and managers represent the primary decision-making function within an organisation. Operational owners and managers mediate between the current interests of the organisation as a whole and that of the stakeholders. Managerial students represent the future interests of the organisation.

3.4.3.1. Owners

Owner attitudes were mainly elicited from mailouts to managers who may have happened to be an owner/manager. Owners fulfil similar roles to that of a manager in that they control and own resources within an organisation.

3.4.3.2. Managers

The respondents to the mailout were expected to be general managers. Managerial values and attitudes are important in the formulation of both organisational values and actions, although as mentioned, they have not been defined as stakeholders themselves. Fineman and Clarke (1996, p. 715) state that “Managers are viewed as crucial mediators of stakeholder influence; how they identify, define and construct stakeholders is an important feature of the meaning of greening and an industry’s subsequent response”. Unlike managerial relationships with shareholders and debt-holders, there are often no explicit formal contractual relationships among organisational “stakeholders”. It is acknowledged that managerial attitudes are not the only influence on organisational values and attitudes. The culture of the firm in general and the social environment in which it operates are all important in forming organisational values and influencing managerial perceptions. Managers, however, are key components in organisational policy.

3.4.3.3. Full-Time Managers/Part-Time Managerial Students

Some respondents were enrolled as part-time students in evening classes in the management programs at the institutions selected, but also had daily management positions at companies. Given their distinct status as a “working student”, who had practical insights into the daily operations of organisations, it was necessary to have a separate category for this respondent.

3.4.3.4. Managerial Students

Managerial students were full-time students enrolled in management courses. Although not representative of current corporate behaviour, managerial students do provide an insight into possible future organisational attitudes and therefore provide an interesting dimension to the study.

3.4.3.5. Others

Other respondents constituted for example part-time students without employment or questionnaire respondents who were not owners or managers.

3.5. STAKEHOLDERS

As was established in Section 2.2, although the list of stakeholders within an organisation is open to interpretation, and there is unending debate within the literature as to what constitutes a stakeholder (see Mitchell et al., 1997, p. 858), there are several groups that have become predominant. As mentioned in Section 2.5, a synopsis of stakeholder references obtained through a review of the stakeholder literature by the author (see Appendix B) indicates that specific mention was made of five stakeholders in particular: (1) customers, (2) employees, (3) community, (4) shareholders, and (5) suppliers. In this study the “community” was replaced as a stakeholder by “government”.¹⁰ Although different with regard to what they seek from organisations, both represent similar agendas, with government indirectly representing the community or “people”. Furthermore, government is seen as a formal structure under which an organisation can be held accountable, whereas “environmental groups” maybe seen as important given the impact that an organisation has on the environment. Although not being an exhaustive list of stakeholders, all the selected groups to some extent have a moral, legal, or economic relationship with the firm. Further justification for the use of these groups of stakeholders in this study follows.

3.5.1. Customers

Customers were selected as a stakeholder group because of their naturally close relationship with the organisation itself. The customer as a stakeholder, whilst seemingly common sense in thought, does also represent him/herself more formally in national consumer protection laws and

consumer protection agencies. Such things as warranties, consumer feedback forms, and money back guarantees are now commonplace in most consumer-related industries, and in addition to consumer magazines, reflect the power of the consumer as a stakeholder in society. As [Loewe and Bonchek \(1999, p. 38\)](#) point out, “a convergence of economic, technological, social and cultural forces, has given consumers more information, higher expectations, more choices, and better products at lower prices”.

3.5.2. Employees

Employees are a critical component of an organisation. Human capital is needed in order for a firm to function. Although not always seen as essential stakeholders, employees have come to represent the most essential element in any organisation. Recent decades have seen hard won battles for organisation-funded superannuation, long-service leave, and 8-hour days. Modern corporations rely more than ever on human capital for organisational success. As [Stewart \(2000, p. 88\)](#) points out:

The post-modern corporation is different. In knowledge intensive industries, most of the value is not produced by capital equipment but by talent, which is owned and invested by employees, partly attributable to the breakdown of traditional hierarchical bases for organisational management. When the key capital is human, you have to help employees align their best interest with that of the business.

Furthermore, unions are seen as legitimate representatives of employee concerns and are often an influential arm in certain political parties.

3.5.3. Environmental Groups

Environmental groups were selected because of the specific environmental focus of the study and because they play an increasingly prominent role in alerting the public to potential breaches of environmental regulations. Furthermore, their presence as a pressure group at an international level, along with their levels of membership, provides justification for their inclusion as a stakeholder. Environmental groups for this study did not constitute governmental environmental agencies, but non-government organisations. [Hill and Jones \(1992\)](#) in referring to [March and Simon \(1958\)](#) state that stakeholders are seen to supply the firm with critical resources (contributions) and in return expect claims (inducements) to be satisfied. As mentioned in Chapter 2, the concept of the “natural

environment” itself, as distinct from the groups that represent it, has been seen as a stakeholder in its own right (Starik, 1995), and others have seen it being included as part of a “fairness-based” approach (Phillips & Reichart, 2000). However, no country has yet to interpret the environment as being an “entity” having locus standi (the right to stand before the courts).

Evidence has alluded to the fact that environmental policies in particular do arise from the concerns of stakeholders.¹¹ Polonsky (1995a, p. 161) stipulates that the successful bid by the Sydney Olympic Committee (SOC) for the 2000 Olympics (later to be known as SOCOG) was partly attributable to the environmentally responsible approach for the proposal, the guidelines being the product of a joint effort between the SOC and Greenpeace.

Although the use of environmental organisations as a stakeholder has not been widely used throughout the literature, they have proven to be of a strategic advantage to organisations, and as such, their inclusion provides a window into the potential for organisations to embrace strategic change.

3.5.4. Government

Government was selected primarily because of its review and oversight function within organisations. Government allows an organisation to exist, in return for adherence to regulatory requirements. With the increasing regulatory activities being placed on corporations, and the powers of investigation held by Securities and Exchange Commissions, and other regulatory overseers, government is an important stakeholder in firm/societal relations. Furthermore, government plays a primary role in enacting corporate legislation, and in setting national economic agendas that influence organisational strategy.

3.5.5. Shareholders

Shareholders as the main source of organisational financial capital occupy a prominent position as an organisational stakeholder. This has led some free-market advocates to suggest that the role of the corporation is to serve solely an individualistic/wealth creating motive rather than a broader societal interest (see Freidman in Section 2.4.3.1). Shareholders provide the firm with capital and obtain a return on investment.

3.5.6. Suppliers

Suppliers are stakeholders in the sense that they supply goods and services inputs into the organisation and in return “seek fair prices and dependable buyers in exchange” (Hill & Jones, 1992, p. 133). Although some may infer that suppliers can be changed at will and therefore do not represent anything to the corporation beyond a purely transactional activity, an organisations ability to successfully supply products is dependent heavily on the quality of inputs. Suppliers contribute toward competitive positioning through effective “supply chain management” and technological superiority, and successful organisations have come to realise that success is based on a process oriented approach to manufacturing and service (Wheeler & Sillanpaa, 1997, p. 269).

3.5.7. Managers as Stakeholders

Managers were excluded as a stakeholder category. Although having a stake in the organisation, they do to a large degree represent the corporation. Although they can be seen as a stakeholder in their own right, managers are unique in that they are agents to other stakeholders. As Hill and Jones (1992, p. 132) point out, “Managers are the only group of stakeholders who enter into a contractual relationship with other stakeholders”. They are the primary decision-makers regarding internal and external stakeholder claims. The literature tends to view managers as arbiters of the stakeholder management process. Freeman (1983) in referring to early work where the shareholder was seen as the only stakeholder refers to “... the notion of stockholder as the only group to whom management are responsible” (p. 33). Managers are seen in the same domain as the corporation and distinctly separate from other stakeholders. Although they do have a stake in the corporation, their claims are contractual. Under the notion of agency theory, contracts are written to limit opportunistic behaviour by managers (being agents of the corporation). Their position is distinct from other organisational constituents in that they are in the position to mediate stakeholder claims, and they generally do not compete for organisational resources or attention over and above their contractual arrangement with the firm.

Despite managerial compensation plans that include a profit allocation component, evidence (Preston & Sapienza, 1990, p. 373) has concluded that there is no indication that managers pursue growth objectives (or short term profits) at the expense of major stakeholder interests. Management has their

entire human capital dependent on the success of the corporation. They are risk averse to an extent, in that managerial compensation plans often limit bonuses beyond a certain level of profit. Management is therefore limited in scope with regard to wealth maximisation in the short term (despite changes in accounting policies that have the effect of artificially inflating/deflating profits in particular years). It is on this basis that managers were not defined as “stakeholders” for the purposes of this study.

3.6. DETERMINING STAKEHOLDER PROMINENCE

The model to be used in this study on the prominence of stakeholders is [Mitchell et al. \(1997\)](#) stakeholder identification typology. Prominence is important in that it is a reflection of the perceived influence that a stakeholder has on the organisational environment. This influence can be in the form of a change in organisational policy, processes, and/or outcomes achieved in part through the focus of attention by a stakeholder on organisational matters central to its cause. The typology is dynamic in the sense that it “allows predictions to be made about managerial behaviour with respect to each class of stakeholder, as well as predictions about how stakeholders change from one class to another and what this means to managers” (p. 855). In essence this provides a foundation for a positive approach to stakeholder theory, because the constructed typology allows for “predictions” and “explanations” to be made about stakeholder prominence given alternate social and economic conditions.

To determine the extent of prominence for each stakeholder group, a matrix will be used. This allows for comparisons to be made for one stakeholder against another (see Appendix D). According to [Mitchell et al. \(1997\)](#), prominence consists of three key attributes: (1) legitimacy, (2) power, and (3) urgency. These attributes and the term “prominence” are part of a “comprehensive typology of stakeholders based on the normative assumption that these variables define the field of stakeholders: those entities to whom managers should pay attention” (p. 854). A description of each of the three key attributes follows.

3.6.1. Legitimacy

Legitimacy reflects the degree to which a particular claim is respected, logically inferable, and given social acceptance and value by respondents.

It is an important element in identifying prominence in that it reflects an acceptance of the principles or standards of a particular stakeholder grouping, including its expected structures or behaviours. Legitimacy can be achieved over the short or long term, although it is acknowledged that legitimacy is socially constructed at an individual, organisational, or societal level (Wood, 1991).

3.6.2. Power

Power is a factor in stakeholder prominence in that it reflects the degree to which a stakeholder has the capability to carry out its will or instigate change. Etzioni (1975) sought to categorise organisations according to their pattern of compliance. Compliance as applied by Etzioni is a relationship consisting of the power employed by superiors (elites)¹² to control subordinates or lower participants¹³ and the orientation of subordinates to this power (Etzioni, 1975, p. XV). Etzioni stated that power can be represented within four modes of compliance: (1) coercive – power that is derived through force (i.e., threat of physical violence); (2) utilitarian – power that is derived through remuneration or other financial means (i.e., industrial disputes, regulatory, and judicial sanctions); (3) normative – power that is derived through ideals (i.e., appealing to a higher moral ground on issues surrounding the natural environment); and (4) dual-embodying two or more of the above classifications. Use of a particular mode will most likely depend on the nature of the society. Non-democratic societies will exercise force through coercive means, whereas democratic societies will most likely use utilitarian or in some cases normative means.

3.6.3. Urgency

Urgency is a factor in stakeholder prominence in that it reflects the degree of sensitivity of a stakeholder claim, or its pressing or current importance as an issue. It is a reflection of the attention that a claim has. Mitchell et al. (1997) state that urgency exists only when two conditions are met: (1) when a relationship or claim is of a time-sensitive nature and (2) when that relationship or claim is important or critical to the stakeholder. Use of the urgency attribute shifts the model from static to dynamic.

The typology model builds on the democratic/totalitarian focus offered by Clarkson (1995) who sought to distinguish stakeholder relationships between countries based on democratic or totalitarian foundations of the

particular society and the “hypernorm” and “social contract” principles outlined in the generic-based “Integrative Social Contract Theory” by Donaldson and Dunfee (1995) and Dunfee (1995). Both sought to provide an international focus to stakeholder development.

Not all stakeholders have similar requirements of or influence on an organisation. Organisational stakeholders will often interact when seeking to achieve stated goals. Sometimes there is goal congruence, and sometimes the goals of particular stakeholders may conflict. For example, one conservation group may advocate the closure of an organisational production facility for environmental reasons, whereas a union may advocate its continuation for employment purposes. The decision to remain open or close will not be the same for all organisations irrespective of time or place. Instead, the priority placed on these competing claims will depend on numerous economic and social factors.

3.7. STAKEHOLDER CLASSES

Mitchell et al. (1997, p. 874) stated that each of the above three attributes of legitimacy, power, and urgency is used to determine the extent of stakeholder salience or the degree to which managers give priority to competing stakeholder claims. Stakeholders can be categorised into classes based on the number of the three attributes (which were discussed above) in which they are considered to show prominence (see Fig. 3.1).

Each attribute itself is not sufficient alone to guarantee salience. To assess whether each stakeholder possessed prominence with respect to each attribute in each respondent category (country and occupation) in this study, an average was taken for each stakeholder of .166, representing the score of 1 and dividing this by the 6 stakeholders under consideration. Scores above the .166 average indicated prominence for that particular stakeholder in that attribute, based on that stakeholder’s comparison with all other stakeholders. Scores below .166 did not.

The identification of stakeholder classes is important in any international study on stakeholder prominence. Whether a stakeholder is perceived as a threat or not to the organisation may depend on economic and social characteristics inherent within a particular society. These characteristics both influence and shape the legitimacy, power, and urgency of individual stakeholders. Class is represented by the combination of one or more of the attributes of legitimacy, power, and urgency, which in turn creates a different stakeholder impact on the organisation. Under the typology,

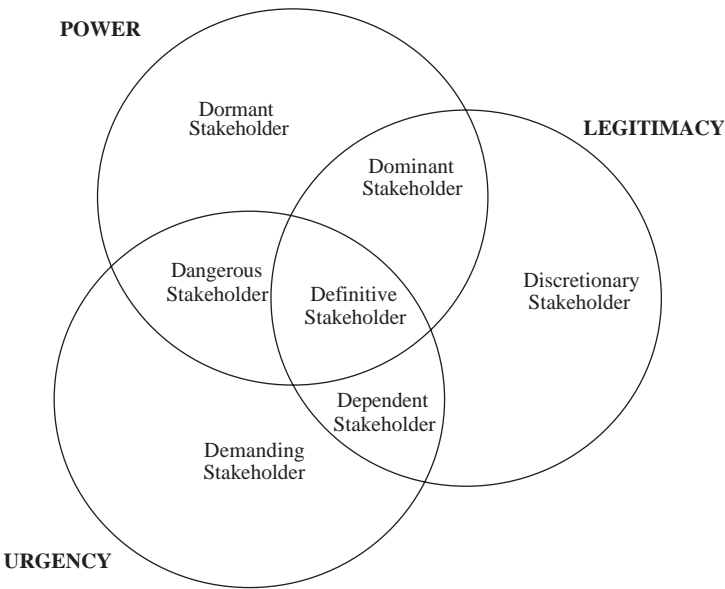


Fig. 3.1. Qualitative Classes of Stakeholders.

stakeholders are classified into three classes (not shown in the figure): latent, expectant, and definitive. *Latent* stakeholders possess only one of the three attributes, and as such are not likely to be accorded recognition by the firm, or have their claims heard. *Expectant* stakeholders are those that possess two attributes. This moves a stakeholder from passive to active, leading to a corresponding increase in firm responsiveness to stakeholder interests. As a result there is likely to be greater engagement between organisational managers and expectant stakeholders. Finally, *definitive* stakeholders are those which possess all three attributes: legitimacy, power, and urgency. Although the possession of legitimacy and power allows a stakeholder to become part of the “firm’s dominant coalition” (Mitchell et al., 1997, p. 878), the addition of urgency provides a “clear and immediate mandate” to give priority to the stakeholder claim.

Within the latent category there are three types. *Dormant* stakeholders are those that possess the attribute of power but not legitimacy or urgency. They have “little or no interaction with the firm”, although they remain important in the sense that the gaining of an additional attribute will make the stakeholder salient. Examples could be military dictatorships or authoritarian governments. *Discretionary* stakeholders possess legitimacy

but no power or urgency. As such “there is absolutely no pressure on managers to engage in an active relationship with such a stakeholder” (Mitchell et al., 1997, p. 875). These stakeholders are most likely the recipients of corporate philanthropy (Carroll, 1991). *Demanding* stakeholders possess the sole attribute of urgency or “noise”, and as such to organisations they are “irksome but not dangerous, bothersome but not warranting more than passing management attention”. An example would be a lone picketer.

Within the expectant category there are three types. *Dominant* stakeholders hold power and legitimacy and form a “dominant coalition” in the enterprise and have “formal mechanisms” in place to acknowledge their claims such as board representation or separate departments. *Dependent* stakeholders possess legitimacy and urgency but are not powerful. As such, these groups need to rely on the “advocacy or guardianship of others”. Mitchell et al. (1997) include in this category the local community and the natural environment. *Dangerous* stakeholders possess urgency and power but no legitimacy and as a result operate “coercively” due to their illegitimate status. Examples can be radical environmental protests and certain union strikes. *Definitive* stakeholders have urgency, power, and legitimacy. These stakeholders are a primary focus of the firm, given their strategic role in the success of a firm, and their ability to impose sanctions.

This study will identify which stakeholder falls into which class in which country, in order to identify their perceived strategic position in relation to an organisation. The primary statistical measure used in the study to determine prominence will be the AHP, which is now outlined in detail.

3.8. THE ANALYTICAL HIERARCHY PROCESS

The AHP is a methodology, which allows both quantitative and qualitative criteria, which are expressed in either financial or non-financial terms, to be compared pairwise in order to facilitate a decision as to the most appropriate choice for a stated objective. Saaty (1990, p. 259) states that the AHP decomposes “a complex problem into a multi-level hierarchical structure of objectives, criteria, sub-criteria and alternatives”. Zahedi (1986, p. 96) identified four steps involved in the AHP: (1) setting up the decision hierarchy by breaking down the decision problem into a hierarchy of interrelated decision elements; (2) collecting input data by pairwise comparisons of decision elements; (3) using the “eigenvalue” method to estimate the relative weights of decision elements; and (4) aggregating the

relative weights of decision elements to arrive at a set of ratings for the decision alternatives (or outcomes).

Although most overall objectives in the AHP involve problem solving (e.g. which car to buy), the application in this study is to elicit respondents' value preferences on stakeholder importance. As mentioned, this will help identify problems in stakeholder management in the sense that large differences in matrix weights will indicate an imbalance in stakeholder prominence, which in turn has implications for stakeholder theory itself.

3.8.1. AHP Development

The AHP was first constructed by Thomas Saaty (1980) and has been used as a framework for policy evaluation, as a tool for allocating resources in numerous sectors, namely; (1) ecological evaluation (Anselin, Meire, & Anselin, 1989); (2) performance evaluation of manufacturing departments (Rangone, 1996); (3) expert judgments in the accounting and auditing profession; (4) exposure draft 1 (ED1) internal control evaluation; and (5) human resource recruitment.¹⁴

From a stakeholder perspective, it has been adopted as an instrument for gauging stakeholder impact (Brenner & Cochran, 1991; Hosseini & Brenner, 1992), although not in an empirical sense and has been adopted within both academic and industry circles to overcome numerous decision problems and preferences (Saaty, 1994).

3.8.2. The Decision Model

The AHP allows particular outcomes to be ranked according to their importance by respondents. Problems can be explored in a more detailed form, through decomposition into a multilevel structure of objectives, criteria, sub-criteria, and alternatives (Saaty, 1990). From a stakeholder perspective, the AHP allows managers and public policy makers to gauge to what extent particular stakeholder claims are given concern from a legitimacy, power, and urgency perspective, in an organisational context. To the extent that stakeholders take environmental concerns into account, the process can then determine the reasons behind why environmental concerns are given credence in organisational decision-making. For example, is it to enhance profit, improve health and safety, or just for quality of life; and to what extent does this differ across countries? As can be

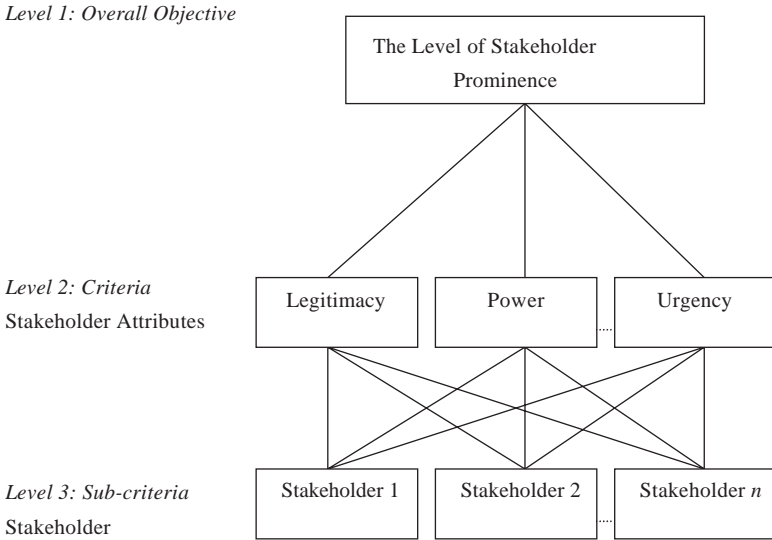


Fig. 3.2. Stakeholder Hierarchical Decision Model.

seen from Fig. 3.2, Stakeholder Hierarchical Decision Model, the process starts off with an overall objective of a decision problem (level 1) and then decomposes the problem into a number of criteria (level 2), which are then supported by sub-criteria (level 3). In this study one of the objectives is to determine “The Level of Stakeholder Prominence”, and the criteria or attributes that flow from this objective are the three stakeholder attributes: legitimacy, power, and urgency. The detailed criteria at level 3 are the stakeholders themselves (e.g. employees, shareholders, and government).

The value matrix to be used in this study can be diagrammatically represented in Table 3.2. The matrix was initially developed by Brenner and Cochran (1991) and further refined by Hosseini and Brenner (1992). The stakeholder prominence attributes of legitimacy, power, and urgency inherent within the Mitchell et al. (1997) typology are then incorporated into the Hosseini and Brenner (1992) methodology, to achieve an operational measure of stakeholder prominence. It is from this diagram that we are able to gauge the score of each stakeholder with regard to each of their attributes.

R_i represents the influence of each particular attribute on the weighting process. In this study, each of the three attributes was assigned an equal weighting of .33 in the scoring process. Each attribute was then multiplied

Table 3.2. A Stakeholder Value Matrix.

Stakeholder Attributes (A_i)	Influence (R_i)	Stakeholders (S_j)			
		S_1	S_2	...	S_n
Legitimacy	(R_1)	$W_{1,1}$	$W_{1,2}$...	$W_{1,n}$
Power	(R_2)	$W_{2,1}$	$W_{2,2}$...	$W_{2,n}$
Urgency	(R_3)	$W_{3,1}$	$W_{3,2}$...	$W_{3,n}$
...
Other attributes	(R_m)	$W_{m,1}$	$W_{m,2}$...	$W_{m,n}$

S_j , stakeholders ($j = 1, 2, \dots, n$); S_1 , customer; S_2 , employee; S_3 , environmental group; S_4 , government; S_5 , shareholders; S_6 , suppliers; and $S_7 \dots S_m$, the other stakeholder value; W_{ij} , value weight of the i th attribute for the j th stakeholder; R_i , relative influence of the i th stakeholder attribute ($i = 1, 2, \dots, n$); R_1 , relative influence of legitimacy as a factor in a stakeholder becoming prominent; R_2 , relative influence of power as a factor in a stakeholder becoming prominent; R_3 , relative influence of urgency as a factor in a stakeholder becoming prominent; and R_n , relative influence of other attributes.

Source: Adapted from Hosseini and Brenner (1992, p. 100).

by the value weight (W_{ij}) ascribed to each attribute for each particular stakeholder (S_j). The sum of the three individual attributes for each stakeholder determines the score for overall stakeholder prominence.

The data were entered in to a software package called “TeamEC Platform” (Expert Choice) Decision Support, which was developed specifically to operationalise the AHP. It is a Microsoft Windows-based decision-support software tool that allows individual pairwise stakeholder comparisons for each of the three matrices (legitimacy, power, and urgency) to be entered through keyboard from each respondent questionnaire. Data input is along a 9-point bounded scale ranging from 1 (equal importance) to 9 (extreme importance). Alternative scaling methods exist in unbounded form as distinct from an unbounded scaling method (Jensen, 1984). Table 3.3 represents the ratio scale developed by Saaty (1986) and a description of its elements.

The scale is similar to a Likert scale. Anchored at both ends is the term “extreme importance”, which represents the extreme of the value preference. The scale includes a two-numeric value range increase, reflecting the extent of legitimacy, power, or urgency of a particular stakeholder against another, being 1 (equal), 3 (moderate), 5 (strong), 7 (very strong), and 9 (extreme). The comparative pairwise data are then translated into absolute values through the following equation:

$$A * A W = k * A W$$

Table 3.3. Saaty's Scale of Relative Importance.

Intensity of Importance	Definition	Explanation
1	Equal importance	Two elements contribute equally to the property
3	Moderate importance of one over another	Experience and judgement slightly favour one element over another
5	Essential or strong importance	Experience and judgement strongly favour one element over another
7	Very strong importance	An element is strongly favoured and its dominance is demonstrated in practice
9	Extreme importance	The evidence favouring one element over another is of the highest possible order of affirmation
2, 4, 6, 8	Intermediate values between the two adjacent judgments	When compromise is needed between two judgements
Reciprocals	When activity i compared to j is assigned one of the above numbers, then activity j compared to i is assigned its reciprocal	
Rationals	Ratios arising from forcing consistency of judgements	

Source: Saaty (1986, p. 843).

where A is the pairwise comparisons matrix, AW the vector of the absolute variables, and k the highest of the eigenvalues of the matrix A .

The program can present both a textual and a graphical display of cumulative prominence scores for each stakeholder over all of the respondents, which can then be analysed through respondent characteristics such as age, occupation, gender, and education. This was specifically designed to enhance structure in the decision-making process.

Eigenvectors are then produced, which represent the value attributed toward each alternative under each criterion. Inherent within the AHP is an inconsistency level or ratio that measures the possible errors or inconsistencies in the judgments contained in the model. Saaty states that a ratio at or less than 0.10 is considered tolerable, whereas a level above .10 would most likely require a reexamination of judgments for a number of reasons, including the possibility of miscomprehension and misinterpretation by the respondent. However, strict adherence to the .10 level is subject to the nature of the goal or objective in question and has been found not to be a distinguishing factor in the outcome of the results (Apostolou & Hassell,

1993). Other authors who see the level as being somewhat restrictive (Harper, 1988; Apostolou & Hassell, 1993; Hardy & Reeve, 2000), given the fact that the real world has inconsistencies, have challenged the inconsistency ratio of .10.

An AHP model quantifies alternatives to decision problems that involve choice evaluation, selection, or prediction. The highly political, social, and cultural environment in which many stakeholder claims are made renders it essential that decision alternatives somehow be ranked in order to ensure a structured basis for decision-making. The AHP provides the necessary rigour to rank claims by constituents and provides a means by which individual attitudes toward stakeholders can be compared to economic and social characteristics at both the national and the international level.

3.9. ANALYSIS OF VARIANCE TESTS

The study also used analysis of variance as a means of assessing significant differences between the groups with respect to stakeholder prominence. One-way analysis of variance (ANOVA) tests whether the mean differences between groups being examined on a single dependent variable occur by chance. MANOVA tests whether mean differences between groups examined on a number of dependent variables occur by chance. MANOVA statistics are obtained through a general linear model. Multivariate statistics available in MANOVA to test levels of significance include Pillai's Trace criterion, Wilks' Lambda, Hotelling's Trace (based on the sum of eigenvalues), and Roy's GCR. Although an in-depth analysis of these multivariate measures of association is beyond the scope of this study, Wilks' Lambda is the most commonly available and reported statistic of the four. Wilks' lambda can range from 0 to 1, with 1 indicating no relationship of predictors to responses and 0 indicating a perfect relationship of predictors to responses. Pillai's criterion is however more robust and therefore more appropriate when there are small or unequal sample sizes. Each of the four tests has different upper and lower bounds.

3.10. TESTS FOR MULTIPLE COMPARISONS

As the size of the mean matrix increases, so do the number of comparisons. Post hoc range tests and pairwise multiple comparisons can determine which means differ. The Bonferroni correction was therefore used to test for

significant differences between each of the pairs of countries and occupations under examination. The Bonferroni correction procedure is a method for adjusting the p -value for multiple comparisons. This is achieved by multiplying the p -value by the total number of comparisons. This correction procedure conservatively calculates probabilities and results in fewer false positives than achieved strictly under t -tests. The Bonferroni correction used in MANOVA tests, and for a small number of pairs, is more powerful than alternative significance tests such as Tukey's honestly significant difference test, Duncan's multiple range test, and Scheffé's test. In determining whether significant differences existed between respondents based on occupation and country, Scheffé's test was used, given the larger than normal pairwise comparisons, and analysed according to occupation and country.

3.11. PRETESTING OF THE QUESTIONNAIRE

Before the main survey being undertaken, but subsequent to the design phase, a pilot study of the questionnaire was distributed to 44 undergraduate accounting students at Macquarie University in September 1998 and presented at a seminar at the Macquarie Graduate School of Management in June 1999. The trial questionnaire was used to test the receptability of the questionnaire as a data-gathering mechanism and to identify problems with its interpretation, in order to avoid problems when planning the primary questionnaire for the study. No problems were encountered during the pilot study. The final questionnaire used in the data gathering process was identical to that used in the pilot study.

3.12. CONCLUSION

This chapter sought to outline the methodology for the study, one that would allow for a positive theory of stakeholder management. Section 3.2 discussed the role of a positive stakeholder theory in explaining possible differences in stakeholder prominence between societies. In particular, the notion of ethical universalism as shared attributes that underlie stakeholder claims was outlined and contrasted with the notion of relativism, which states that there are no fundamental truths and that moral standards are grounded only in social custom. The philosophy of moral universals is argued as a valid basis on which to justify a developmental approach to

understanding stakeholder prominence, because stakeholder claims represent fundamental ethical universals. However, the different economic and social environments that characterise different countries can explain why relativist arguments are used as a basis for rejecting stakeholder claims. Stakeholder claims often embody costly claims. Relativist arguments render mute any attempts at applying stakeholder theory in a global context without common benchmarks. The universalism v relativism debate has hampered attempts to normatively ground the theory, in the sense that differences between stakeholder theorists have, and always will exist with respect to the boundaries of stakeholders, and whether an organisation should adopt a broad or narrow view as to its composition.

Justifications for the questionnaire as a method of data collection, along with the questionnaire's format, were addressed in [Section 3.3](#), and the sample and respondents chosen for the study were described in detail in [Section 3.4](#). The categories of stakeholders chosen for the study were discussed in [Section 3.5](#), including their reason for inclusion. [Section 3.6](#) outlined the three attributes of legitimacy, power, and urgency, which make up stakeholder prominence. [Section 3.7](#) built on this model by outlining the different stakeholder classes that result from a combination of one or more of the strengths associated with each stakeholder attribute. Given that the legitimacy, power, and urgency of stakeholders are mitigated by economic and social factors, these classes reflect the strategic positioning of each stakeholder within a given society (i.e., a dormant employee in China or a demanding environmental group in Australia).

The statistical tests used to determine both stakeholder prominence and the strength of support both for and against certain environmental issues were explained in the next two sections. For the stakeholder prominence, [Section 3.8](#) included an overview of the development of the AHP and an illustration of the operation of the hierarchical decision model itself. Discussion on the further tests to be undertaken on stakeholder prominence including the MANOVA tests and tests for multiple comparisons (Bonferroni test), which provided results on the tests for significant differences between the respondents based on country of origin and occupation, was outlined in [Sections 3.9 and 3.10](#). [Section 3.11](#) outlined details of the pretesting of the study to undergraduate accounting students at Macquarie University.

The next chapter will outline the arguments underlying the positive theory of stakeholder development. In particular, the characteristics of social and economic development are detailed to help explain and predict differences in stakeholder prominence between societies.

NOTES

1. That is, they would at all times seek a position of risk avoidance whereby they would be no worse off than the next person. Rawls (1971) builds this justice concept into a social contract theory based on two principles of fairness and equality: (1) Each person has an equal right to the most extensive scheme of basic liberties compatible with a similar scheme of liberties for all and (2) if social and economic inequalities are to occur, they are acceptable if two conditions are met, that is they must be (a) to the greatest expected benefit of the least advantaged and (b) attached to offices and positions open to all under conditions of fair opportunity.

2. Within Australia, a fiduciary duty is required to be extended to creditors of an organisation. In the case of *Walker v Wimborne* (1976) 137 CLR 1, the High Court held that “the directors of a company in discharging their duty to the company must take account of the interests of its shareholders and its creditors”, and held the directors liable for loans made by the company to other companies in the group where there was no prospect of repayment. Additionally, in *Ring v Sutton* (1979) 5 ACLR 546, it was held that directors breached their duty to creditors when their company lent money at less than market rates.

3. Examples of agreements range from the Universal Declaration on Human Rights (1948) and the Treaty on the Non-Proliferation of Nuclear Weapons (1970), ratified by more than 170 countries, through to the United Nations Code of Conduct on Transnational Corporations (1972) and the UN Conference on Environment and Development (1992), which resulted in treaties on biodiversity and climate change, with all countries adopting “Agenda 21”.

4. The fulfilment of stakeholder claims often results in higher costs to the organisation. For example, to satisfy employee requirements organisations will need to upgrade health and safety facilities to the latest statutory requirements or pay higher wages and benefits. With respect to government, higher costs may involve increased government charges and levies. For customers, higher costs may involve adherence to quality standards in order to achieve recognition and brand labelling by health associations. Examples include product logos such as “Heart Smart” and “Made in Australia”.

5. Such theoretical manifestations regarding a firm’s contract with society can already be found in the accounting and management literature under the term legitimacy theory and the general political economy literature. Further guidance can be obtained from Guthrie and Parker (1989).

6. In examining qualitative versus quantitative research, Denzin and Lincoln (1994, pp. 4–6) contend that qualitative research differs from quantitative research in five distinct ways. First, despite the historical use of positivism within qualitative research, modern qualitative research, unlike quantitative research, does not rely on the heavy use of statistics as a means by which to present findings. Second, modern qualitative researchers attach importance to post-structural and post-modern sensibilities, which use alternate methods for research evaluation. Third, qualitative researchers feel they can get closer to an individual’s point of view through softer, interpretive methods, rather than the remote, inferential empirical tools used by quantitative researchers. Fourth, qualitative researchers are more likely than quantitative researchers to confront the constraints of the everyday social world.

Finally, qualitative researchers believe that rich descriptions of the social world are valuable, whereas quantitative researchers are less concerned with such detail.

7. An approach based on deliberation has been advocated explicitly by some researchers (Kadvany, 1995) in a similar vein with respect to ranking solutions to environmental problems. A consensus-based deliberative process with regard to stakeholder group orientation, however, poses validity problems. The ensuing deliberation over rankings can often be captured by political and social forces (i.e. who has the loudest voice in the group or commands the most respect), undermining the search for true value identification. This risk is enhanced in systems that do not traditionally embrace democratic tendencies.

8. Although English text questionnaires could have been mailed from Australia to China, the excessive airmail cost for 400 questionnaires (200 mailed twice), resulted in questionnaires being mailed in China using Mandarin text.

9. Owners as represented in this study represent those persons who hold an operational role within the firm. Passive shareholders, although owners, were not solicited as part of the sample because they do not represent a primary decision function within the organisation with respect to its relationship with stakeholders.

10. The reason for this was that it was difficult to identify what constituted the community. Community is made up of all groups and refers often to residual claimants.

11. Warford and Partow (1989) state that World Bank environmental policy was to a degree influenced by “intense public criticism” (p. 6) over World Bank lending projects in developing countries. This led them to conclude that there needed to be a new approach to environmental problems, one that integrated “environmental management into economic policymaking at all levels of government” (p. 6).

12. Elites encompass formal leaders such as directors, management etc, and informal leaders who are within the organisation and have personal but not official power (e.g. active shareholders such as ethical trusts and socially conscious shareholders).

13. Lower participants refer to certain stakeholders who may be subordinated to a certain degree to organisational powers.

14. See Zahedi (1986) for an excellent coverage of the specific applications in which the AHP has been used.

This page intentionally left blank

CHAPTER 4

DEVELOPMENT AND STAKEHOLDER PROMINENCE

4.1. INTRODUCTION

What has emerged from the first three chapters has been the increasingly global environment within which organisations operate. This is particularly so in the Asia-Pacific region, which due to its continued urbanisation, is undergoing profound economic and social change. Despite stakeholder theory offering a new perspective on the traditional principal-agent relationship that had existed implicitly between both the manager and “shareholder” and the manager and “debtholder”, little has been done theoretically to explain and predict differences in “stakeholder” prominence across countries that embody different economic and social levels of development. As mentioned in Chapter 3, a Positive Stakeholder Theory approach, which seeks to understand stakeholder prominence through an AHP, is a means by which to enrich stakeholder theory beyond the confines of the prescriptive.

As part of the quest to understand why some stakeholders are more legitimate, powerful, and urgent than others, this chapter will expand on the argument outlined in the previous chapter (see Section 3.2) that the characteristic of “development” is a major underlying factor in explaining differences between systems with respect to stakeholder prominence. It will provide a basis on which to formulate the hypotheses for the study in the latter half of this chapter.

The rest of the chapter is organised as follows. [Section 4.2](#) will outline the role that development has in influencing stakeholder prominence. Stakeholder development must be recognised as operating in a dynamic setting where stakeholder legitimacy, power, and urgency do not develop simultaneously, but depend on existing economic and social conditions. One approach to explain stakeholder behaviour may be to examine the degree of development of particular nation states and their participants.

Despite societies being at different levels of development, the underlying claims by stakeholder groups themselves are not a function of time or place. Sections 4.3 and 4.4 will explore the individual characteristics of development, specifically the role of social development, moral dialogue, legal rights, epistemic communities, and economic development in influencing stakeholder prominence. Section 4.5 will detail the individual hypotheses regarding expected attitudes toward stakeholder prominence by the respondents. Section 4.6 will provide a conclusion to the chapter.

4.2. THE RELATIONSHIP BETWEEN DEVELOPMENT AND STAKEHOLDER PROMINENCE

Although there are many influences on managerial attitudes, research to date has concluded that national culture¹ does affect the interpretation and response to strategic issues by influencing “crisis” and “threat” interpretations and proactive responses (Schneider & De Meyer, 1991, p. 318). Vitell, Nwachukwu, and Barnes (1993) states that Hofstede’s (1980) work on a cultural typology regarding nation state differences based on the dimensions of power distance, individualism, masculinity, and uncertainty avoidance does relate to ethics in that these characteristics may influence perceptions and judgements regarding ethical situations. More specifically, Hunt and Vitell (1986, p. 10) have proposed, albeit in a theoretical sense, that cultural norms affect the importance of stakeholders.

Although cultural norms are an important factor in forming perceptions and making judgments, Kohlberg (1980, p. 34) states that “they are not unique causes of the development of basic moral values”. Kohlberg further points out that it is not all values that are universal, only basic moral values. Reidenbach and Robin (1991, p. 274) state that the development of the organisation is a function of several factors including “top management, the founders of the organisation and their values, environmental factors (threats and opportunities), the organisation’s history and mission, and its industry, to name a few”.

Instrumentally speaking, the culture of a society is to a large degree a manifestation of both individual and organisational behaviour. An individual’s decision to react selfishly in a situation may contrast with the willingness by another to make sacrifices in order to benefit others. Although culture cannot be seen as a justification for behaviour that violates certain moral or ethical universals, the economic situation or social

circumstances of the individual or organisation does to a large degree explain why certain ethical universals are adhered to and others are not. Some organisations freely give to philanthropic causes, whereas others seek solely to maximise short-term returns for shareholders. Some organisations grant high employee benefits, whereas others comply with minimum requirements. As such, the fabric of any given society is a reflection of the attitudes and beliefs of individuals and groups within it.

Reidenbach and Robin (1991) state that organisations develop differently from individuals, although they do acknowledge the influence of the individual on the organisation. Furthermore, organisations can skip stages and can regress to lower stages of development. Evidence of this are the differences in safety standards used overseas in third world countries by certain multinational corporations, compared to that used in their home countries. One example includes Union Carbide's history in India, where leaking valves and corroded pipes contributed to the chemical gas leak in Bhopal which led to over 3,000 deaths (Trotter, Day, & Love, 1989, p. 441). Another is Royal Dutch Shell's activities in Nigeria where social and environmental standards at the company's oil refineries as well as alleged complicity in numerous human rights violations (Knott, 1997, p. 26) were the subject of intense international condemnation.

In addition to the earlier analysis, an organisation can also be at different stages of development at any one time depending on the issue in question. For example, it can have a high degree of awareness with respect to employee safety issues yet have a poor current environmental record. Logsdon and Yuthas (1997) also acknowledge that organisational and individual moral development is different. Organisations are more complex in that they comprise structures and hierarchies and are made up of persons with different beliefs. Nevertheless, development within each is parallel in the sense that it is staged (Etzioni, 1975, 1996), and both influence the broader economic and social environments in which they operate, and in turn are influenced by it.

Given that organisations (or groups within society) are a manifestation of individual behaviour, an analysis of countries across macro-economic and social factors such as average wage and the level of education may yield respondent attitudinal differences between countries with regard to stakeholder prominence. That is, the social system or society is a reflection of a sub-set of behaviour at the group (be it in the form of companies or any form of organisational grouping) and ultimately individual level. It is these groups, and individuals themselves, who come together to instigate social or economic change.² This is not to discount the fact that there may be

situations where individual or group stakeholders within developing countries are accorded a higher degree of prominence than individuals or groups in developed countries. However, in a general model, one would expect that developing countries would have stakeholder prominence more closely aligned to a few core stakeholders rather than a widely dispersed range of stakeholders that would emerge under democratic societies. The recognition of a broader set of values that emerge with respect to stakeholder attitudes is largely a function of economic and social criteria.

Kohlberg (1981, p. 14) in referring to individuals states that “basic values are different largely because we are at different levels of maturity in thinking about basic moral and social issues and concepts”. Exposure to others more mature than us helps stimulate maturity in our own value process. Basic moral categories, principles, or concepts are inherent in any culture. Some concepts lay dormant for extended periods, whereas others arise through social change. This applies not only at an individual level but also on a broader societal level. Change occurs through exposure to international pressure groups, foreign media, cultural exchanges, etc. Issues such as employee welfare, environmental protection, and consumer rights develop over time as part of a democratic process in systems that provide the necessary framework on which these concerns are heard.

Consideration of the role of developmental criteria contributes to a broader understanding of the framework under which stakeholder claims arise and are given credence. They help contribute to an understanding of why certain stakeholders are given different levels of prominence within society.

As societies progress, existing economic, legal, and social systems come under pressure to change and accommodate new attitudes. The extent to which these systems change in the wake of these pressures determines the extent to which a society develops. Organisational accountability will tend to mirror social developments within society. The greater the perceived importance of health and safety as a social and organisational issue, for example, the greater the degree of laws on occupational health and safety, and the greater the compliance by companies to these laws in order to avoid sanctions. A system in which there is a distinction between the executive, the judiciary, and parliament/congress will tend to provide the necessary flexibility and accountability necessary for the interests of constituent groups to be heard. Societies that fail to respond to these changes in the short term remain static and undeveloped, have rigid social systems, lack cultural diversity, and have a tendency to reject a broader stakeholder approach to organisational management.

An understanding of the different emphasis being placed on fulfilling organisational responsibilities can be seen along a timeline of social responsibility importance which has been adapted from Carroll (1989), in his phased approach to social responsibility. In Carroll's model, there were three phases to social responsibility: phase 1 represents an undeveloped society; phase 2 a developing society; and phase 3 a developed society. Each phase is represented by four business responsibilities. The first is *economic* responsibilities, which calls for business to be an economic institution, oriented toward producing goods and services at a fair price in order to make a profit. The second are *legal* responsibilities, which are the laws governing the conduct of business affairs. Third, there are *ethical* responsibilities, which are not enshrined in law but are expected of business at a national and local level. Finally, there are *discretionary* responsibilities, which are undertaken by business of their own desire, such as corporate philanthropic activities.

Essentially, this phased approach to social responsibility is representative of a development model in that social responsibility, or the social contract, emerges in conjunction with the development of the individual/organisation/society. Although not explicit or developed further, Carroll's model offers the foundations for a positive theoretical explanation of stakeholder development.

Carroll's (1989, p. 32) social responsibility model for business is represented in Fig. 4.1, but can also equally apply to societies in general, given that organisations are often a microcosm of society itself. From a society perspective, as there is progress on a social level, the predominant emphasis on *economic* responsibilities begins to decrease. Material needs are satisfied and the reliance solely on money as a value in society decreases. Societies come to expect benefits beyond material rewards such as better working conditions with respect to remuneration, and health and safety requirements. Therefore, the *ethical* responsibilities increase as the demand for accountability increases through society. Evidence of this is reflected in the presence of ethically conscious shareholders and "ethical unit trusts" in developed countries (Cummings, 2000). Furthermore, *legal* responsibilities increase as greater regulatory requirements come into force, as reflected in environmental and health and safety laws. An example being the presence of stakeholder statutes³ in certain developed countries such as the United States, and to a degree in Germany and the United Kingdom (Donaldson & Preston, 1995, p. 76). Finally, there is an increase in voluntary or *discretionary* social responsibility by business as companies realise the relationship between superior social performance and financial performance

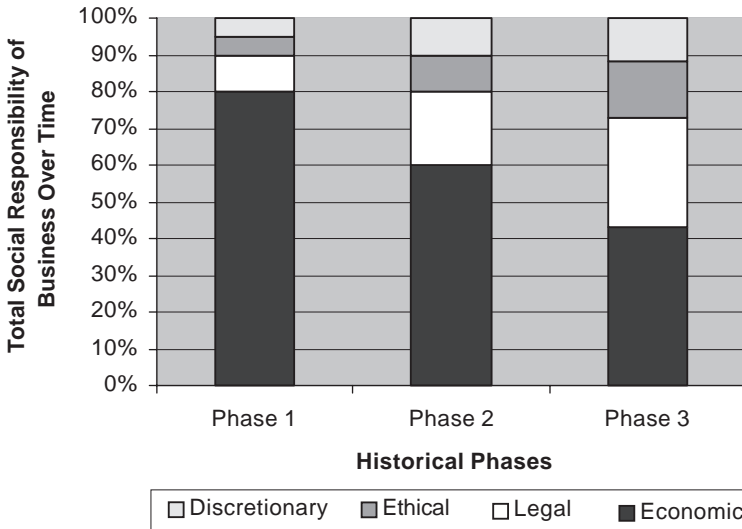


Fig. 4.1. Historical Phased Model of Social Responsibility.

(see Section 2.3.1.2). Although Carroll was implicitly referring to social responsibility of U.S. organisations in his model, his approach can be applied to all countries.

Early stages of economic and social development are characterised by distinct disparities between stakeholders. Stakeholders with interests tied directly to the firm, such as shareholders, have the ability to wield power. Non-traditional stakeholders such as environmental groups, who rely less on explicit contracts with the firm and more on appealing to higher holistic perspectives, often are not accounted for in a firm’s strategy. As there is greater economic and social development, there is also recognition of the organisation’s “social contract” with society. As such, there is a greater equilibrium in prominence between stakeholders as the claims of all constituents are given more legitimacy and voice. The power of an organisation is not based on its ability to punish stakeholders such as a “government” in an impoverished country in need of foreign capital,⁴ or an “employee” in an economically depressed area. Instead, organisational power is derived by harnessing the energy of all potential stakeholders through dialogue, while in the process minimising conflict.

Australia, China, and Indonesia are each characterised by unique social and economic systems. The Australian political, social, and economic

landscape is characterised by a vibrant democratic process. Within such an environment, there exists the ability for minority interests, through mechanisms such as freedom of the press, to forcefully advocate their perspective. Environmental groups can barricade themselves into company premises, and unions can strike and picket organisations. As a result, stakeholder groups tend to achieve a greater degree of power before obtaining true legitimacy in the system. Furthermore, stakeholder groups tend to operate independent of any state function and are usually well endowed financially. This allows them to, as economist Gary Becker suggests, “purchase favourable votes with lobbying and other political activities when a majority or plurality of votes is required for political success”. Although approached from a western perspective, Becker does acknowledge that the approach does include non-democratic political systems. Under Becker’s theory of competition, there is greater competition among pressure groups to compete for resources. Competition is necessary to avoid wasteful expenditures on political pressure that result from the competition for influence. Of course, competition among pressure groups depends on their existence in the first place.

So how does a developmental model translate into a practical application to assess the degree of stakeholder prominence? Each class of stakeholder outlined in the previous chapter (Section 3.7) is a function of the interaction between certain economic and social criteria at a given point in time. For example, in developing countries, power may often be restricted to certain “traditional” stakeholder groups due to non-democratic processes. “Non-traditional” stakeholders such as employees or environmental groups may be dependent (legitimacy and urgency but no power), demanding (urgency but no power or legitimacy), or discretionary (legitimacy but no power or urgency). As such their prominence is limited. On the contrary, the centralisation of power by accepted stakeholders in these societies and the inflexibility of the system may lead to a perception of their becoming dangerous or dominant if there does not exist the necessary urgency or legitimacy for their claims.

The economic and social nature of the system will determine not only the degree to which certain stakeholders are accorded prominence but also which attribute emerges first in the overall assessment of salience. In some cases, stakeholders will have a tendency to gain power before their legitimacy is established, or in other cases a stakeholder can achieve legitimacy well before power is achieved.

The following sections will describe specific developmental characteristics that affect the degree of stakeholder prominence in a given society.

Development in this study it has been classified into two groupings: (1) *economic development* and (2) *social development*. Social development is represented through the extent to which rights are accorded to stakeholders in: (a) a *legal context*; (b) the extent to which society is *culturally heterogeneous*; (c) the ability by individuals and societies to engage in *moral dialogue*, or discussions; and (d) the degree to which *epistemic communities* exist.

4.3. ECONOMIC CHARACTERISTICS AFFECTING STAKEHOLDER PROMINENCE

The level of economic development is a significant factor in stakeholder prominence. Although countries may agree that environmental protection is good, the extent to which environmental protection is enforced is dependent heavily on the stage of a country's economic development. Countries in which there is an absence of basic goods and services, and where there is low income per capita, tend to place immediate needs on economic criteria. Therefore, the concerns of non-traditional firm constituents may not rank as highly as those closest to the firm. That is organisations may value shareholder concerns over employee or environmental group concerns.

With respect to the countries chosen in this study, as [Table 4.1](#) indicates, from an economic perspective the World Bank deems both China and Indonesia low- to low-middle-income countries. Statistics also indicate that they receive a large degree of official development assistance and low per capita income.

Table 4.1. Economic Development Indicators.

Social Indicator	Australia	China	Indonesia
World Development Report July 2001 (1) Country Category	High income	Lower-middle income	Low income
Average annual official development assistance \$USm (2)			
1983–1985	(760)	803	673
1993–1995	(1,080)	3,344	1,683
Gross national income (\$US) per capita 1999 (3)	20,950	780	600

Source: (1) World Bank, 2001, <http://www.worldbank.org/data/databytopic/class.htm> (online: 14 July 2001); (2) World Resources Institute 1998, p. 239; and (3) World Bank, 2001, pp.12–13.

A low-income based nation, along with its citizens, may not place a high degree of importance on the environmental objective of reducing carbon emissions, if this requires costly capital expenditures by governments who have yet to provide basic infrastructure facilities. Companies operating in these environments will not, unless legally required to do so, see broader social criteria as a key objective. These factors interact to either permit or stifle the claims of various stakeholders. As such, stakeholder prominence may be restricted to just a few core traditional stakeholders. Furthermore, in such countries non-governmental organisations (NGOs) are not as well organised or funded and draw from a smaller supporter base. Coupled with a restriction on freedom, the ability to challenge existing institutions and put forth alternate ideas is limited. Australia on the other hand is classified as a highly developed economy, one that has the economic means by which stakeholder groups can proliferate their cause.

4.4. SOCIAL CHARACTERISTICS AFFECTING STAKEHOLDER PROMINENCE

There are also a number of social characteristics that affected stakeholder prominence that were initially listed in the previous section. These now will be examined in more detail.

4.4.1. Legal Structure

The first aspect of social development is the right accorded to stakeholders within the particular *legal structure* in question, both through statute and through judicial precedent. Although there may be a moral commitment toward extending an organisation's responsibility to non-traditional claimants, the legal position with regard to whom a duty of care or a "fiduciary duty" is owed has been contentious and varies between countries. In recent years, there have been attempts in many western countries to enshrine stakeholder rights in law (other than those rights contained within contractual agreements).⁵ Under Australian requirements, the Corporations Law as it currently stands does not prevent directors from taking into consideration the interests of constituents other than shareholders. The fiduciary duty of directors is owed to the corporation as a whole, as distinct from only being owed to shareholders. Furthermore, precedents exist under common law. This is distinct from China, where jurisprudence is based on

civil law, which is derived from Roman Law (Wang, 1998). Under civil law, there exists extensive codification and no precedent. Laws are made and interpreted by the ruling Communist Party. Therefore, a ruling in one case will not act as precedent in another hearing, unlike the situation in Australia where laws are based on English Common Law. Even in Indonesia, which is subject to Roman-Dutch law, the sources of law are statutory legislation, presidential instructions, and official compilations of Islamic law.⁶ As such, stakeholder rights are subject to authorisation by the state. Under such a system, stakeholders are not subject to the same flexibility as under common law and as such non-traditional organisational stakeholders may be less prominent in non-common law countries.

Although “stakeholder statutes” have raised concerns that a broadening of fiduciary duties by the company will reduce the primacy of traditional residual claimants under a “duty of care” (Goodpaster, 1991), the move toward a stakeholder statute position is seen as a response by government to calls for legal backing to stakeholder rights. In the United States, stakeholder statutes provide socially responsible managers with protection against creditors whose interests are impaired by managerial choices (Polonsky & Ryan, 1996). The tendency from a judicial perspective to look favourably on the claims of non-traditional stakeholders can impact on individual organisations in that business decisions will be undertaken with a broader stakeholder group in mind. Corporations would be wary of undertaking action that may result in litigation from non-traditional constituents of the firm.

4.4.2. Cultural Heterogeneity

A second characteristic of social development is the degree to which a society is culturally heterogeneous. Western societies with a predominantly Anglo-Celtic framework, such as Australia, Canada, New Zealand, and the United States, have witnessed large influxes of immigrants, especially in the post-WW2 era. Societies that are heterogeneous as distinct from homogenous can often be more accommodating and tolerant. Foreign-born citizens bring cultural and social diversity to a nation and to the workplace and provide the impetus for progressive social legislation and policies on workplace management, such as legislative arrangements encompassing equal employment policies and anti-discrimination laws.

Research by O'Reilly, Caldwell, and Barnett (1989) has found that important benefits accrue from demographic heterogeneity in organisations

Table 4.2. Social Development Indicator of Cultural Heterogeneity.

Social Indicator	Australia	China	Indonesia
Foreign-born citizens (% 1985)	20.3	0.3	0.7

Source: United Nations (1995, pp. 10–84).

(a diversified workgroup), in particular an increase in the variance in perspective's and approaches to work that members of different identity groups contribute, and a reduction in communication problems and conflict, which in turn leads to lower staff turnover rates. Furthermore, research by Chatman, Polzer, Barsade, and Neale (1998) has found that collectivist organisations benefit substantially from a diverse employee base by enhancing effectiveness and reducing conflict within the workplace. Social development, through an increase in cultural heterogeneity, is therefore expected to lead to greater recognition of a broader range of stakeholders. Table 4.2 (Social Development Indicator of Cultural Heterogeneity) reflects the extent of citizens who are foreign-born in the countries under study. Australia has the highest extent of foreign-born citizens of the three countries.

Greater cultural diversity reflects alternate historical value beliefs, which increase the richness of society. In a culturally diverse society, the views and beliefs of “traditional” stakeholders, which in developing societies may not be challenged given their majority view, would be required to accommodate a broader set of values and attitudes. A society that has incorporated alternate values and attitudes is reflective of a higher level of social development, given that such a society is a hybrid of existing and established systems.

4.4.3. Moral Dialogue

A third characteristic of social development is the degree of dialogue on moral issues. Moral dialogue depends to a large degree on the right to protest and dissent. The existence of a free press provides a forum for critical debate on issues surrounding the policies and practices of both government and business. Engagement in dialogue between (a) stakeholders themselves and (b) stakeholders and organisations is more predominant in societies where there are underlying democratic constructs. Democratic constructs facilitate dialogue and allow attention to be given toward the fundamental

claims of all constituents, while in the process enhancing transparency in business affairs. In more restricted and bounded societies which do not have forums for debate, moral issues inherent within constituent claims will not be widely understood or comprehended by participants, because of the lack of exposure to alternate viewpoints. In Australia, for example, since early European settlement, constant moral dialogue on labour-related issues has led to a more predominant trade union movement, which has helped to shape the economic, social, and political fabric of the nation. However, in China and Indonesia, such freedom of expression has not been as predominant, with protestors often arrested and imprisoned for challenging the existing system.

Etzioni (1996) contends that engagements in moral dialogue are in essence “value talks” or communications about value. These moral dialogues often result in changes to core values, although this depends partly on the communitarian nature of the society which provides a framework by which megalogue⁷ can exist. Etzioni (1996, p. 101) states that “many Asian societies which approach the quest for a communitarian society ... starting with a strong social order and weak autonomy, have weak traditions and facilities for megalogue”. This can pose problems as “the best way to change the direction of a society is to have a megalogue about the substance of members’ values and the intensity of their commitments to values they affirm” (p. 140). It is only through intense megalogue that the formation and change of stakeholder groups can occur. This is a reflection of a developed society with the ability to be self-critical. Research in the Chinese Securities industry (Cai & Wheale, 2005) has indicated that a corporate climate that encourages communication and feedback between the stakeholder and the organisation will enhance the mutual benefits of both parties.

When the essential ingredients for successful megalogue do not exist, or are repressed, due to undeveloped and non-democratic structures that restrict freedom of the press, social transformation is muted. Corporations operating within these societies have a much greater ability to discard social requirements and benefits and are not faced with the same scrutiny or pressure to be accountable as corporations in other environments. As a result, there can be corruption and nepotism. The absence of moral dialogue, which provides a mechanism by which to air complaints and grievances, means the knowledge, willpower, or necessary cohesiveness does not exist to implement the reforms needed to counter bribery.

Bribery occurs when the normal process of consultation is overridden by corruption or nepotism or self-serving attitudes, and where action is

Table 4.3. Social Indicators for Moral Dialogue.

Social Indicator	Australia	China	Indonesia
Perceptions of bribery (1)			
1995 (rank)	8.80 (6)	2.16 (39)	1.94 (40)
1996 (rank)	8.60 (10)	2.43 (50)	2.65 (45)
On-line market in Asia (Internet connections) (2)	1,600,000	5,000	2,000
Television receivers (per 1,000 population) (3)	480	31	59

Source: (1) Gale Research, 1996, pp. 484–485; (2) Gale Research, 1996, p. 350; and (3) CIA World Factbook, 1998.

motivated by desire for reward or benefit. An example can be where organisations fund a political campaign or bribe politicians in return for approval of sensitive projects involving the environment, or where government contracts are awarded to the families of senior politicians.

As can be seen from [Table 4.3](#), there is a greater perception among Chinese and Indonesian managers of bribery within these societies ([Gale Research, 1996](#)) than from Australian managers. This can be partly attributed to the absence of a strong moral dialogue to challenge existing practices, which hinders the process of accountability within societies, and partly the level of economic development. Statistics also indicate a distinction between nations based on the perceptions of bribery among a number of surveys of business people⁸ across a selected number of countries. A perfect score of 10.00 would indicate a totally corruption-free status.

As [Garran \(1998, pp. 203–204\)](#) notes of Asia, “The interests of government tend to be regarded as superior to considerations of abstract morality; the assumption is made that a degree of money politics is natural or culturally sanctioned”. One increasingly popular mode of dialogue is through the media, and as [Table 4.3](#) indicates, Australia has by far the largest penetration of computers per household of the three countries, as well as the number of television receivers. As such, its citizens have a greater ability to access information about a range of issues concerning stakeholder groups, which in turn promotes informal dialogue across communities around the world.

In democratic systems where there exists a greater freedom of expression, interest groups can gain power by capturing the political process through their ability to exercise voice and concern. A number of researchers contend that less visible pressure groups or stakeholders can increase their power through lobbying, threats, disobedience, migration, or other forms of political pressure to raise their status. This is more predominant in western

societies, where there exists a greater degree of freedom. This creates media attention and often negative publicity for the organisation concerned. Because of their “voice”, these groups can heavily influence public and government policy through emotive arguments, thereby raising their perception as a powerful stakeholder. This can be seen with certain interest groups often appearing to have more voice than the “silent majority”. Environmental groups are one example, where protestors can promote their view through websites, chain themselves to buildings and trees, or barricade themselves in offices. This creates media attention and often negative publicity for the organisation concerned. Because of their “voice”, these groups can heavily influence public and government policy through emotive arguments, thereby raising their perception as a powerful stakeholder. As a result, organisations are often coerced into direct dialogue with that particular stakeholder group.

Alternatively, in countries such as China and Indonesia, which are essentially non-democratic or “emerging democratic”, stakeholders can often struggle to achieve power, despite having a degree of both legitimacy and urgency within society. There may often be an undercurrent of concern for stakeholder rights, but they remain impeded by the non-democratic nature of the state apparatus, a reflection of the country’s developing status. Prominence is centred on a small number of core stakeholders, reflecting the perspective that stakeholders are important only if they are of direct relevance to a firm’s economic interests or survival. This social order favors an investor approach to organisational affairs, a direct fulfilment of the economic requirements of a developing system. Non-conventional stakeholders in these environments such as employees (non-conventional in the sense of an absence of strong organised labour or unions willing to lobby for better conditions) or public interest groups (non-conventional in the sense that the formation of protest groups is strictly limited) are often of little value to organisations in a distinctly non-democratic structure.

Altman and Petkus (1994, p. 39) highlight a stakeholder-based public policy development process, which, although constructed for public organisations, can equally apply in the private sector where there have been calls for an accommodation of a broader range of stakeholders in policy making.

As illustrated in Fig. 4.2, the ideal public policy process is one where policy is continually adjusted to accommodate new problems and agendas brought to light by stakeholder groups involved in the organisational process. Public hearings, consultation, involvement and accommodation, and adjustment

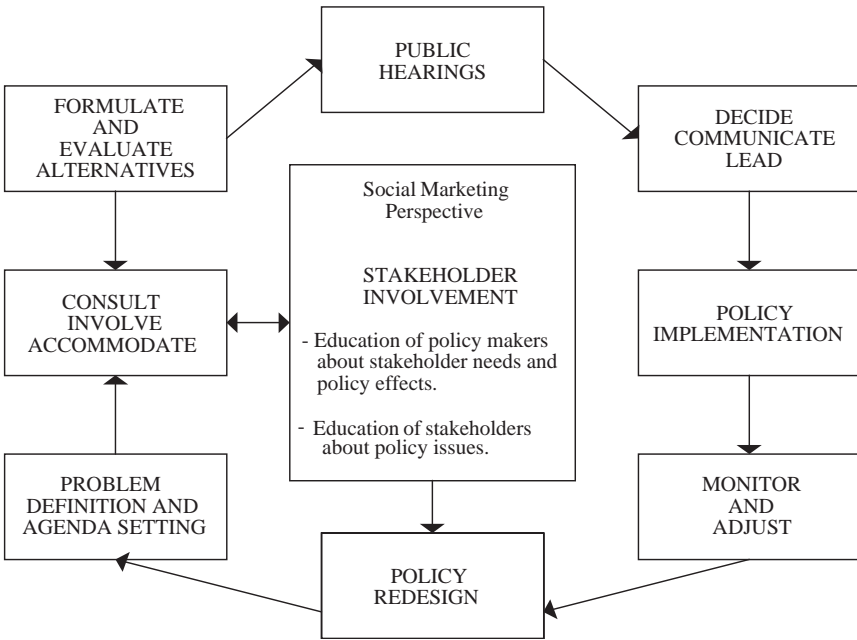


Fig. 4.2. A Stakeholder-Based Public Policy Development Process.

are all essentially concepts inherent in countries with democratic tendencies. As such, the claims of stakeholder groups are incorporated into the public policy process, unlike stakeholders in non-democratic or emerging democratic countries.

For example, the degree of acceptance at a societal level of the rights of unions and environmental groups to protest at organisations may be directly or indirectly dependent on the ability of these organisations to actively lobby managers for better working conditions and/or environmental performance. This is dependent in turn on an individual member's willingness to support these actions and instigate change through recognition of their own rights as employees to a fair wage and safe working environment, or as concerned citizens protecting their environmental surrounds. Both groups are influenced by factors such as freedom of speech and the right to protest. The greater moral dialogue that results from a more democratic approach to problem solving also allows for common beliefs to formulate among like-minded intellectuals. These are termed epistemic communities and will be discussed in the next sub-section.

4.4.4. *Epistemic Communities*

A fourth characteristic of social development is the presence of “epistemic communities” within a particular society. Epistemic communities are networks of educated professionals who have recognised expertise and authority in a particular field or domain. Haas (1992, p. 2) states that epistemic communities have four main characteristics: (1) a shared set of normative and principled beliefs; (2) shared causal beliefs about issues or problems within their particular domain of reference; (3) shared notions of validity regarding the weighting and validation of knowledge within their domain of reference; and (4) a common policy with regard to practices associated with a set of problems.

Epistemic communities usually encompass a broad political spectrum and are not bounded by political inferences. They represent a post-partisan based approach to policy making, such as the existence of non-political environmental or labour organisations that provide research and education on environmental or labour issues, which broaden knowledge of the particular issues in the wider community.

Epistemic communities provide a more balanced and informal approach to advocate a particular perspective in that they can provide an interdisciplinary communicative network on which to base stakeholder claims (see Fig. 4.3), as

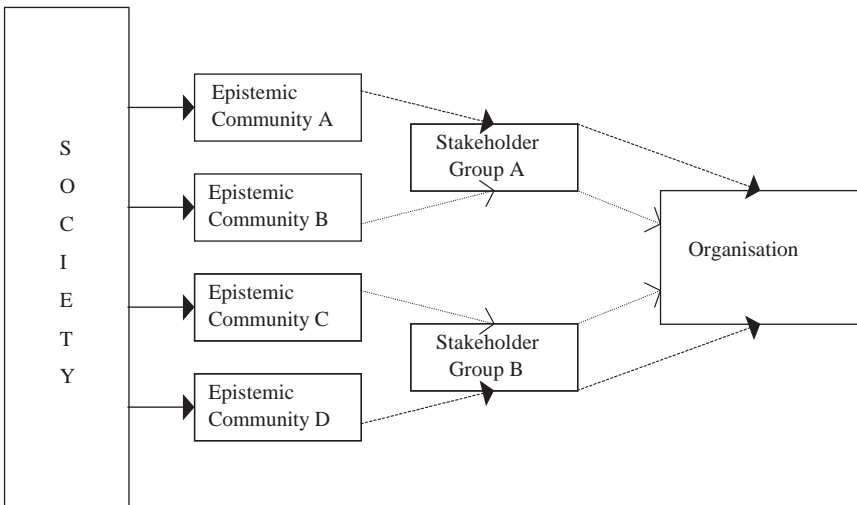


Fig. 4.3. Epistemic Community as Stakeholder Representation.

well as strengthening the ideological base on which a particular stakeholder claim rests. Stakeholder groups (e.g. unions and investors), however, due to their direct exposure to organisational activity, are the primary influence on organisations. Epistemic communities proliferate more in western societies, where there is a larger educated and scientific community, facilitated by an increased moral dialogue. As a result, stakeholder groups within western societies would experience greater value diversity. Although too much diversity can be detrimental to the stakeholder process as it can “stall or subvert the transformative aims of participatory evaluation” (Mathie & Green 1997, p. 280), greater value diversity is seen as a benefit because it provides the necessary vitality to move beyond entrenched organisational problems, allowing a broader agenda to emerge on which to formulate and undertake organisational policy and practice.

Epistemic communities rely predominantly on a research base or shared language on which to build links between industry, government, and the community. One major factor in this interlinkage is an appropriate educational framework on which to share and disseminate knowledge. Education statistics at Table 4.4 indicate that China and Indonesia have lower government expenditure on education as a percentage of GDP, lower overall literacy among its citizens, and lower numbers of young adults attending tertiary studies as a percentage of their age group, compared to Australia. As such, conditions do not exist in China and Indonesia on which both to formulate and expand epistemic communities at the same level as has been achieved in Australia.

The rise of epistemic communities within western nations would explain findings in the United States by Cordano and Rands (1998) of an overlap in stakeholder roles⁹ by individuals. This adds weight to the social network analysis proposed by Rowley (1997), in that stakeholder networks will be strengthened when overlap occurs, as values or norms become diffused and

Table 4.4. Social Indicators for Education.

Social Indicator	Australia	China	Indonesia
Government Education Expenditure 1990–1995 (1) (% of GDP)	5	2	1
Total literacy % 1985 (2)	100	78	82
Tertiary school Enrolment 1993 as a % of age group (3)	42	4	10

Source: (1) United Nations, 1995; (2) Gale Research, 1996, pp. 139–140; and (3) World Bank, 1997, pp. 18–19.

traditional stakeholder affiliations become open to new value propositions. For example, an environmentalist who also is a senior manager can “green” management and traditional managers who join voluntary environmental groups can enable such groups to appreciate the rights of the investor. This divergence of values will have implications for network density (Rowley, 1997), as greater value diversity would be expected to result in a less polarised and a broader stakeholder network.

The more prevalent the epistemic communities are in countries such as Australia, compared to China and Indonesia, the lower the expected disparity between stakeholder groups, regarding their legitimacy and power. This is because there is often interaction within epistemic communities that create networks and bridges and therefore promote tolerance and legitimacy of a broader range of stakeholder groups.

Although the examples mentioned earlier are not an exhaustive list of factors that influence stakeholder prominence, they do serve to highlight the distinct differences between societies from both an economic and social perspective, which are critical to an analysis of stakeholder prominence. The next section will use these factors as a basis for hypotheses formulation.

4.5. HYPOTHESISED STAKEHOLDER DEVELOPMENT ACROSS COUNTRIES

As seen in Section 3.7, the possession of one or more of the three attributes of “legitimacy”, “power”, and “urgency” determines the class of the particular stakeholder group under the Mitchell et al. (1997) typology.

Each stakeholder group may not possess equal weighting between each of the three attributes, due in part to differences in economic and social development characteristics across the three countries, outlined in Sections 4.3 and 4.4, including (1) levels of income; (2) different legal structures; (3) the culturally heterogeneity of a country; (4) the extent of a country’s moral dialogue; and (5) the extent of epistemic communities. All hypotheses are expressed in the null form and shown in Table 4.5 with appropriate comments.

Hypotheses can also be stated with respect to the extent of stakeholder legitimacy, power, and urgency between the three *countries*. In order to avoid over-complicating the study, differences between *occupations* based on each of the three attributes were not undertaken, only on stakeholder prominence overall.

Table 4.5. Stakeholder Prominence Hypotheses.

Null Hypothesis	Comment
H0 _a – There will be no overall significant difference between countries with respect to the total perceived prominence of stakeholder groups by Australian, Chinese, and Indonesian respondents	It is hypothesised that respondents in Australia will perceive a more even prominence between stakeholders both within and across each of the three stakeholder attributes, than in China or Indonesia, given the greater flexibility of Australian stakeholders in achieving their goals
H0 _b – There will be no overall significant difference between occupations with respect to the total perceived prominence of stakeholder groups by Australian, Chinese, and Indonesian respondents	It is expected that differences will exist between the occupations, in particular the managerial respondents and managerial student respondents, given that managerial students are often younger in age and would have a greater tendency to embrace a broader range of organisational stakeholders than just the traditional core investor stakeholder

4.5.1. Stakeholder Legitimacy

Mitchell et al. (1997, p. 866) see legitimacy as “referring to socially accepted and expected structures or behaviours” (see Section 3.6.1). Australia, as seen in Section 4.4.2, is a more culturally heterogeneous nation, embracing a broader social structure and value system than what exists in China or Indonesia. Furthermore, as outlined in Section 4.4.4, there is greater expenditure on education, and epistemic communities are more prominent. As such, legitimacy is expected to be distributed across the entire six stakeholders more so than in China and Indonesia with more rigid and strict value systems. The null hypothesis can be expressed as follows in Table 4.6.

Within this hypothesis, it is expected that differences will also exist regarding the legitimacy of individual stakeholders between countries. That is, for example, scores regarding the legitimacy of employees will differ between Australia, China, and Indonesia. Furthermore, it is also expected that greater variances will exist between countries with respect to the legitimacy of the stakeholder. In particular, it is expected that Australian respondents will be more even with respect to the distribution of legitimacy between stakeholders. That is, there will be greater equality between employees, shareholders, and government, in Australia, with respect to legitimacy.

Table 4.6. Stakeholder Legitimacy Hypothesis.

Null Hypothesis	Comment
H0 _c – There will be no overall significant difference between countries with respect to the perceived legitimacy of all stakeholder groups by Australian, Chinese, and Indonesian respondents	Disparities are expected to exist between Australian, Chinese and Indonesian respondents, with respect to overall legitimacy for all stakeholder groups, in that both China and Indonesia are expected to favour INV and GOVT as more legitimate, whereas Australian respondents will have legitimacy more evenly divided across the stakeholders

Table 4.7. Stakeholder Power Hypothesis.

Null Hypothesis	Comment
H0 _d – There will be no overall significant difference between countries with respect to the perceived power of all stakeholder groups by Australian, Chinese, and Indonesian respondents.	Developed democratic countries such as Australia are expected to have power more evenly distributed among stakeholder groups, given the ability by each group to be able to exercise financial leverage and social protest through democratic structures. Within China and Indonesia, power will be more centralised toward Government and Investors than for example Employees

4.5.2. Stakeholder Power

As mentioned in Section 3.6.2, [Mitchell et al. \(1997, p. 865\)](#) see power with respect to stakeholders, as being the ability to “gain access to coercive, utilitarian, or normative means, to impose its will in a relationship”. Stakeholder power is expected to differ across all three countries due primarily to the differences among countries with respect to democratic traditions. The basis for stakeholder power lies in the extent to which there exists, as discussed in [Section 4.4.3](#), moral dialogue in order to facilitate value debates and realise stakeholder claims. From an organisational perspective, stakeholder power most often represents utilitarian concepts such as the ability to exercise financial leverage through consumer boycotts or industrial campaigns. However, coercive force such as protests and “sit-ins” by environmental groups and unions have also been used. As such, the null hypothesis can be expressed as follows in [Table 4.7](#).

Within this hypothesis, it is expected that differences in scores will also exist between the powers of *individual* stakeholder groups between countries. It is also expected that greater variances will exist within each country, with respect to the power of stakeholder groups. In particular, it is expected that Australian respondents will be more even with respect to the distribution of power between stakeholder groups. This will mean there will be greater equality between employees, shareholders, and government, in Australia, and greater disparities in China and Indonesia where there is greater centrality of power, and government and investors are seen as having stronger military (coercive) and financial (instrumental) resources.

4.5.3. Stakeholder Urgency

Stakeholder urgency is expected to differ between all three countries. Urgency, as outlined in Section 3.6.3, represents “time sensitivity” and “criticality”. The urgency of a stakeholder’s claim will increase as its claims are not acknowledged or realised. Again, similar to power, issues such as moral dialogue through freedom of expression to raise awareness of stakeholder needs are important aspects in ensuring that the claims of all stakeholders are seen as both important and immediate.

The extent of moral dialogue is an important factor in urgency, as democratic constructs and freedom of speech allow for the flexibility to debate and resolve issues that are both time sensitive and critical. For example, management of the physical environment, although seen as important in all countries, may have different levels of urgency because of the inability of certain countries to deal effectively with crises, requiring immediate solutions. This of course is directly affected by development factors in that what people see as time sensitive and critical will depend on their education about such issues and the priority this has on their lives. For example, support for environmental protection will depend on resources being available to fund such protection schemes, the importance placed on this in the light of other concerns such as poverty alleviation and the necessary common law framework to provide a right of redemption through the courts for environmental damage.

Table 4.8 (Stakeholder Urgency Hypothesis) expresses the null hypothesis. Within this hypothesis, it is also expected that differences will also exist between the urgency of individual stakeholders between countries. For example, scores regarding the urgency of employees will differ between Australia, China, and Indonesia. It is also expected that greater variances

Table 4.8. Stakeholder Urgency Hypothesis.

Null Hypothesis	Comment
H0 _e – There will be no overall significant difference between countries with respect to the perceived urgency of all stakeholder groups by Australian, Chinese, and Indonesian respondents	The urgency of stakeholders such as employees and environmental groups is expected to be higher in China and Indonesia, than in Australia, given the lack of appropriate moral dialogue and epistemic communities to highlight their urgency. Furthermore, it is expected that there will be less variance in the urgency between stakeholders in Australia, than in China and Indonesia

will exist between countries with respect to the urgency of the stakeholder. In particular, it is expected that Australian respondents will be more even with respect to the distribution of urgency between stakeholders. That is, there will be greater equality between employees, shareholders, and government in Australia, with respect to urgency.

4.6. CONCLUSION

Although earlier chapters sought to provide a motivation for the study (Chapter 1), examine the literature undertaken on stakeholder theory to date (Chapter 2), and establish the methodology for a positive approach to stakeholder theory (Chapter 3), this chapter has provided both economic and social development characteristics as rationale to explain and predict possible differences in the level of stakeholder development across countries. As such, these characteristics represent the assumptions underlying a positive-based stakeholder theory, which are analysed through the stakeholder typology model. Section 4.2 examined how the advancement of economic and social development equates with a greater equilibrium in prominence between stakeholders, in that economic and social advancement stimulate maturity in our own value processes. Sections 4.3 and 4.4 examined the specific characteristics of development. In particular, the sections examined the role of specific economic and social development factors in broadening stakeholder prominence to include non-traditional firm stakeholders. The importance of economic development as well as the legal framework of a particular society, its degree of cultural diversity and moral dialogue, and the extent of its epistemic communities all reflect

developmental characteristics that influence the extent of prominence among stakeholders.

Section 4.5 of this chapter also detailed the hypotheses to be tested in the study. It was expected that a greater degree of disparity would exist between the legitimacy, power, and urgency of stakeholders among both Chinese and Indonesian respondents as distinct from Australian respondents. This is primarily due to Australia having a greater degree of economic and social development, allowing a greater awareness of the rights and claims of non-traditional stakeholders and supported through developed democratic structures that allow for a more diverse stakeholder concept within organisations. With regard to the occupation of the respondent, it is anticipated that managerial students will be more accommodating with respect to non-traditional stakeholders and therefore would accord them a higher degree of legitimacy, power, and urgency.

The next chapter will present the study's results for stakeholder prominence, based on the economic and social development characteristics and hypotheses outlined in this chapter.

NOTES

1. Culture is defined in the *Macquarie Dictionary* (3rd Edition, 1997, p. 529) as "the sum total of ways of living built up by a group of human beings, which is transmitted from one generation to another", and also "a particular state or stage of civilisation".

2. Given that the focus of the study is managerial attitudes toward stakeholder constituents, it is not being stated that the organisation itself is a stakeholder only that it represents but one form of grouping by which social change takes place, such as its existence as a provider of employment within local communities.

3. Stakeholder statutes in the United States are state-enacted legislation that permits directors to consider the interests of other stakeholders in formulating corporate decisions (Orts, 1992; Polonsky & Ryan, 1996).

4. In such an instance, the corporation has the ability to extract tax concessions from host governments in return for setting up manufacturing operations in impoverished areas.

5. Orts (1992) states that 29 U.S. states to date have enacted legislation that permits directors to consider constituencies other than shareholders in corporate decisions. In doing so, directors may take into account both the short- and long-term interests of the corporation, which may be best achieved through an independent organisation rather than one bound strictly to shareholders. Twenty-two of those U.S. statutes had been enacted between 1987 and 1990. The passing of stakeholder statutes indicates a willingness to enshrine the rights of stakeholders into law in the wake of judicial decisions that favour shareholder wealth maximisation. Stakeholder

statutes reduce shareholder ability to sue management for decisions made, but do not provide additional support to stakeholders they only allow management the discretion to consider their interests when considering whether to succumb to a takeover that is hostile.

6. This information was obtained from the Islamic Family Law website at the Emory University School of Law, which outlines the “official” legal systems, and legislative and judicial aspects of Islamic-based countries. <http://www.law.emory.edu/IFL/legal/indonesia.htm> [Online] 19 September 2005.

7. Although not explicitly defined, Etzioni (1996) refers to “megalogue” as the society-wide value discussions that people engage in day-to-day in different meeting places that provide the basis for a shift in national values. Such examples could be daily discussions over labour disputes, the role of government, and the extent of protection of environmentally sensitive areas of wilderness.

8. A number of countries were used in this study, but only the three were extracted from the main report.

9. Cordano and Rands (1998) found a number of individuals who have multiple affiliations, an example being that 33.5% of respondents were environmentalists who worked in the business or regulatory sector, regulators who were members of environmental organisations, or business managers who were members of environmental organisations.

CHAPTER 5

RESULTS

5.1. INTRODUCTION

This chapter presents the results of the study, both in graphical and tabular format, based on the AHP for determining stakeholder prominence, along with ANOVA and multiple comparison tests that were outlined in Sections 3.8–3.10. [Section 5.2](#) examines the response rate for the study across each of the three countries. [Section 5.3](#) outlines details of how the data were scored and analysed for the stakeholder prominence questions. It describes how stakeholders were classified into classes based on the results of the data analysis. [Section 5.4](#) provides descriptive sample statistics of the study based on sex, age, birth, culture, education, occupation, and multi-national status. Not all of these demographic variables were used for analysis in the study, only country (source of the data, not birth) and occupation. [Section 5.5](#) analyses results of stakeholder prominence over all three stakeholder attributes (legitimacy, power, and urgency) by the country of origin. These include multivariate tests to indicate the significance of differences between the results for countries overall, and Bonferroni tests for significant differences between individual countries, which were undertaken through the SPSS software package. This was also undertaken for occupation in [Section 5.6](#).

[Sections 5.7–5.9](#) look at differences regarding each individual stakeholder attribute (legitimacy, power, and urgency) between countries, but not based on occupation. The sections on stakeholder prominence present statistics based on MANOVA tests of significance incorporating the Bonferroni test. Furthermore, variances in stakeholder prominence in each country according to each attribute are graphed, in order to display the extent of disparity among the stakeholders. [Section 5.10](#) provides an overall interpretation of the results. [Section 5.11](#) provides a conclusion to the chapter.

5.2. RESPONSE RATE

Although 200 questionnaires for managerial students in each country were initially to be obtained, there were in fact actually 192 Chinese and 205 Indonesian respondents who were management students, and 200 Australian respondents. Results of the mailout indicated a low response rate, in particular, for Chinese and Indonesian managers. Out of the 200 Chinese managers mailed, 12 returned completed questionnaires, a response rate of only 6%, indicative of previous Chinese studies.¹ This can be partially attributed to the continuous organisational changes being undertaken in China, where inefficient state-owned enterprises are being closed, as China makes the transition toward a market-based economy. As a result, some of the organisations in the mailed sample may have ceased to exist at the time of the survey. In Australia, 36 out of 200 managers (18%) returned completed questionnaires, whereas in Indonesia the response rate was 33/200 (16.5%). To test for non-response bias, a one-way ANOVA test was undertaken (not shown graphically) to analyse for differences between managers who had sent back questionnaires both before and after two weeks following the initial mailout. The null hypothesis of no significant difference was not rejected at the 0.05 level, signifying that early and later respondents did not significantly differ in responses. Combined responses for the managerial students and the mailed questionnaire indicated a sample of 236 (200 + 36) Australian respondents, 204 (192 + 12) Chinese respondents, and 238 (205 + 33) Indonesian respondents, on which to base the analysis.

5.3. DATA SCORING AND ANALYSIS

Cumulative results of the inputs from the individual questionnaires were obtained directly from the Expert Choice statistical package (AHP). The output obtained from the Expert Choice package displayed the legitimacy, power, and urgency score for each of the six stakeholders (a cumulative effect of all 678 responses), as well as their overall score for total stakeholder prominence (an average of the three attributes). The scores obtained ranged from 0 to 1. As mentioned in Section 3.7, to assess whether each stakeholder possessed prominence with respect to each attribute in each respondent category (country and occupation) in this study, an average of 0.166 was taken for each stakeholder representing the score of one (1) and dividing this by the six (6) stakeholders under

consideration; those that were above the .166 average, indicated prominence for that particular stakeholder in that attribute, based on that stakeholder's comparison with all the other stakeholders. Scores below .166 did not. That is, a score of .166 or above indicated that the particular stakeholder was perceived as being more prominent than other stakeholders. Therefore, all stakeholders could not have had a score above .166, as the trade off between each stakeholder in the stakeholder matrix results in a hierarchy of stakeholders, with the overall total being 1. If a stakeholder was prominent in a particular attribute, then it would be classified as dominant, definitive, demanding etc. according to Section 3.7. For example, the score for customers (CUST) in China in Table 5.4 was .155. As such, it was subsequently classified as a "demanding" stakeholder by all respondents, because it held prominence in urgency .173 (Table 5.22), but not in legitimacy .148 (Table 5.16), or power .143 (Table 5.19). Similar tests were undertaken for occupation; however, in order to avoid overly burdening the study with extensive tables, only the total stakeholder prominence was displayed for each occupation (Tables 4.6–5.2), not occupational scores for each of the three individual attributes. Results of overall prominence based on country and occupation were then tied back to the individual hypotheses (H_{0a} and H_{0b}), and results for the three attributes based on country were tied back to the individual hypotheses H_{0c} , H_{0d} , H_{0e} , which were all developed in Section 4.5 on hypothesised stakeholder development across countries.

5.4. DESCRIPTIVE STATISTICS

The descriptive statistics for both the administered and mailed sample, based on country and occupation are represented in Table 5.1. There were differences with respect to age, where a greater proportion of Chinese respondents tended to be much younger than those from Australia or Indonesia. This may be due, in part, to the lower response rate for mailed questionnaires in China, which traditionally would elicit older respondents in established managerial positions. A second and important point was that there was a greater proportion of Australian respondents born overseas, confirming arguments in Section 4.4.2 regarding differences in cultural heterogeneity between the three nations. This may have impacted the results due to the diverse attitudes that accompany cultural diversity. Of the Indonesian sample, 25% were of Chinese origin.

Table 5.1. Descriptive Statistics for the Sample.

Attribute		Australia (236)		China (204)		Indonesia (238)	
		Number of respondents	%	Number of respondents	%	Number of respondents	%
Sex	Male	176	74.6	150	73.6	174	73.1
	Female	60	25.4	54	26.4	64	26.9
Age	Under 25	2	0.8	8	3.9	20	8.4
	25–34 years	112	47.5	185	90.7	142	59.7
	35–44 years	79	33.5	7	3.4	59	24.8
	45–54 years	35	14.8	4	2	12	5
	55+ years	8	3.4	0	0	5	2.1
Birth	Australia	158	66.9	0	0	0	0
	China	4	1.7	204	100	0	0
	Indonesia	2	0.8	0	0	234	98.3
	Other	72	30.6	0	0	4	1.7
Culture	Anglo/European	194	82.2	0	0	1	0.4
	Chinese	16	6.8	204	100	55	23.1
	Native Indonesian	1	0.4	0	0	174	73.1
	Other	25	10.6	0	0	8	3.4
Education	High school	22	9.3	1	0.5	1	0.4
	Technical certificate	13	5.5	2	1	0	0
	PhD	2	0.8	1	0.5	1	0.4
	Masters	60	25.4	106	52	85	35.9
	Bachelors	126	53.4	90	44.1	147	62
	Other	13	5.6	4	1.9	4	1.3
Occupation	Owner	14	5.9	3	1.5	14	5.9
	Full-time manager	100	42.4	20	10	55	23.1
	Full-time manager/ part-time student	83	35.2	98	48.5	60	25.2
	Full-time student	26	11	39	19.3	91	38.2
	Other	13	5.5	44	20.7	18	7.6
	Other	13	5.5	44	20.7	18	7.6
Multinational status	Yes	21	8.9	39	19.1	60	25.2
	No	88	37.3	80	39.2	101	42.4
	N/A	127	53.9	85	41.7	77	32.3

There were no differences in education, although Chinese respondents tended to have a higher percentage of masters degrees (52%). Owing to the lower response rates for Chinese-mailed respondents, there was also a lower percentage of managerial respondents (10%) than those from Australia (42.4%) or Indonesia (23.1%). Accordingly, China also had the least degree of respondents who selected “owner” as an occupation (1.5%). Respondents from China (19.1%) and, in particular, Indonesia (25.2%) also had a greater tendency to work for multi-national companies.

The following sections present the results of the extent of prominence for individual stakeholders overall and for each of the attributes (legitimacy, power, and urgency) under consideration.

5.5. STAKEHOLDER PROMINENCE BY COUNTRY OF ORIGIN

Appendix F (Table 5.2–5.4) contains the scores for total stakeholder prominence (legitimacy, power, and urgency combined) across the three countries according to the country of sample. MANOVA tests for differences in stakeholder prominence at Table 5.2 between the countries were significant at the .000 level for all stakeholders² in each of the four statistics. Non-Parametric Kruskal–Wallis One-way ANOVA tests for independent samples (not shown) confirmed significant differences for the stakeholders overall ($p = .0000$) and for each stakeholder attribute based on the country of origin of the respondent with the exception of suppliers (SUPP).

Results of the Bonferroni correction for multiple comparisons shown in Table 5.3 indicate that no significant differences existed between Australia and Indonesia with respect to CUST, environmental groups (ENVGP), investors (INV), and SUPP. However, significant differences at the 0.05 level did exist between China and Australia, and China and Indonesia for five of the six stakeholders, respectively.

Mean results were obtained through the “Expert Choice” software package (as discussed in Section 3.6). As can be seen from Table 5.4, in

Table 5.2. Multivariate Test – Country of Origin.

Effect		Value	<i>F</i>	Hypothesis df	Error df	Significance
Intercept	Pillai's trace	.999	221737.62 ^a	6.000	670.000	.000
	Wilks' lambda	.001	221737.62 ^a	6.000	670.000	.000
	Hotelling's trace	1985.710	221737.62 ^a	6.000	670.000	.000
	Roy's GCR	1985.710	221737.62 ^a	6.000	670.000	.000
Country	Pillai's trace	.393	27.344	12.000	1342.000	.000
	Wilks' lambda	.619	30.214 ^a	12.000	1340.000	.000
	Hotelling's trace	.594	33.137	12.000	1338.000	.000
	Roy's GCR	.559	62.472 ^b	6.000	671.000	.000

^aExact statistic.

^bThe statistic is an upper bound on *F* that yields a lower bound on the significance level.

Table 5.3. Bonferroni Tests for Stakeholder Prominence Overall.

Dependent Variable	Country	Country	Mean Difference	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
CUST	Australia	China	.1101	1.027E-02	.000	8.546E-02	.1347
	Australia	Indonesia	1.360E-03	9.866E-03	1.000	-2.2319E-02	2.504E-02
	China	Indonesia	-.1087	1.025E-02	.000	-.1333	-8.4153E-02
EMP	Australia	China	6.327E-02	6.807E-03	.000	4.694E-02	7.961E-02
	Australia	Indonesia	4.214E-02	6.541E-03	.000	2.644E-02	5.784E-02
	China	Indonesia	-2.1134E-02	6.793E-03	.006	-3.7438E-02	-4.8309E-03
ENVGP	Australia	China	-.1011	8.249E-03	.000	-.1209	-8.1325E-02
	Australia	Indonesia	-8.0071E-03	7.927E-03	.938	-2.7032E-02	1.102E-02
	China	Indonesia	9.312E-02	8.233E-03	.000	7.336E-02	.1129
GOVT	Australia	China	-.1084	1.134E-02	.000	-.1356	-8.1153E-02
	Australia	Indonesia	-4.1371E-02	1.090E-02	.000	-6.7534E-02	-1.5208E-02
	China	Indonesia	6.701E-02	1.132E-02	.000	3.984E-02	9.418E-02
INV	Australia	China	4.083E-02	1.033E-02	.000	1.605E-02	6.562E-02
	Australia	Indonesia	6.776E-04	9.924E-03	1.000	-2.3140E-02	2.450E-02
	China	Indonesia	-4.0154E-02	1.031E-02	.000	-6.4892E-02	-1.5416E-02
SUPP	Australia	China	-4.5796E-03	4.692E-03	.988	-1.5840E-02	6.681E-03
	Australia	Indonesia	5.455E-03	4.509E-03	.680	-5.3650E-03	1.628E-02
	China	Indonesia	1.004E-02	4.683E-03	.097	-1.2035E-03	2.127E-02

Note: Based on observed means. The mean difference is significant at the .05 level.

Table 5.4. Stakeholder Prominence by Total Respondents (via Country of Sample).

Stakeholder	Australia (Respondents = 236)	China (Respondents = 204)	Indonesia (Respondents = 238)	All Respondents (Respondents = 678)
CUST	.291	.155	.275	.277
	Definitive	Demanding	Definitive	
EMP	.187	.115	.139	.142
	Dependent	None	Discretionary	
ENVGP	.069	.171	.080	.080
	None	Dependent	None	
GOVT	.127	.245	.166	.171
	Dormant	Definitive	Dormant	
INV	.237	.211	.253	.245
	Definitive	Definitive	Definitive	
SUPP	.089	.103	.087	.085
	None	None	None	
Total = 1	1	1	1	1
Overall inconsistency	.00860	.00489	0.00648	0.00494

China greater emphasis is placed on the government (GOVT) as an organisational stakeholder. Furthermore, ENVGP are seen as much more prominent there than in Australia or Indonesia, whereas the CUST is not perceived as prominently. Results were obtained within the desired inconsistency ratio of less than 0.10, remembering that this measure is useful in identifying possible errors in judgments as well as inconsistencies in the judgments themselves.

Under the Mitchell et al. (1997) typology model, stakeholders could fall into different classes (dormant, demanding, dominant), depending on whether or not they possessed prominence in each particular attribute (refer Section 3.7 for a discussion of these classes). As mentioned in Section 3.7, to assess whether each stakeholder possessed prominence with respect to each attribute in each respondent category (country and occupation) in this study, an average of 0.166 was taken for each stakeholder .

The results from Table 5.4 indicate that in Australia, both CUST and INV are seen as definitive stakeholders. That is, they possess all three attributes of legitimacy, power, and urgency (at a score above .166) and are therefore perceived as primary organisational stakeholders, in direct comparison with other stakeholders. EMP are dependent, indicating that although they have legitimacy and urgency, they lack power within a firm. GOVT) is seen as dormant, having power but no real legitimacy or urgency.

ENVGP and SUPP are not considered to be of any importance to the firm compared to other stakeholders.

However, in China, both GOVT and INV are definitive, indicating that the central organisational focus is around these two stakeholders. CUSTs only possess urgency, and therefore are demanding and considered latent. This may partly be due to the traditional non-market oriented environment of China and lack of quality control mechanisms over products. ENVGP is considered dependent (legitimacy and urgency). Mitchell et al. (1997, p. 877) identifies “dependent” stakeholders as those that “rely on the advocacy of other stakeholders ... or on the benevolence and voluntarism of the firm’s management”. Both EMP and SUPP are considered to be of no importance.

Results for Indonesia were similar to those of Australia, with CUST and INV seen as primary stakeholders within the organisation, GOVT seen as dormant (power only), a reflection of the negative attitude toward the bureaucratic structure in Indonesia, and ENVGP and SUPP not considered to be important stakeholders. However, EMP were classified as discretionary (legitimacy), and not dependent (legitimacy and urgency) as they were in Australia. This may be partly attributed to the low emphasis on industrial democracy and unions in Indonesia, where labour standards have traditionally been poor, as evidenced in the textile industry.

The above results indicate an emerging stakeholder approach in China. Greater emphasis is placed on the stakeholder who can impose the greatest harm, or threaten an organisation’s very existence, they being either the GOVT or INV. EMP, increasingly, are seen as important business assets in the West through their provision of intellectual capital, but are not seen as important in Indonesia and particularly so in China. Therefore, hypothesis H0_a has been partly validated. There were no differences between Australian and Indonesian respondents regarding the prominence of CUST, ENVGP, INV, and SUPP. However, significant differences among Australia and China and Indonesia did exist with other stakeholders. China, therefore, appeared to be distinct from both Australia and Indonesia.

With respect to the variances among stakeholders within each country (a measure of evenness of prominence), contrary to expectations, Chinese respondents had a more even distribution of stakeholder prominence than those in Australia or Indonesia. This can be viewed in Fig. 5.1, where Chinese respondents were closest to the average score of .166 for each stakeholder, assuming equality in prominence. That is, Chinese respondents perceived fewer disparities between stakeholders than Australian or

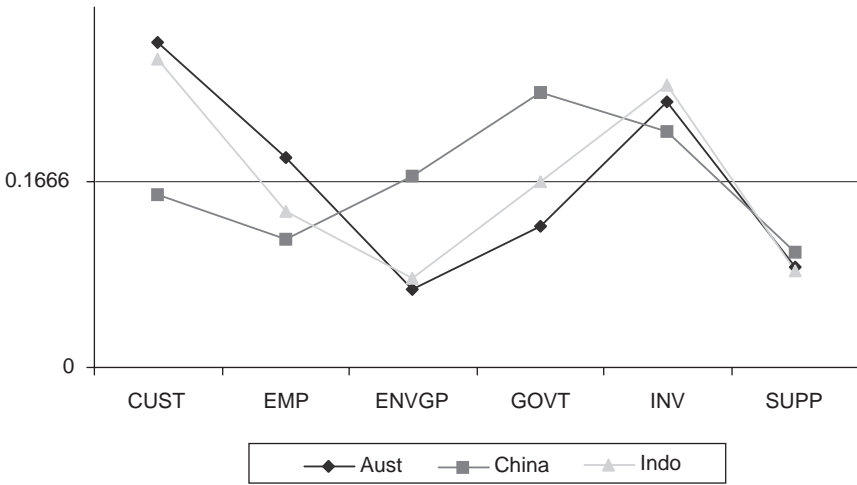


Fig. 5.1. Stakeholder Variance – Attributes Combined.

Indonesian. Fig. 5.1 is a graphical representation of the data in Table 5.4. Chinese respondents could have had less exposure and contact in a practical sense, to the broader range of stakeholders, than Australian and Indonesian respondents. As a result, attitudes regarding the legitimacy, power, and urgency toward stakeholders may be less “formed” and “solidified”, than in democratic countries which experience a greater degree of exposure to groups in the organisational process.

The greater degree of salience accorded to ENVGP in China, where they have legitimacy and urgency, may indicate recognition of the urgency of the state of the environment, although as expected, these groups do not have the necessary power to advocate their claims, due to the non-democratic nature of China; instead relying on government mechanisms to address issues.

5.6. STAKEHOLDER PROMINENCE BY OCCUPATION

Appendix F and the following eight tables (Tables 5.5–5.13) contain the scores for total stakeholder prominence (legitimacy, power, and urgency combined) based on occupation alone, and occupation via the country of origin of the respondent. MANOVA tests for differences in stakeholder

Table 5.5. Multivariate Test – Occupation Overall.

Effect		Value	<i>F</i>	Hypothesis df	Error df	Significance
Intercept	Pillai's trace	1.000	380271.786 ^a	24.000	648.000	.000
	Wilks' lambda	.000	380271.786 ^a	24.000	648.000	.000
	Hotelling's trace	14084.140	380271.786 ^a	24.000	648.000	.000
	Roy's largest root	14084.140	380271.786 ^a	24.000	648.000	.000
Occupation	Pillai's trace	.213	1.523	96.000	2604.000	.001
	Wilks' lambda	.802	1.537	96.000	2569.560	.001
	Hotelling's trace	.230	1.551	96.000	2586.000	.001
	Roy's largest root	.122	3.312 ^b	24.000	651.000	.000

^aExact statistic.^bThe statistic is an upper bound on *F* that yields a lower bound on the significance level.**Table 5.6.** Multivariate Test – Occupation and Country of Origin Combined.

Effect		Value	<i>F</i>	Hypothesis df	Error df	Significance
Intercept	Pillai's trace	1.000	257253.204 ^a	24.000	638.000	.000
	Wilks' lambda	.000	257253.204 ^a	24.000	638.000	.000
	Hotelling's trace	9677.237	257253.204 ^a	24.000	638.000	.000
	Roy's largest root	9677.237	257253.204 ^a	24.000	638.000	.000
Occupation	Pillai's trace	.130	.897	96.000	2564.000	.752
	Wilks' lambda	.876	.896	96.000	2529.945	.754
	Hotelling's trace	.135	.895	96.000	2546.000	.756
	Roy's largest root	.053	1.416 ^b	24.000	641.000	.091
Country	Pillai's trace	.273	4.211	48.000	1278.000	.000
	Wilks' lambda	.740	4.322 ^a	48.000	1276.000	.000
	Hotelling's trace	.334	4.434	48.000	1274.000	.000
	Roy's largest root	.269	7.160 ^b	24.000	639.000	.000
Occupation × Country	Pillai's trace	.305	1.067	192.000	5160.000	.254
	Wilks' lambda	.731	1.065	192.000	4876.315	.259
	Hotelling's trace	.321	1.064	192.000	5090.000	.264
	Roy's largest root	.086	2.310 ^b	24.000	645.000	.000

^aExact statistic.^bThe statistic is an upper bound on *F* that yields a lower bound on the significance level.

Table 5.7. Bonferroni Tests via Occupation Overall.

Dependent Variable	OCCUPATN	OCCUPATN	Mean Difference	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
ALLCUS	Owner	Student	7.033E-02	2.293E-02	.022	5.755E-03	.1349
	Owner	Other	9.171E-02	2.500E-02	.003	2.131E-02	.1621
	Manager	Student	4.173E-02	1.284E-02	.012	5.572E-03	7.790E-02
ALLEMP	Manager	Other	6.311E-02	1.625E-02	.001	1.735E-02	.1089
	Manager	Manager/student	2.455E-02	7.420E-03	.010	3.653E-03	4.545E-02
	Manager	Student	2.768E-02	8.226E-03	.008	4.516E-03	5.085E-02
ALLENV	Manager	Other	4.623E-02	1.041E-02	.000	1.691E-02	7.554E-02
	Owner	Other	-6.6650E-02	2.057E-02	.013	-.1246	-8.7175E-03
	Manager	Manager/student	-2.6521E-02	9.530E-03	.055	-5.3360E-02	3.183E-04
ALLGOV	Manager	Other	-4.7539E-02	1.337E-02	.004	-8.5192E-02	-9.8862E-03
	Owner	Manager/student	-7.9067E-02	2.365E-02	.009	-.1457	-1.2449E-02
	Owner	Student	-7.4638E-02	2.438E-02	.023	-.1433	-5.9829E-03
ALLINV	Owner	Other	-.1286	2.658E-02	.000	-.2035	-5.3771E-02
	Manager	Other	-7.7926E-02	1.727E-02	.000	-.1266	-2.9280E-02
	Man/Stu	Other	-4.9550E-02	1.656E-02	.029	-9.6193E-02	-2.9063E-03
	Student	Other	-5.3979E-02	1.758E-02	.022	-.1035	-4.4691E-03
	Student	Other	4.148E-02	1.542E-02	.073	-1.9466E-03	8.490E-02

Notes: Based on observed means – Significant relationships shown only. The mean difference is significant at the .05 level.

Table 5.8. Bonferroni Tests via Country.

Dependent Variable	Country	Country	Mean Difference	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
ALLCUST	Australia	China	.1102	1.022E-02	.000	8.572E-02	.1348
	Australia	Indonesia	1.360E-03	9.791E-03	1.000	-2.2139E-02	2.486E-02
	China	Indonesia	-.1089	1.020E-02	.000	-.1333	-8.4406E-02
ALLEMP	Australia	China	6.301E-02	6.843E-03	.000	4.659E-02	7.944E-02
	Australia	Indonesia	4.214E-02	6.559E-03	.000	2.640E-02	5.788E-02
	China	Indonesia	-2.0875E-02	6.830E-03	.007	-3.7268E-02	-4.4824E-03
ALLENVGP	Australia	China	-.1010	8.253E-03	.000	-.1208	-8.1149E-02
	Australia	Indonesia	-8.0071E-03	7.910E-03	.935	-2.6991E-02	1.098E-02
	China	Indonesia	9.295E-02	8.237E-03	.000	7.318E-02	.1127
ALLGOVT	Australia	China	-.1086	1.123E-02	.000	-.1355	-8.1635E-02
	Australia	Indonesia	-4.1371E-02	1.076E-02	.000	-6.7195E-02	-1.5547E-02
	China	Indonesia	6.721E-02	1.121E-02	.000	4.032E-02	9.410E-02
ALLINV	Australia	China	4.078E-02	1.033E-02	.000	1.599E-02	6.558E-02
	Australia	Indonesia	6.776E-04	9.899E-03	1.000	-2.3082E-02	2.444E-02
	China	Indonesia	-4.0106E-02	1.031E-02	.000	-6.4849E-02	-1.5364E-02
ALLSUPP	Australia	China	-4.3694E-03	4.715E-03	1.000	-1.5685E-02	6.946E-03
	Australia	Indonesia	5.455E-03	4.518E-03	.683	-5.3892E-03	1.630E-02
	China	Indonesia	9.825E-03	4.705E-03	.112	-1.4687E-03	2.112E-02

Note: Based on observed means. The mean difference is significant at the .05 level.

Table 5.9. Stakeholder Prominence by Owner.

Stakeholder	Australia (Respondents = 13)	China (Respondents = 3)	Indonesia (Respondents = 13)	All Owners (Respondents = 29)
CUST	.312	.101	.343	.299
	Definitive	None	Definitive	
EMP	.175	.161	.118	.151
	Dormant	Discretionary	None	
ENVGP	.068	.122	.049	.065
	None	None	None	
GOVT	.08	.331	.094	.103
	None	Definitive	None	
INV	.278	.179	.286	.280
	Definitive	Dangerous	Definitive	
SUPP	.087	.106	.110	.102
	None	None	None	
Total = 1	1	1	1	1
Overall inconsistency	.02145	.04573	.01555	0.01230

Table 5.10. Stakeholder Prominence by Manager.

Stakeholder	Australia (Respondents = 101)	China (Respondents = 20)	Indonesia (Respondents = 53)	All Managers (Respondents = 175)
CUST	.292	.140	.281	.269
	Definitive	None	Definitive	
EMP	.199	.128	.142	.174
	Definitive	None	Discretionary	
ENVGP	.067	.212	.079	.083
	None	Definitive	None	
GOVT	.126	.231	.161	.149
	Dormant	Definitive	Dormant	
INV	.229	.199	.251	.237
	Definitive	Definitive	Definitive	
SUPP	.087	.09	.086	.089
	None	None	None	
Total = 1	1	1	1	1
Overall inconsistency	.01036	.01661	.00665	.00602

Table 5.11. Stakeholder Prominence by Full-Time Manager/Part-Time Student.

Stakeholder	Australia (Respondents = 83)	China (Respondents = 101)	Indonesia (Respondents = 61)	All Full-Time Managers/Part-Time Students (Respondents = 241)
CUST	.306 Definitive	.159 Demanding	.317 Definitive	.243
EMP	.177 Dependent	.113 None	.138 None	.143
ENVGP	.065 None	.177 Dependent	.068 None	.104
GOVT	.134 Dormant	.233 Definitive	.164 Dormant	.183
INV	.230 Definitive	.218 Definitive	.239 Definitive	.236
SUPP	.086 None	.100 None	.074 None	.092
Total = 1	1	1	1	1
Overall inconsistency	.00813	.00502	.01043	.00494

Table 5.12. Stakeholder Prominence by Full-Time Student.

Stakeholder	Australia (Respondents = 26)	China (Respondents = 39)	Indonesia (Respondents = 94)	All Students (Respondents = 156)
CUST	.250 Definitive	.168 Dependent	.236 Definitive	.221
EMP	.185 Dependent	.120 None	.137 None	.14
ENVGP	.083 None	.148 Discretionary	.094 None	.104
GOVT	.131 Dormant	.207 Dangerous	.190 Dormant	.185
INV	.262 Definitive	.250 Definitive	.251 Definitive	.255
SUPP	.089 None	.106 None	.093 None	.096
Total = 1	1	1	1	1
Overall inconsistency	.01726	.00688	.00729	.00394

Table 5.13. Stakeholder Prominence by “Other” Occupations.

Stakeholder	Australia (Respondents = 13)	China (Respondents = 41)	Indonesia (Respondents = 16)	All Other (Respondents = 70)
CUST	.242	.142	.277	.190
	Definitive	None	Definitive	
EMP	.165	.101	.162	.129
	Dependent	None	Discretionary	
ENVGP	.084	.161	.080	.127
	None	Definitive	None	
GOVT	.141	.320	.124	.233
	Dormant	Definitive	Dormant	
INV	.251	.169	.27	.211
	Definitive	Definitive	Definitive	
SUPP	.117	.109	.087	.109
	None	None	None	
Total = 1	1	1	1	1
Overall inconsistency	.01546	.00980	.01947	.00518

prominence between the occupations (Table 5.5) in general were significant at the 0.000 level for all stakeholders in each of the four statistics. Non-Parametric Kruskal–Wallis tests for independent samples confirmed the above significant differences for stakeholders overall, and for each stakeholder attribute based on the occupation of the respondent.

When MANOVA tests were run on respondents for the combined factors of country and occupation (see Table 5.6), no significant differences existed between perceptions of stakeholder prominence overall with the exception of the Roy’s GCR statistic. That is, no significant differences occurred when examined through the combined factors of occupation and country.

Post-hoc range tests and pairwise multiple comparisons using the Bonferroni correction statistic for tests based on occupation of the respondent (Table 5.7), indicated significant differences in prominence amongst most stakeholders, in particular GOVT and CUST. However, significant differences between the identified occupations in the Bonferroni test could, in part, be driven by differences between the countries themselves. This was not evident in Table 5.19 as all dependent variables were run together including the non-significant variables, which would have confounded the effect of the relationship.

With respect to the Bonferroni correction statistic for tests on country (Table 5.8), that is, whether the effects of the country of origin result in

significant differences in stakeholder prominence, results indicate that again, differences existed between Australian and Chinese respondents and Chinese and Indonesian respondents in most stakeholders, but not between Australian and Indonesian respondents. As highlighted in Section 3.10, the Bonferroni correction procedure conservatively calculates probabilities and results in fewer false positives than achieved strictly under *t*-tests.

The following five tables (Tables 5.9–5.13) indicate differences in the perceived level of overall stakeholder prominence (legitimacy, power, and urgency) across the three countries based on the respondent's occupation. As with the previous tables on overall stakeholder prominence, scores based on occupation were achieved through the AHP and each stakeholder is categorised into one of the eight stakeholder classes (see Section 3.7), depending on the strength of the perceived attribute (i.e., >0.166).

Because of the large number of paired samples between the countries, Scheffe's test of difference for multiple comparisons was used instead of Bonferroni. Mean differences in Table 5.9, can be observed for all stakeholders by the "owner" respondent, although because of the low sample compared to that overall, they are not at any level of significance, and cannot be applicable in a wider context. However, all were within the desired inconsistency level of 0.10. Analysis through stakeholder typology indicated that owners tended to be more polarised with respect to the prominence of stakeholders. Three of the six stakeholders in Australia were of no importance to organisations compared to two for respondents overall. Four of the six stakeholders in Indonesia were seen as of no real importance to organisations (compared to two for respondents overall). More importantly, for both Australian and Indonesian owners, CUST and INV were more prominent than other stakeholders.

With respect to managers, Table 5.10 indicates that CUST and INV are seen as more prominent stakeholders. There were significant differences found on Scheffe's test of multiple comparisons at the 0.05 level for multiple comparisons between Australian and Chinese managers, and Chinese and Indonesian managers, with respect to CUST and ENVGP. Analysis through typology indicated yet again that INV were seen as primary stakeholders in all three countries. Interestingly, ENVGP were seen as definitive (all three attributes) in China. Therefore managers perceived this particular stakeholder as being of prime importance to the firm, compared to owners who saw them as being of no importance. EMP, however, were of more importance to Australian and Indonesian managers than owners.

Australian and Indonesian respondents who were both managers and students (Table 5.11) indicated a strong preference for CUST as a preferred stakeholder. Significant differences at the 0.05 level existed between Australian and Chinese manager/student respondents with respect to CUST, EMP, ENVGP, and GOVT, and between Chinese and Indonesian full-time manager/part-time student respondents with respect to CUST and ENVGP.

Table 5.12 indicates results for full-time student respondents. Scheffe's test indicated that no significant differences existed between students of the three countries with regard to stakeholder prominence. However, mean differences were evident once again between Chinese respondents and those of Australia and Indonesia. Interestingly, INV are seen as prominent in China, as they are in Australia and Indonesia. In terms of stakeholder typology, CUST had all the attributes of a definitive stakeholder in Australia and Indonesia but not in China. EMP were dependent in AUST but did not rate in China or Indonesia in any of the three attributes. ENVGP were discretionary (legitimacy) in China.

Respondents in "other" occupations (Table 5.13) included personal investors, and assistants, and other respondents who may not have had the title of "manager" or "student". Significant differences did exist between Chinese and Indonesian respondents with respect to GOVT.

Bonferroni tests of analysis of differences via occupation overall (Table 5.7) indicated that no differences existed among any of the occupations within a particular country (i.e., between Australian managers and Australian managerial students, or between Indonesian managers and Indonesian managerial students). However, certain significant differences did occur across countries. Therefore the null hypothesis H_{0b} of no significant difference between stakeholders based on occupation, was partially rejected in that differences did occur with respect to stakeholder prominence based on occupation between countries, but not within a country, indicating a country effect. Although it would be too tedious to graph all comparisons, noteworthy differences did exist between Chinese managers and managers/students, and students against "Other" occupations in Australia and Indonesia with regard to CUST and ENVGP. Differences between Indonesian owners, managers and managers/students (not graphed) occurred predominantly with respondents who were of Chinese origin.

As can be seen from the next three sections, similar differences between respondents based on occupation and country of origin were apparent with respect to the individual attributes of legitimacy, power, and urgency.

5.7. STAKEHOLDER LEGITIMACY

Tests between subject effects on MANOVA in Table 5.14, indicated significant differences between countries at the 0.5 level with respect to perceived legitimacy, for all stakeholders with the exception of SUPP. This has led to a rejection of the null hypothesis at H_{0c} that no difference existed between countries with respect to the legitimacy of all stakeholders.

Further Bonferroni correction statistics in Table 5.15 indicated that with the exception of SUPP, significant differences at the .00 level existed between Australia and China, and China and Indonesia, but once again, did not exist between Australia and Indonesia, with regard to the legitimacy of the remaining stakeholders.

With respect to the intercountry legitimacy of individual shareholders, results indicated that significant differences did exist between China and the other two countries.

With regard to stakeholder legitimacy, Table 5.16 indicates that CUST, EMP, and INV are seen as more legitimate in Australia and Indonesia, than in China. Legitimacy refers to “socially accepted and expected structures or behaviours”. Reasons may include a less market-oriented economy in China, as well as an absence of unions. Developed market economies such as Australia have a greater customer focus and attention to return on investment, than do transitional or developing economies. However, GOVT and ENVGP in China were seen as more legitimate than in Indonesia and Australia. This may be due to the major role GOVT has in Chinese society, in co-ordinating both economic and social change and the perceived legitimate role ENVGP have in highlighting environmental concerns.

SUPP are seen as the least legitimate stakeholder across all countries and do not have any variation. With respect to stakeholder legitimacy variance

Table 5.14. Tests of Between Subject Effects – Legitimacy.

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Significance
Corrected model	LEGCUST	.211	2	.105	58.495	.000
	LEGEMP	8.762E-02	2	4.381E-02	42.821	.000
	LEGENVGP	.300	2	.150	101.701	.000
	LEGGOVT	.183	2	9.168E-02	46.101	.000
	LEGINV	5.121E-02	2	2.561E-02	13.100	.000
	LEGSUPP	2.897E-04	2	1.448E-04	.396	.673

Table 5.15. Bonferroni Tests on Stakeholder Legitimacy.

Variable	Country		Mean Difference (I-J)	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
LEGCUST	Australia	China	3.707E-02*	4.056E-03	.000	2.734E-02	4.680E-02
	Australia	Indonesia	-2.5506E-03	3.897E-03	1.000	-1.1903E-02	6.802E-03
	China	Indonesia	-3.9622E-02*	4.048E-03	.000	-4.9336E-02	-2.9908E-02
LEGEMP	Australia	China	2.818E-02*	3.058E-03	.000	2.085E-02	3.552E-02
	Australia	Indonesia	1.521E-02*	2.938E-03	.000	8.156E-03	2.226E-02
	China	Indonesia	-1.2976E-02*	3.052E-03	.000	-2.0301E-02	-5.6518E-03
LEGENVGP	Australia	China	-4.6989E-02*	3.669E-03	.000	-5.5794E-02	-3.8184E-02
	Australia	Indonesia	-2.4092E-03	3.526E-03	1.000	-1.0870E-02	6.052E-03
	China	Indonesia	4.458E-02*	3.662E-03	.000	3.579E-02	5.337E-02
LEGGOVT	Australia	China	-3.9979E-02*	4.263E-03	.000	-5.0211E-02	-2.9748E-02
	Australia	Indonesia	-1.1128E-02*	4.097E-03	.020	-2.0960E-02	-1.2958E-03
	China	Indonesia	2.885E-02*	4.255E-03	.000	1.864E-02	3.906E-02
LEGINV	Australia	China	1.927E-02*	4.227E-03	.000	9.126E-03	2.941E-02
	Australia	Indonesia	6.562E-04	4.062E-03	1.000	-9.0912E-03	1.040E-02
	China	Indonesia	-1.8613E-02*	4.218E-03	.000	-2.8738E-02	-8.4894E-03
LEGSUPP	Australia	China	1.602E-03	1.828E-03	1.000	-2.7861E-03	5.990E-03
	Australia	Indonesia	5.024E-04	1.757E-03	1.000	-3.7141E-03	4.719E-03
	China	Indonesia	-1.0994E-03	1.825E-03	1.000	-5.4789E-03	3.280E-03

*Significant at 0.0000.

Table 5.16. Stakeholder Legitimacy Across All Respondents.

Stakeholder	Australia (Respondents = 236)	China (Respondents = 204)	Indonesia (Respondents = 238)	Overall (Respondents = 678)
CUST	.271	.148	.271	.274
EMP	.221	.126	.170	.174
ENVGP	.072	.218	.079	.081
GOVT	.094	.211	.119	.120
INV	.252	.202	.269	.259
SUPP	.091	.096	.093	.092
Total = 1	1	1	1	1
Overall inconsistency	.00860	.00489	.00648	.00494

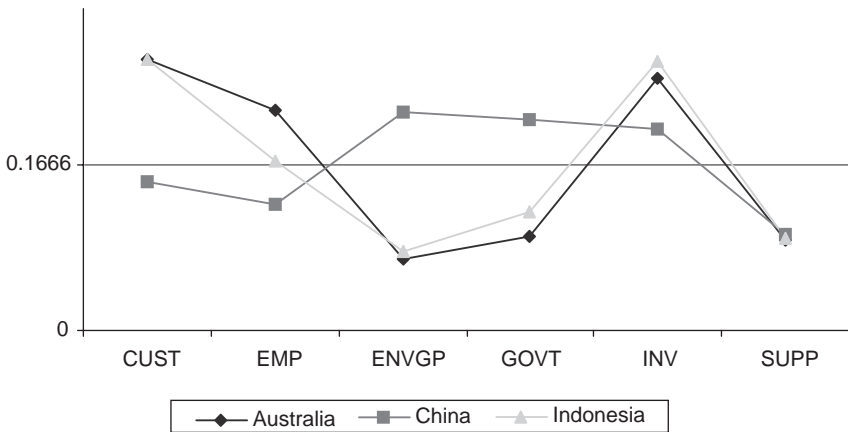


Fig. 5.2. Stakeholder Legitimacy Variance.

between countries, Chinese respondents tended to have a slightly more even view regarding the legitimacy of stakeholders (see Fig. 5.2). That is, there were more disparities in the distribution of legitimacy between stakeholders in Australia and Indonesia than in China. Therefore differences did exist between Chinese respondents and those of Australia and Indonesia. Fig. 5.2 is a graphical representation of the data in Table 5.16.

Despite the belief that a more economically and socially developed society may have allowed for stakeholder emancipation in the democratic sense, thus distributing legitimacy evenly across stakeholders, the results did not support this view. This could be partially attributable to the greater visibility

of all stakeholders in developed countries, and thus a more solidified perception of their legitimacy. Furthermore, there is from an organisational sense, in Western democracies, a perception of radicalism and militancy inherent within certain environment groups and unions (who represent employees), and a view of government as too overbearing and regulative. This may impact upon legitimacy. In centrally controlled societies, however, government (albeit a mandatory one) is seen as a central mechanism by which to guide and oversee the daily lives of individuals, organisations, and society, and each group is interrelated to another in the schemata of the organisation.

5.8. STAKEHOLDER POWER

Tests between subjects' effects on MANOVA in Table 5.17, indicated significant differences between countries at the 0.5 level with respect to perceived power, for all stakeholders with the exception once again of SUPP. This has led to a rejection in the null hypothesis at H_{0d} that no difference existed between countries with respect to the power of all stakeholders.

Bonferroni correction statistics in Table 5.18 indicated that with the exception of SUPP, significant differences existed between Australia and China, and China and Indonesia, but not between Australia and Indonesia with respect to CUST, ENVGP, and INV, with regard to the power of the remaining stakeholders. Furthermore differences did exist between China and the other two countries with respect to the intercountry power of all shareholders.

Table 5.17. Test of Between Subject Effects – Power.

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	<i>F</i>	Significance
Corrected model	POWCUST	.121	2	6.047E-02	30.658	.000
	POWEMP	4.146E-02	2	2.073E-02	24.394	.000
	POWENVGP	5.472E-02	2	2.736E-02	30.497	.000
	POWGOVT	.179	2	8.964E-02	32.436	.000
	POWINV	3.030E-02	2	1.515E-02	8.049	.000
	POWSUPP	1.710E-03	2	8.552E-04	2.152	.117

Table 5.18. Bonferroni Tests on Stakeholder Power.

Variable	Country		Mean Difference (I-J)	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
POWCUST	Australia	China	3.020E-02*	4.246E-03	.000	2.001E-02	4.039E-02
	Australia	Indonesia	2.303E-03	4.080E-03	1.000	-7.4891E-03	1.209E-02
	China	Indonesia	-2.7899E-02*	4.238E-03	.000	-3.8069E-02	-1.7729E-02
POWEMP	Australia	China	1.891E-02*	2.787E-03	.000	1.222E-02	2.560E-02
	Australia	Indonesia	1.265E-02*	2.678E-03	.000	6.223E-03	1.908E-02
	China	Indonesia	-6.2605E-03	2.781E-03	.074	-1.2936E-02	4.147E-04
POWENVGP	Australia	China	-2.0111E-02*	2.864E-03	.000	-2.6984E-02	-1.3239E-02
	Australia	Indonesia	-1.0917E-03	2.752E-03	1.000	-7.6955E-03	5.512E-03
	China	Indonesia	1.902E-02*	2.858E-03	.000	1.216E-02	2.588E-02
POWGOVT	Australia	China	-4.0238E-02*	5.026E-03	.000	-5.2300E-02	-2.8177E-02
	Australia	Indonesia	-1.4958E-02*	4.829E-03	.006	-2.6548E-02	-3.3684E-03
	China	Indonesia	2.528E-02*	5.016E-03	.000	1.324E-02	3.732E-02
POWINV	Australia	China	1.383E-02*	4.147E-03	.003	3.872E-03	2.378E-02
	Australia	Indonesia	-1.3841E-03	3.985E-03	1.000	-1.0949E-02	8.181E-03
	China	Indonesia	-1.5210E-02*	4.139E-03	.001	-2.5144E-02	-5.2757E-03
POWSUPP	Australia	China	-2.4277E-03	1.906E-03	.609	-7.0013E-03	2.146E-03
	Australia	Indonesia	1.501E-03	1.831E-03	1.000	-2.8940E-03	5.896E-03
	China	Indonesia	3.929E-03	1.902E-03	.118	-6.3608E-04	8.493E-03

*Significant at 0.0000.

Results from Table 5.19 indicate that directional scores for stakeholders in the three countries are similar for power as they are for legitimacy. EMP are not as prominent among the countries with respect to power as they are with legitimacy.

The power of ENVGP in China is not as strong as their legitimacy, although they are still perceived as being more powerful than in Australia or Indonesia. Also, GOVT is seen as being more powerful in all three countries than being legitimate.

Not unexpectedly, with respect to variance, Chinese respondents perceived a greater disparity between the power of stakeholders (see Fig. 5.3), than did

Table 5.19. Stakeholder Power Across All Respondents.

Stakeholder	Australia (Respondents = 236)	China (Respondents = 204)	Indonesia (Respondents = 238)	Overall (Respondents = 678)
CUST	.267	.143	.248	.244
EMP	.154	.087	.109	.109
ENVGP	.072	.123	.070	.069
GOVT	.179	.329	.226	.236
INV	.249	.218	.264	.259
SUPP	.086	.099	.083	.082
Total = 1	1	1	1	1
Overall inconsistency	.00860	.00489	.00648	.00494

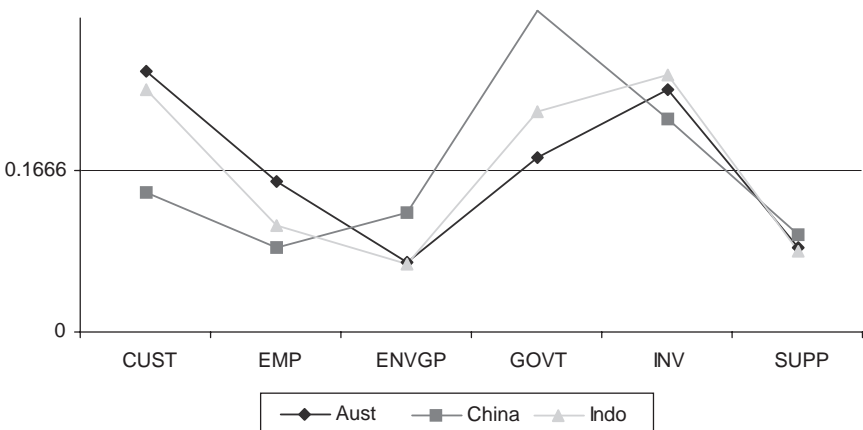


Fig. 5.3. Stakeholder Power Variance.

their Australian and Indonesian counterparts. Fig. 5.3 is a graphical representation of the data shown in Table 5.19. Therefore, differences existed between Chinese respondents and those of Australia and Indonesia with respect to stakeholder variances. However, unlike the differences in legitimacy, these differences were in the anticipated direction. That is, a more even distribution of power is perceived between stakeholders by Indonesian, and in particular Australian respondents, than by Chinese respondents.

This is partly attributable to the prominent role of GOVT in China, along with the absence of a strong industrial relations framework in both China and Indonesia. Furthermore, the entrenchment of democratic concepts in developed countries results in power being exercised by most stakeholders, a result of the extent of moral dialogue undertaken. Power, however, would most often be in the “utilitarian” form, being the ability to command material and financial resources. In developing countries, such as China and Indonesia, stakeholders do not have the material or financial means to express power. Power can therefore become coercive and centralised in the hands of parties that can command resources, such as GOVT or INV.

5.9. STAKEHOLDER URGENCY

Tests between subject effects on MANOVA shown in Table 5.20 indicated significant differences between countries at the 0.05 level with respect to perceived urgency, for all stakeholders with the exception of INV. This has led to a rejection in the null hypothesis at H_0 , that no difference existed between countries with respect to the urgency of all stakeholders.

Table 5.20. Test of Between Subject Effects – Urgency.

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Significance
Corrected model	URGCUST	.249	2	.124	53.823	.000
	URGEMP	3.409E-02	2	1.704E-02	18.170	.000
	URGENVGP	.137	2	6.843E-02	45.619	.000
	URGGOVT	8.483E-02	2	4.241E-02	19.650	.000
	URGINV	6.917E-03	2	3.459E-03	1.881	.153
	URGSUPP	5.186E-03	2	2.593E-03	4.748	.009

Bonferroni correction statistics in [Table 5.21](#) indicated that once again significant differences existed between Australia and China, and China and Indonesia with regard to the urgency of individual stakeholders, but not between Australia and Indonesia. These are similar to previous results on legitimacy and power.

Results from [Table 5.22](#) indicate that directional scores for stakeholders from the AHP in the three countries are similar for urgency as they are for legitimacy and power. The claims of CUST were seen as more urgent (time sensitive and critical) in Australia and Indonesia than they were in China. Consumer focus appears, therefore, to be of paramount importance in Australia and Indonesia. In China, however, the claims of GOVT were not seen as urgent as they were legitimate or powerful. This is understandable given that the claims of GOVT in an authoritarian centrally planned economy are addressed on a constant basis, even in an organisational-decision context.

With respect to variance, Chinese respondents perceived less of a disparity between the urgency of stakeholders (see [Fig. 5.4](#)) than did their Australian and Indonesian counterparts. [Fig. 5.4](#) is a graphical representation of the data in [Table 5.22](#).

Differences in stakeholder urgency variance between countries are contrary to expectations, but mirror to a large degree the directional results of the variance in legitimacy. Chinese respondents perceived less criticality in the needs of their stakeholders. This may be due to the perception that the needs of their stakeholders are being met. However, it may be a signal that the factors underlying stakeholder claims are not being perceived in a time-sensitive manner or being recognised by decision makers within the organisation or the broader community. This, in turn, could be a function of the lack of democratic constructs that bring to the fore the critical nature of stakeholder claims. That is, respondents may not perceive EMP claims as being of a critical nature if labour-related issues are not given the same degree of coverage as GOVT issues. [Table 5.23](#) provides a tabular summary of the hypotheses on stakeholder prominence overall and individually through each attribute that was previously established in [Section 4.5](#).

5.10. OVERVIEW OF THE RESULTS

Results overall indicate partial rejection of the null hypotheses presented for stakeholder prominence. Greater disparity in mean values was evident in particular between Australian and Chinese respondents, and Chinese and Indonesian respondents, but not between Australian and Indonesian

Table 5.21. Bonferroni Tests on Stakeholder Urgency.

Variable	Country		Mean Difference (I-J)	Standard Error	Significance	95% Confidence Interval	
						Lower bound	Upper bound
URGCUST	Australia	China	4.274E-02*	4.597E-03	.000	3.170E-02	5.377E-02
	Australia	Indonesia	1.986E-03	4.418E-03	1.000	-8.6160E-03	1.259E-02
	China	Indonesia	-4.0749E-02*	4.588E-03	.000	-5.1761E-02	-2.9738E-02
URGEMP	Australia	China	1.547E-02*	2.928E-03	.000	8.445E-03	2.250E-02
	Australia	Indonesia	1.432E-02*	2.814E-03	.000	7.571E-03	2.108E-02
	China	Indonesia	-1.1485E-03	2.922E-03	1.000	-8.1618E-03	5.865E-03
URGENVGP	Australia	China	-3.2817E-02*	3.702E-03	.000	-4.1702E-02	-2.3931E-02
	Australia	Indonesia	-4.1191E-03	3.558E-03	.742	-1.2658E-02	4.419E-03
	China	Indonesia	2.870E-02*	3.695E-03	.000	1.983E-02	3.757E-02
URGGOVT	Australia	China	-2.7713E-02*	4.441E-03	.000	-3.8372E-02	-1.7053E-02
	Australia	Indonesia	-1.5115E-02*	4.268E-03	.001	-2.5357E-02	-4.8719E-03
	China	Indonesia	1.260E-02*	4.433E-03	.014	1.960E-03	2.324E-02
URGINV	Australia	China	7.094E-03	4.099E-03	.252	-2.7438E-03	1.693E-02
	Australia	Indonesia	2.660E-04	3.939E-03	1.000	-9.1871E-03	9.719E-03
	China	Indonesia	-6.8277E-03	4.091E-03	.287	-1.6646E-02	2.991E-03
URGSUPP	Australia	China	-3.4081E-03	2.234E-03	.383	-8.7699E-03	1.954E-03
	Australia	Indonesia	3.455E-03	2.147E-03	.324	-1.6977E-03	8.607E-03
	China	Indonesia	6.863E-03*	2.230E-03	.007	1.511E-03	1.221E-02

*Significant at 0.0000.

Table 5.22. Stakeholder Urgency Across All Respondents.

Stakeholder	Australia (Respondents = 236)	China (Respondents = 204)	Indonesia (Respondents = 238)	Overall (Respondents = 678)
CUST	.334	.173	.307	.314
EMP	.186	.132	.140	.141
ENVGP	.070	.173	.089	.089
GOVT	.110	.196	.152	.155
INV	.212	.214	.227	.217
SUPP	.089	.112	.085	.083
Total = 1	1	1	1	1
Overall inconsistency	.00860	.00489	.00648	.00494

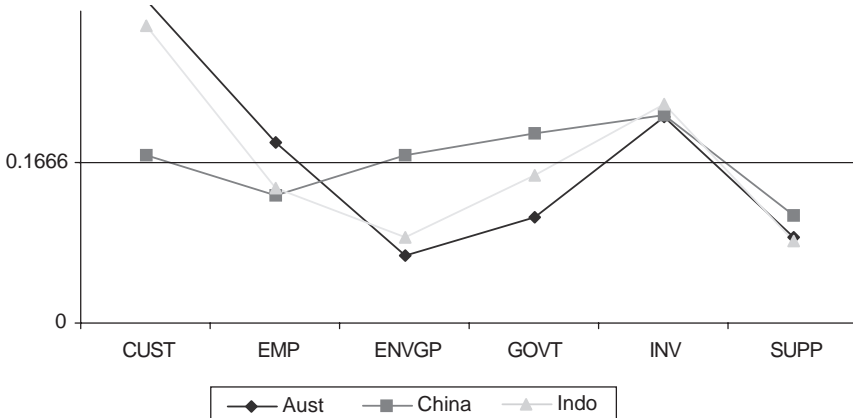


Fig. 5.4. Stakeholder Urgency Variance.

respondents. The results suggest that overall the attitudes of Chinese respondents were different from their Australian and Indonesian counterparts. However the low response rates are a limitation of the results, in particular with respondents who were mailed a survey, so caution must be made as to the applicability of the results in a wider context.

Chinese respondents, regardless of occupation, placed greater prominence on ENVGP, INV, and GOVT as stakeholders. In particular, the legitimacy and power of GOVT were more evident, due in part to the role of the state in both economic and social affairs. INV likewise, were considered a definitive stakeholder, possessing all three attributes. The prominence

Table 5.23. Summary of Results on Stakeholder Prominence.

Stakeholder Results	Table	Section
<i>Overall prominence based on country – H0_a</i>		
Null hypothesis partially rejected – Chinese respondents perceived a more even prominence between stakeholder groups than Australian and Indonesian respondents, and placed a greater importance on both GOVT and INV. There were fewer differences between Australian and Indonesian respondents.	Table 5.2 Table 5.3 Table 5.4	5.5
<i>Overall prominence based on occupation – H0_b</i>		
Null hypothesis partially rejected – Differences occurred within an occupation across countries (i.e., Owner in Australia/China/Indonesia) but not across occupations within a country (i.e., Owner/manager/student in Australia). Both managerial students and managers in China perceived ENVGP, GOVT, and INV as more prominent than respondents in Australia and China did.	Table 5.5–5.13	5.6
<i>Legitimacy based on country – H0_c</i>		
Null hypothesis rejected – Significant differences occurred between Australia and China and China and Indonesia. China respondents perceived greater legitimacy to ENVGP, GOVT, and INV, whereas Australia and Indonesia favoured CUST and INV. Contrary to expectations, China respondents had less disparity in legitimacy between stakeholders.	Table 5.14–5.16	5.7
<i>Power based on country – H0_d</i>		
Null hypothesis rejected – Significant differences occurred between Australia and China and China and Indonesia. China respondents perceived greater power particularly to GOVT and then INV, whereas Australia and Indonesia favoured CUST, GOVT and INV. EMP in all countries, and ENVGP in China, being not as powerful as they were legitimate. As expected, China respondents had greater disparity in power between stakeholders.	Table 5.17–5.19	5.8
<i>Urgency based on country – H0_e</i>		
Null hypothesis rejected – Significant differences occurred between Australia and China and China and Indonesia. China respondents perceived greater urgency to INV and then GOVT, whereas Australia and Indonesia in particular saw CUST as very urgent. SUPP in all countries, like legitimacy and power, were not as urgent as other stakeholders. Contrary to expectations, China respondents had less disparity in urgency between stakeholders.	Table 5.20–5.22	5.9

accorded to ENVGP in China does seem to contradict a strict development-based approach to stakeholder theory, which would view non-traditional stakeholders as having low prominence. However, the prominence with respect to legitimacy and urgency may be attributable to the fact that NGOs, including environmental groups, need to be registered in China. As such, these NGOs are “screened” and in turn are seen as having been accorded a degree of legitimacy, compared to respondents in developed countries who may perceive certain NGOs, who do not come under the influence of government as “radical”. This is coupled with the fact that anxiety surrounds the continued pollution of the natural environment, heightening their urgency. Both EMP and SUPP were not considered important, with scores for each stakeholder well below the 0.166 average overall and for each individual attribute. Interestingly, CUST were only considered “demanding”, possessing urgency, but not legitimacy or power, in relation to other stakeholders, indicative of economies in transition to market-based societies where customer focus is low.

Australian respondents, however, placed greater emphasis on CUST and INV as prominent or “definitive” (strong in all three attributes) stakeholders, indicative of a customer-oriented market economy. ENVGP were not considered prominent based on overall or individual attributes. Like Chinese respondents, SUPP did not possess strength in any attribute. EMP did have legitimacy and urgency (dependent) but not power, which made them more prominent than those in China or Indonesia, and is reflective of a greater level of industrial democracy. This is also consistent with the argument in Section 4.4.3 that moral dialogue, which is more predominant in countries with democratic concepts, provides a basis on which to foster “value talks” on essential moral universals, such as the right to a fair wage, and appropriate health and safety requirements. In contrast to China, GOVT was seen as dormant (power without legitimacy or urgency), indicating a lower tendency toward perceiving government as a source of authority. From an organisational perspective, this may signify that the greater the social development of the nation, the lesser the role GOVT (as a traditional organisational constituent through its collection of taxes) has in influencing organisational behaviour from a philosophical perspective, yet still possessing the ability to sanction organisations through a highly regulated and structured taxation system. While Australian respondents perceived GOVT as somewhat powerful, the score was not as high in China or Indonesia. This may be due to greater faith in the bureaucratic structure, evidenced through a reduction in the perception of bribery (see Table 4.6 in Chapter 4) to government officials, and more

developed and transparent government frameworks for facilitating economic and industrial activity in Australia. As such, organisations in developed nations operate in a more dynamic environment, where government interplays with other variables such as debt and capital markets and professional bodies, to influence corporate behaviour.

Indonesian respondents mirrored to a large degree the attitudes of Australian respondents, in that both CUST and INV were seen as definitive. Similarities could be based on the fact that in both Australia and Indonesia there was a greater response by managers to the questionnaire and respondents were often older, than in China. EMP were seen as discretionary (legitimate), but were not as prominent in the attribute of urgency for Indonesian respondents as for Australian respondents, signalling that the claims of employees are still not considered to be of great significance to Indonesian respondents and ENVGP were not seen as being prominent in any attribute. Interestingly, GOVT was seen as dormant, that is, being prominent in power only, but not in legitimacy or urgency, indicative once again of the history of autocratic rule, perceptions of bribery in business affairs, and quite possibly, the role of the military in government. As in Australia and China, SUPP were not considered prominent in any attribute in Indonesia.

Results based on occupation did indicate significant differences with respect to the prominence of GOVT and CUST, in particular between owners and the remaining respondents, and managers and the remaining respondents (Table 5.7). When examined with the combined variables of country and occupation (Table 5.6), no differences were evident in three of the four statistics. In terms of emphasis, managers tended to value EMP more than other respondents, whereas owners valued CUST and students were more akin to ENVGP.

With respect to individual attributes, across all three countries on average, CUST claims were seen as having more urgency than legitimacy, EMP were seen as more legitimate than either powerful or urgent, and ENVGP had more urgency, although this was predominantly influenced by Chinese respondents. GOVT was seen as more powerful than legitimate or urgent. INV ranked highly across all three attributes, whereas SUPP were not prominent in any attribute.

5.11. CONCLUSION

This chapter has presented the results of the study. Sections 5.2 and 5.3 outlined the response rate for the survey, how data were scored and

analysed, and Section 5.4 presented descriptive statistics on the respondents. The statistics indicated that Australian respondents were more culturally diverse, and Indonesian respondents tended to work for multi-national companies. There was a low overall response rate from Chinese mailed questionnaires.

Overall, MANOVA tests for differences in Section 5.5 indicated that significant differences existed between the three countries with respect to overall stakeholder prominence. In particular, Bonferroni tests of difference indicated differences existed mainly between Australia and China, and China and Indonesia, but not to the same degree between Australia and Indonesia. Mean statistics indicate that Chinese respondents perceived GOVT as a more prominent stakeholder, along with ENVGP. All mean scores for stakeholder prominence based on the AHP, were within the accepted inconsistency ratio of 0.01.

Using an average prominence score of 0.166, based on a total possible score of 1 divided by the number of stakeholders (6) in the AHP, it was revealed that based on the Mitchell et al. (1997) stakeholder typology, the INV was perceived by respondents in all three countries as being “definitive”. That is, they possessed all three attributes of stakeholder prominence (legitimacy, power, and urgency). SUPP, however, were not seen as prominent in any of the three attributes. EMP were more prominent in Australia than in China or Indonesia. Both Australia and Indonesia perceived a high degree of prominence for CUST; this was not so in China. Implications are that in China, GOVT is the central focus for an organisation and little consideration is given toward the customer as being strategically important to the firm.

Results for stakeholder prominence indicate that there is an undeveloped stakeholder approach in China. Emphasis is placed on stakeholders who can institute the greatest harm, and key stakeholders who add value to the firm such as EMP and CUST are not considered important. China, however, did have a more even distribution of prominence between stakeholders (variance), contrary to expectations and possibly reflective of less entrenched attitudes toward stakeholders that have not been “tried and tested” in a non-democratic environment.

With respect to occupation in Section 5.6, MANOVA statistics indicated significant differences between the countries, and on country and occupation combined. Post-hoc range tests involving multiple comparisons indicated differences predominantly between occupations with respect to CUST and GOVT. Owners, although small in number, tended to be more polarised with respect to stakeholder prominence. Managers tended to be

slightly more broad-based, with Chinese managers favouring ENVGP and Australian managers EMP. Full-time managers/part-time students and full-time students tended to place a higher degree of prominence on CUST than on managers and owners. This could reflect the influence of contemporary education on realising the importance of the CUST as a stakeholder, a sign of development.

Statistics for the individual attributes of legitimacy, power, and urgency (Sections 5.7, 5.8, 5.9) tended to mirror scores for stakeholder prominence overall. Although scores were not undertaken for each attribute based on occupation, results via country indicated that differences did emerge in China with respect to GOVT. Respondents perceived GOVT as being far more powerful than legitimate. This tended to reduce the power accorded to other stakeholders, such as ENVGP and EMP, compared to their legitimacy, . Both Australian and Indonesian respondents had a greater recognition of the urgency of CUST than their legitimacy or power. Chinese respondents perceived a lower amount of variance between stakeholders with respect to their urgency. The next chapter details the implications of the study for stakeholder theory and management strategy.

NOTES

1. A 1996 research study (Wang & Newman, 1997) on “Environmental Management and Attitudes of Chinese Managers and Accountants” involving mailed questionnaires undertaken by the *China Research & Development Centre of the State Council* (CRDC) on 50 public and 450 non-public enterprises in China, yielded a response rate of 12%.

2. In its abbreviated form, customers are CUST, employees are EMP, environmental groups are ENVGP, government is GOVT, investors are INV, and suppliers are SUPP.

CHAPTER 6

THEORETICAL AND MANAGERIAL STRATEGY IMPLICATIONS

6.1. INTRODUCTION

The objective of this chapter is to outline the implications of the results of the study of stakeholder theory and managerial strategy. The difference in stakeholder salience between countries has implications for the strategic management of organisations, whether their operations are local or multinational. The differing perceptions of legitimacy, power, and urgency accorded to the various stakeholders within the study would appear to indicate that not all stakeholders are perceived equally across different geographical contexts. Stakeholders, as well as the organisations with which they are associated, are shaped by social, political, and economic forces. The effect of culture on organisational management has been documented extensively in previous literature.

Section 6.2 outlines the implications of stakeholder theory by arguing that cross-country empirical studies provide a basis on which to “explain and predict” the degree of stakeholder salience, whereas Section 6.3 provides an overview of how the results of this study, and empirical studies on stakeholder salience in general, can assist in the formulation, implementation, and evaluation of managerial strategy.

6.2. IMPLICATIONS FOR A “POSITIVE THEORY” OF STAKEHOLDER CHOICE

It was argued in Section 3.2 that a positive approach to stakeholder theory could explain and predict stakeholder development in different environments as distinct from a normative philosophical approach which prescribes who should be considered a stakeholder and why such a theory is useful.

Chapter 4 provided a stakeholder typology model to assess the extent and diversity of stakeholder prominence across countries which were dependent on the stage of a nation's economic and social development. The null hypotheses of no significant difference between countries and occupations regarding the prominence of stakeholders were, as expected rejected, although in part. Economic and social development, can, to a certain degree, provide possible explanations of the support of certain stakeholders over others in different geographical environments, although the context in which this occurs is subject to further analysis. As such development may be a causal factor in moderating stakeholder prominence and one variable in a positive theory of stakeholder prominence.

However, not all hypotheses were supported. A more even distribution of prominence across stakeholders in China indicated that all stakeholders held a higher degree of legitimacy and urgency on average, than did stakeholders in Australia and Indonesia. Greater economic and social development therefore did not necessarily lead to a greater diffusion of stakeholder rights. However, the prominence accorded to GOVT did signify the more restrictive nature of Chinese society and dependence to a large degree on legislative bodies to work with and influence organisational behaviour and activity. Despite this, the results appear to be influenced by three main factors. First, with respect to the descriptive statistics (Table 5.1), Chinese respondents were, to a large degree, younger in age (90.7% in the 25–34 years of age bracket) than the Australian and Indonesian respondents (at 48.3 and 68.1%, respectively). Furthermore, there was a low response rate for managers who had been mailed a questionnaire, particularly in China, as distinct from managers who responded at the four educational institutions. This may have led to a greater recognition of non-traditional stakeholder groups, given the exposure and greater awareness by younger respondents, to environmental issues. Second, a greater percentage of Chinese respondents held postgraduate masters degrees (52%), whereas a smaller percentage (only 10%) were “full-time managers”. Third, there was a greater perception of “radicalism” inherent within environmental groups in many developed countries (Rootes, 2003), which may have negatively affected their legitimacy and power amongst organisational managers. This may indicate a distinct difference between the perception of the legitimacy of the environment itself and the legitimacy of the groups that purport to represent the environment. Furthermore, given the relatively “clean” environment of Australian cities compared with the heavily polluted cities within China and Indonesia,¹ the urgency of environmental claims may not be seen as high in Australia as in Asia.

Western discourse on many stakeholder perspectives may therefore be interpreted differently from those in Eastern-based societies under different democratic constructs. One explanation for the divergence in expectations as to stakeholder prominence may be that as societies become more economically and socially developed, there is a greater entrenchment of attitudes toward certain stakeholder groups. That is, groups have been “tried and tested” as constituents in the political and organisational framework, through democratic processes that allow for voicing of group attitudes. Through this process emerge certain “prominent” stakeholders who have “stood the test of time”.

The results themselves indicate that in China, a country which is developing both economically and socially, respondents favoured GOVT as a stakeholder, along with INV and ENVGP. However, less emphasis was placed on CUST, EMP, or SUPP. A development-based explanation could be the lack of an organisational focus on customer relations, central to most developed economies with a competitive market-based system, but not for emerging economies, which traditionally have centrally planned systems. In this respect, the results for GOVT power in China tend to support theoretical work by Clarkson (1995) (see discussion in Section 2.4.3) that the fundamental values of “freedom” and “equality” affect stakeholder influence.

Under Clarkson’s (1995, p. 12) ideological and economic framework, the primary stakeholders under a communist system (which continues to exist “theoretically” in China) would be “the state and the party”, consistent with the results obtained in this study (see Table 5.12). Under emerging democratic/capitalist systems (indicative of Indonesia), owners, managers, and stockholders hold primary status. However, the results of the study suggest that both CUST and INV in Indonesia are seen as prominent (definitive) stakeholders. Clarkson also posits that in mature capitalist democracies (representative of Australia), customers, employees, community, and the public are seen as primary stakeholders. Results for stakeholder prominence overall, indicated that Australian respondents perceived CUST and INV as prominent, although EMP scored higher than in China and Indonesia. In this respect, Clarkson’s framework can, to a certain degree, be used as a basis for explaining the results in this study. Furthermore, the results can provide an insight into which stakeholders, as Carroll (1989) points out, are considered “primary” or “secondary”.

In developed economies such as Australia, organisations recognise the vital role EMP have in contributing toward organisational democracy. Employees provide the necessary communicative networks and are the

primary source of firm productivity. In societies like Australia, which traditionally has a skilled labour shortage, remuneration can be high and broad-based. In the new “information economies”, which characterise modern societies, comprehensive employee remuneration packages are considered essential in order to retain highly educated and mobile employees. Alternatively, the lack of industrial democracy in developing nations, and the generally large pool of easily replaceable unskilled labour upon which to draw, may contribute toward a lack of prominence for EMP in China. Absence of non-government-organised unions to represent workers leads to various forms of exploitation, mostly illegal, and evident particularly in the developing world. Employee representation through industrial democracy allows for higher labour standards including the commitment to occupational health and safety. Furthermore, attention to customer needs is important in a market-based economy where organisations seek growth in both sales and profitability, which in turn is characteristic of an advanced industrialised market economy. CUST were seen as highly prominent in Australia and Indonesia, but not in China. Australian results on stakeholder salience tends to follow to a large extent, the outcome of work by Agle et al. (1999, p. 522) on the attitudes of CEOs in the United States. Both countries hold developed nation status, and the authors concluded that with respect to the United States, “at present, society does grant authority (legitimacy and power) to business leaders, shareholders, employees and customers”.

The partial support for a development-based model to stakeholder prominence, through differences in stakeholder attributes, confirm claims by Mitchell et al. (1997, p. 858) that stakeholder attributes are “variable, not steady-state, and can change for any particular entity”. Development can be an explanatory factor in understanding the degree to which stakeholder prominence varies across societies. In developing societies, the central focus will be around GOVT as a key stakeholder, which is particularly evident in communist China, than in democratic Indonesia. As such, accountability is more centralised. As societies develop, greater attention will be toward groups other than GOVT and INV, such as EMP and CUST. As societies mature, the role of government in the everyday life of the individual organisation diffuses as greater individual freedom is achieved, although this does not necessarily translate into greater prominence for all stakeholder groups as anticipated. Therefore, the universal aspects of stakeholder claims do not necessarily translate into prominence for the groups that represent those claims, indicating the continued political environment in which the organisation operates, despite economic and

social development. That is, perceptions of the prominence of certain stakeholder groups may not be shaped entirely by whether a society is economically and socially advanced, but instead by the mechanisms and processes by which these voices are heard. In a controlled environment (which may or may not be developed), the perceptions of stakeholders may become moderated, and as such a clear distinction does not emerge as to which stakeholders are more prominent than others. In a less controlled “free for all” environment, the absence of a moderation effect or control mechanism by which to curb certain stakeholder activities (i.e., government monitoring), may result in certain stakeholders occupying a prominent position by capturing the political process, leading to avid support for, or complete resentment of, a particular stakeholder and/or its cause.

The similarities in stakeholder scores between Australia and Indonesia defy anticipated results based on the differing economic and social criteria. One explanation could be Indonesia’s greater exposure to democratic processes than what exists in China. Furthermore, like Australia, although not to the same extent, Indonesian respondents were more culturally heterogeneous than their Chinese counterparts and were more likely to work for multinational Western-based organisations than Chinese respondents. As such, Indonesian respondents may have had a similar exposure to the political aspects of multinational organisational behaviour, which are adept at facing pressures from various stakeholder groups. However, greater heterogeneity has not necessarily led to a greater recognition of a broader range of stakeholders, as argued in Section 4.4.2.

Given the complex environment in which organisations operate, a “positive” approach offers a superior approach to understanding stakeholder practice, by explaining “why” certain stakeholders are more prominent than others, and “predicting” which countries will favour certain stakeholders over others at certain stages of development. It appears that respondents in developing nations do view GOVT as a core organisational stakeholder, and as nations develop, higher priority is placed on stakeholders such as CUST and EMP. In developed nations there is a greater percentage of highly skilled employees, and CUST have a greater range of goods and services from which to choose. A development model can also apply at an individual or organisational level (Reidenbach & Robin, 1991; Sridhar & Cambrun, 1993; Logsdon & Yuthas, 1997), as distinct from a nation-state level as in this study. Also, a positive approach can embrace other elements, such as the cognitive-based factors (Trevino, 1992), although this has not specifically been advocated within the context of “positive theory”.²

Furthermore, the results tend to confirm research by Agle et al. (1999, p. 520) on U.S. organisations, who are, like Australian respondents, based in a “developed” country. The authors concluded that the salience of shareholders, employees, and customers was higher than that of government and community, and that consequently, the “production view appears to remain dominant in the minds of large corporations’ CEOs”. Rowley’s work on a network theory of stakeholder influences (see discussion in Section 2.4.3) highlighted the importance of both density and centrality in affecting the power balance between an organisation and its stakeholders. If applied in this study, organisations in developing countries may occupy a “solitary” position, in that stakeholder density (relative number of ties in the network) and centrality (ability to access independently all other members of the network) are both low. That is, one would expect the range of stakeholders to be smaller and “less diffused” than in developed countries with democratic structures, and that it would be more difficult for organisations in developing countries to easily access all stakeholders in a non-democratic and restrictive environment.

Finally, the study successfully utilised the AHP, as recommended by Hosseini and Brenner (1992, p. 115), as a means by which to obtain a better understanding of “a particular organisation’s stakeholder values, the weights assigned to each value by stakeholders, the relative influence of stakeholders in the organisation’s decision processes, and potentially, the nature of the value trade-off process used in the organisation”, the difference being that in this study, stakeholder analysis was assessed at a nation-state rather than at an organisational level. The AHP can be adapted for future research that may wish to encompass different attributes of stakeholder prominence or alternate criteria for measuring managerial or stakeholder attitudes.

6.3. IMPLICATIONS FOR MANAGERIAL STRATEGY

Understanding stakeholder salience has implications far beyond theoretical refinement. It can improve overall managerial strategy in terms of formulation, implementation, and evaluation.

Understanding stakeholder salience improves strategy formulation in that it allows an organisation to evaluate its own industry position in relation to its competitors. A more informed assessment of both internal and external organisational dynamics can be undertaken by gauging an organisation’s own strategic position. Strategy formulation is enhanced as the organisational

mission and objectives are re-oriented toward salient stakeholders. Strategy implementation is enhanced as organisational resources can be allocated more efficiently to address the needs of salient stakeholders who can affect the firm more than those who are non-salient. Strategy evaluation is enhanced as organisations are able to re-evaluate existing organisational strategy to determine whether it meets the needs of current, as opposed to previous, salient stakeholders, and the effect of this re-orientation on other stakeholders.

6.3.1. Strategy Formulation

The results of this study that not all stakeholders rank equally across each of the three countries, has implications for strategy formulation. Grant (1991) stipulates that resources are the foundation for strategy formulation, and identifying a firm's resource strengths facilitates the initial development, and subsequent refinement of existing strategy. A longitudinal U.S. study by Shropshire and Hillman (2007) has found that "at the institutional legitimacy level, organisational size and age and occurrence of industry shift in stakeholder management increase the likelihood of a significant change in focal firm stakeholder management" (p. 80). Although our study has not examined these factors, it is interesting to note that our data were collected at a time of profound change in both China and Indonesia.

Business operates in a dynamic and ever-changing environment. China had experienced, and continues to experience, rapid levels of modernisation and urbanisation. The underlying shift from a planned to a market-based economy may have resulted in a significant re-orientation of managerial perceptions regarding the importance of certain stakeholders. Likewise Indonesia has emerged as an infant democracy after decades of authoritarianism. The socio-political changes that follow such transitions are influenced by both internal and external factors, which in turn influence organisational orientation. Our study provides a "snapshot" of this orientation in 1999, an important time frame in this transition given the sale and closure of many state-owned enterprises in China and the move from authoritarianism to genuine democracy in Indonesia. Furthermore, this change is likely to continue and the factors identified by Shropshire and Hillman (2007) in the U.S. are likely to be as, or if not more, relevant to stakeholder management in arguably, a more dynamic environment such as China, and to a lesser extent Indonesia.³

Although the prominence of customers as a salient stakeholder differs across the countries examined in this study, Preston and Sapienza (1990, p. 365) have stated that “parties to any business in order of importance are customers, employees, communities and stockholders”. The prevalence of CUST as a salient stakeholder across both Australia and Indonesia indicates the predominant focus that respondents (regardless of occupation) continue to place, as expected, on customer satisfaction. CUST were not seen as salient in China, which would appear to indicate that, in 1999 at least, Chinese organisations did not place a premium on customer orientation. The quality of goods produced may not have been seen as important as in Australia, with a relatively liberalised market and high degree of consumer choice.

INV did feature prominently in all three countries, which from a strategy formulation standpoint, indicates that emphasis should continue to be placed on key financial performance and reporting criteria including financial statements (balance sheet, income statement, and organisational cash flow). As all three countries are market-oriented, the results suggest that INV, and increasingly CUST in China, will remain a significant part of organisational strategy formulation in the near future. The greater emphasis placed on EMP in Australia (as opposed to China and Indonesia) may be the result of a number of factors that feed into strategy formulation. The Australian workforce is highly educated, has high per capita wages, and trade unions have played, from its very foundation, a significant role in organisational affairs from industrial action to enterprise bargaining, and have considerable influence and representation within the political realm. Furthermore, unlike China or Indonesia which have relatively large unskilled labour markets, Australia, due to its low population, is susceptible to labour market shortages. Consequently, employees have always been a potent factor in organisational strategy formulation, and have had the ability to influence employment conditions on issues ranging from wage bargaining to workplace safety, industrial harmony, and equal employment rights.

GOVT, as an authoritarian stakeholder possessing legitimacy, power, and urgency, remained the primary focus of attention for managerial respondents in China, and as such factors highly in organisational strategy formulation. The lesser emphasis placed on GOVT by full-time managerial student respondents (see Table 5.12) who see GOVT as powerful and urgent, but not legitimate, would appear to indicate that organisational strategy formulation may be subject to inter-generational change in China. As an emerging market economy, CUST will play an increasing role in

strategy formulation with the development of a Chinese middle class who will apply a greater degree of scrutiny regarding product choice. The low salience of SUPP would appear to indicate that the supply chain of products and services into the organisation is not a significant issue, and organisations in all three countries may be able to source goods and services at will, and in a competitive environment.

Continued rapid economic and social development in China and Indonesia, and to a lesser extent Australia, and the consequent pressure urbanisation places on the natural environment, render it imperative that organisations review strategy formulation on a regular basis to ensure that they have the necessary resources in place to address the concerns of stakeholders who can impose costs on the firm and who are the source for much of its value, with a high degree of salience. This will involve a constant re-examination of the organisation's strategic plan and mission statement, to ensure it is not in contrast to the objectives of salient stakeholders. The organisation's long-term and short-term objectives need to be re-examined, and if need be, changed, in order to ensure there is no misalignment between the firm and salient stakeholder objectives.

6.3.2. Strategy Implementation

Understanding stakeholder salience is not only important for strategy formulation, but also for implementation. After strategic plans and objectives are aligned to address stakeholder requirements, resources need to be allocated toward stakeholder engagement, whether in the form of public relations, through marketing and advertising strategies, or accountability mechanisms such as increased external reporting. Furthermore, organisational structures need to be adjusted to accommodate the needs of priority stakeholders. This often involves the establishment of offices, departments, or designated personnel within organisations to fulfil specific stakeholder requirements.

6.3.2.1. Resource Allocation

Understanding which stakeholders are seen as more salient improves resource allocation. From a managerial standpoint the strategies used by organisations to address stakeholder demands will differ according to their perceived salience and the resources available to fulfil these demands. Identifying which stakeholders are salient, allows the organisation to identify whether (1) the firm has the necessary human and technical

resources to address the specific stakeholder concern; (2) firm strategy needs to be reoriented toward new salient stakeholders; and (3) resources are being outlaid on stakeholders not deemed salient.

Managerial strategies require a significant expenditure of firm resources, whether it is in the form of employee time and energy, internal/external reporting, advertising, or product development. Understanding the importance each stakeholder is actually accorded with respect to legitimacy, power, and urgency enables organisations to focus human resources to those stakeholders requiring specific attention. The importance of CUST and INV as “definitive” stakeholders in Australia is signified by the resources that Australian firms outlay on customer service centres and employee benefits each year. The predominance of GOVT as a “definitive” salient stakeholder in China is indicative of the historical role that government and bureaucracy has had in the business affairs of the nation, including the predominance of state-owned enterprises. The ability of a firm to identify stakeholder salience, allows it to more efficiently allocate resources to areas that best address stakeholder needs and wants, which, in turn, improves organisational performance. The predominance of INV as a “definitive” stakeholder across each of the three countries indicates that organisations will need to outlay resources beyond the mandatory financial statement requirements to include other information relating to overall firm value, profitability, and liquidity. An organisational decision on what products to make, and how they are marketed and advertised, is based to a large degree on stakeholder perceptions of the organisation.

The aim of advertising is not only to increase sales, but also to help shape the image of the organisation. ENVGP are not perceived as salient by organisations, and only possess dependence (legitimacy and urgency, but no power) in China. This reflects the relative contemporary nature of the environmental debate, and although there has been an increase in the preparation of triple-bottom line or sustainability reports, illustrating the commitment to the environmental sustainability of their business operations, much of this is overtly positive (Deegan & Rankin, 1996), ranks behind financial information in terms of importance (Deegan & Rankin, 1997) and lacks completeness (Adams, 2004). EMP are a “discretionary” stakeholder in Indonesia (Table 5.4 and Fig. 3.1), possessing only legitimacy. The lack of power or urgency indicates that little resources may be outlaid on EMP by the organisation. In Australia EMP are “dependent” and possess legitimacy and urgency, but not power. By definition their claims are “logically inferable and justified” and “are of pressing or current importance”, but do not “effect or have the capability of instigating change”. Accordingly they factor in resource

allocation decisions in Australia more highly, than they do in Indonesia, or even more remotely, China, where they are deemed merely another “resource input”.

6.3.2.2. Organisational Structure

Organisational structures can be re-organised to satisfy stakeholder needs. In countries where CUST salience is considered high, organisations need to accommodate customer concerns by placing emphasis on the establishment of internal mechanisms, such as customer service divisions, telephone hotlines, repair centres, to address issues such as customer complaints and warranty repair issues. In countries where EMP are considered important, then the establishment of occupational health and safety divisions, and employee representative groups to provide a coordinated approach to present concerns and recommendations to organisational management, is important. Salient INV require regular information releases to the market and to shareholders directly, with emphasis on performance and targets. Being definitive, their claims are justified and are of importance, and they can instigate change.

The establishment of divisions requires not only financial resources, but also a re-orientation of workplace structure. The organisation will need to consider training programmes to accommodate the salient stakeholder, be it (1) health and safety, or workplace rights if they be salient EMP; (2) compliance with environmental or government legislation if they be salient ENVGP or GOVT; (3) handling customer complaints if they be salient CUST; (4) new supply chain processes if they be salient SUPP; or (5) changes in financial reporting requirements if they be salient INV. Salient ENVGP or GOVT with concerns for the environment, will likely result in pressures to upgrade manufacturing processes and systems, and documentation of procedures.

Failure to develop contemporary organisational structures and programmes to fulfil the requirements of salient stakeholders results in communication failure, which increases short and long-term costs to the firm.

6.3.2.3. Task Allocation

Outlaying resources and implementing or reorienting organisational structures involves allocating tasks to new and/or existing personnel. Addressing the concerns of new and emerging salient stakeholders could be incorporated into the employment tasks of existing personnel, however, the more salient the stakeholder the greater the need for the development of

specific organisational positions and titles. Although individual offices or departments require a significant outlay of resources, organisations may decide to create specific “job positions” tailored to meet the needs of specific stakeholder groups. In recent years the emergence of the environment as an issue in many organisations has allowed for the creation of environmental safety officers or sustainability officers to address the needs of both GOVT and ENVGP. Other positions in the firm directed toward specific stakeholders include customer service officers (CUST), taxation accountants (GOVT), public relations managers (INV and CUST), and marketing consultants (CUST). The more salient the stakeholder the more tasks needed to address their concerns.

6.3.3. Strategy Evaluation

Understanding which stakeholders are salient also assists in evaluating strategy. Once new strategies are implemented to address a particularly salient stakeholder, there is a need to evaluate that strategy to identify the effects on other stakeholders or employees within the firm. Does the employment of a sustainability officer result in added costs to the organisation’s manufacturing processes that are unsustainable in the short term? Does it result in EMP dissatisfaction to the point of an employee resigning or losing productivity? Do other stakeholders become frustrated as resources which traditionally were addressed to meet their concerns are now no longer available? Is there a need to continue with the same level of work tasks relating to stakeholders that are no longer salient?

Evaluating the effects of a shift in strategic resources to suit new and emerging salient stakeholders requires a cost–benefit analysis to be undertaken. Although the immediate costs of implementation can be identified up front (i.e., the salary of an environmental officer, costs of training courses), other costs are only assessable after the strategy has been put into place. An organisational decision to address the needs of INV for higher returns may result in outsourcing customer service centres to low-cost developing countries or the adoption of automated systems to address CUST issues. Although reducing costs in the short term, CUST frustration over the failure to talk to someone locally or to have products repaired locally may result in a loss of CUST loyalty. The consequent loss of employment for in-house EMP may result in a negative effect on organisational performance in the medium to long term. The addition of

training programmes may result in an additional work burden to EMP already operating under time constraints.

6.4. CONCLUSION

The purpose of the chapter was to outline the implications of the results of the study of stakeholder theory and managerial strategy. [Section 6.2](#) argued that the results contribute toward a “positive” theory of stakeholder choice by using developmental characteristics to explain why certain stakeholders are salient in different countries. [Section 6.3](#) explored how understanding stakeholder salience by identifying the social and economic conditions in which stakeholders operate, can help to formulate and re-orient strategy through an examination of the organisations strategic plan and mission statement. This allows the organisation to be able to implement strategy by identifying and allocating the resources needed to address salient stakeholder concerns, such as producing external environmental reports, re-organising organisational structures through the establishment and closure of divisions and work units, and creating specific “job positions”, or allocating tasks to new or existing personnel.

Finally, after formulating and implementing strategy, there is a need to evaluate the new strategy to determine the extent to which the shift in focus toward new and emerging salient stakeholders affects other stakeholders which may have a detrimental effect on operating performance in the medium to long term. The next chapter provides a brief conclusion to the study, including the limitations encountered during the study, and suggestions for future research.

NOTES

1. The Asian Development Bank states that 10 of Asia’s 11 largest cities exceed World Health Organisation (WHO) guidelines for particulate matter by a factor of at least three, four exceed acceptable lead levels, and three exceed acceptable ozone and sulphur dioxide levels. Among the 41 cities ranked by the total range and average level of particulate pollution, 13 of the dirtiest 15 were in Asia ([Asian Development Bank, 2001, p. 7](#)).

2. Trevino (1992) argued that Cognitive Moral Development (CMD) theory, developed by [Kohlberg \(1980\)](#), can be used as a research stream within the descriptive/predictive approaches in order to study business ethics. [Kohlberg \(1980\)](#) posited that ethical behaviour can proceed along a series of six stages. The aim of the

moral development process as outlined by Kohlberg, is to arrive at a more morally developed position at each stage, culminating in a position whereby there is complete adherence to universal ethical principles in both theory and practice; a position of justice (see Section 4.2).

3. To a lesser extent in the sense that private organisations in Indonesia were operating throughout the period of authoritarianism, unlike China throughout the period of strict communist philosophy, where multi-stakeholder organisations were not in existence.

CHAPTER 7

SUMMARY, CONCLUSIONS, AND FUTURE RESEARCH

7.1. INTRODUCTION

The objective of this final chapter is to summarise the entire study through an overview of each chapter, and provide an analysis of the limitations and areas of future research. [Section 7.2](#) provides the summary, whereas [Section 7.3](#) outlines some of the limitations of the study, including the model itself and its assumptions, the statistical measure utilised, and the problems with the survey including the response rate. [Section 7.5](#) highlights the potential future areas of research within stakeholder theory.

7.2. SUMMARY OF STUDY

This study analysed from a Southeast Asian context the degree to which group stakeholders are accorded prominence by different respondents (owners, full-time managers, full-time managers/part-time students, and students) within the three selected countries: Australia, China, and Indonesia.

The study contributes to the burgeoning literature on stakeholder theory by providing an empirical focus to the stakeholder prominence literature, that to date (as outlined in Chapter 2) has remained largely normative in nature and devoid of empirical analysis in an international context. The focus of the study has been descriptive/predictive, distinct from a normative philosophical approach that has characterised much of stakeholder literature to date.

Chapter 3 provided a positive theory of stakeholder prominence at an international level. The foundation for this positive theory was a typology model, constructed by [Mitchell et al. \(1997\)](#), which viewed prominence as being comprised of three distinct attributes (1) legitimacy, (2) power, and

(3) urgency. The presence of one or all of these attributes in a particular stakeholder, termed stakeholder classes, can influence the degree of stakeholder salience or prominence, which in turn can determine the type of relationship it has with an organisation. Respondents and stakeholders to be used in the study were described, as were the methods for data collection and the statistical tests used for determining scores for stakeholder prominence. The study utilised the AHP to derive value weights for each stakeholder group, based on a matrix which compared one stakeholder to another.

Chapter 4 constructed a development-based model that would explain perceived stakeholder prominence based on the economic and social characteristics of the nation in which the respondents were present, by drawing on the ethical universals that are inherent within the claims of stakeholder groups. The chapter hypothesised in null form, that there would be no difference between respondents across and within countries, and across occupations, with respect to stakeholder prominence.

The results in Chapter 5 indicated the opposite effect to a degree in that Chinese respondents perceived greater equality (less variance) in prominence between stakeholders. However, a positive theory of stakeholder development based on economic and social characteristics was not completely rejected in that results indicated that societies tended to favour one particular stakeholder over others, which was demonstrative of the nature of the society. In Australia and Indonesia, both CUST and INV were seen as more prominent. However in China, GOVT and INV were seen as more prominent. However, results may have been influenced by differences in the descriptive statistics of the study, where a greater number of respondents in China were in a younger age bracket (25–34 years) and China had less of a response rate from managers (6%).

Chapter 6 presented an overview of the theoretical implications of the study, in particular for a positive theory of stakeholder choice. The implications for managerial strategy were discussed in light of how the results could affect strategy formulation in terms of organisational policy, strategy implementation in terms of resource allocation, and strategy evaluation in terms of re-evaluating the effects of any updated strategy on existing stakeholders which could affect medium to long-term organisational performance.

Despite the results providing a rich empirical insight into respondent behaviour with respect to stakeholder prominence, the study is not without its limitations.

7.3. LIMITATIONS

The limitations of the study itself are not considered to be of such significance as to challenge the validity of the results or the contribution that they have made to stakeholder theory. Nevertheless, they do constrain the applicability of the results. The following section identifies eight limitations. There are questions as to the validity of the stakeholder typology model itself and the choice of stakeholders. Furthermore, the study is strictly a survey on general attitudes toward stakeholders and is not situation-specific. There is also a problem with the normative constructs that underlie the positive approach to the model, and the fact that the study is based on intention and not on actual behaviour. Therefore, perception as to a stakeholder's prominence may differ from their actual prominence in society, when analysed over a large sample. Problems also continue to exist with respect to the AHP and its validity as a ranking-based tool and both the cognitive aspects of survey perception and the low response rate for the mailouts.

7.3.1. The Stakeholder Typology Model

The stakeholder identification typology model outlined by [Mitchell et al. \(1997\)](#) and used as a basis for this research is open to interpretation. [Mitchell et al. \(1997, p. 868\)](#) contend that indeed there may be further models of interrelationships that reveal more basic systematics. Therefore, the typology itself, along with the individual attributes of legitimacy, power and urgency, maybe subject to revision and refinement over time as a basis on which to gauge stakeholder salience.

7.3.2. Selection of Stakeholders

The stakeholders used in the study were pre-determined and not chosen by respondents themselves. Although this is not a severe restriction in the sense that a review of the previous literature indicated the predominance of these groups as "identified stakeholders", the boundaries placed on the definition of stakeholders may have excluded stakeholders that are perceived as prominent within one or more of the three countries. Furthermore, there may be numerous sub-groups within a particular stakeholder group that

have more power than other sub-groups. For example, employees in more militant unions may be perceived as more powerful than employees in cooperative unions and environmental groups may be construed as constituting both radical and conventional environmental movements.

Research (Lee & So, 1999, p. 287) has confirmed that environmental movements within Asia in particular, are complicated, with several different strands of environmental activities that include the populist path (Taiwan, South Korea, and the Philippines), the corporatist route (Thailand), and the post-material (Hong Kong). Thus perceptions of stakeholder prominence may be influenced to a large degree by the context in which they are examined. Therefore, identifying stakeholder orientation based on a pre-determined stakeholder may introduce an inherent bias into the study as pre-conditions and boundaries are established which may not accord with those of the respondents.

7.3.3. General Attitudinal vs. Situation Specific

This study is not context-specific but instead reflects general attitudes toward stakeholder groups. Analysis of stakeholder importance and influence can be situation-dependent. For example, in regions or areas where certain stakeholders are more active in organisational affairs than others, such as environmental groups in the forestry industry or employee representatives in highly industrialised areas, there may be a greater/lesser perception of the prominence of the stakeholder than in society overall. Case study-based research may elicit richer, context-dependent attitudes that provide insights into the local frameworks under which the attributes of legitimacy, power, and urgency manifest. However, this limitation can be defended in that the objective of this study is to obtain an overall picture of stakeholder prominence from an international perspective, through national environments characterised by differing legal, social, and economic criteria, and not to explore decision making in a context-specific environment.

7.3.4. Normative Constructs Underlying a Positive Approach

The attributes of legitimacy, power, and urgency, and the term “prominence” coined by Mitchell et al. (1997), suggest that they are part of a “comprehensive typology of stakeholders based on the normative assumption that these variables define the field of stakeholders: those entities to

whom managers should pay attention” (p. 854). The question therefore arises as to whether it is legitimate to construct a positive theory of stakeholder prominence based on normative concepts of what constitutes prominence. Previous concerns have been raised about the “normative origins of positive theories” in the accounting literature (Tinker, Merino, & Neimark, 1982). Critics of positive theory purport that there is no such thing as “objective reality”, but in fact positivism is partisan and masks a conservative ideological bias.

Although it is a valid argument, stakeholders used in the study were based on an examination of the stakeholder literature (Appendix B) and are prominent in the public sphere of society. Furthermore, the model does provide a rank analysis of respondent trade-offs between stakeholders’ certain objectives against others, which provides a measure by which to analyse certain social, political, and economic processes. What this study does is to provide an understanding of possible characteristics that may influence the level of stakeholder prominence across societies and in turn the attitudes towards the claims of one particular stakeholder grouping.

7.3.5. Intention as a Prelude to Action

The extent of stakeholder prominence in this study, does not act as a proxy for organisational behaviour as a whole. Although attitudes by individual respondents, in particular, managers and managerial students, do reflect potential current and future organisational attitudes, organisational values themselves are the result of transactional dynamics and extensive interplay between organisational participants which helps to arrive at a collective decision. Therefore, the results do not represent organisational attitudes per se or actual actions toward stakeholders themselves. However, managerial and managerial student attitudes are important in that it is these respondents who are primarily responsible for defining and carrying out current and future organisational activities.

7.3.6. The Analytical Hierarchy Process

The AHP was subject to early criticisms for: its lack of an axiomatic foundation in comparison to utility theory; the ambiguity of the questions asked; the scale used to measure preference intensity; and the Principle of Hierarchical Composition and rank reversal (Harker & Vargas, 1987,

p. 1384; Dyer, 1990). This led to it remaining outside the mainstream decision analysis research for quite some time (Zahedi, 1986).

The main problem has been in relation to the subjective nature of the ranking of alternatives. In situations where alternatives are added for consideration, rank reversal results (Belton & Gear, 1983), leading to arbitrary rankings. This is particularly so in situations where exact copies of alternatives are placed into the model, and as a result this perceived limitation has been sought to be overcome through a synthesis of the AHP with multi-attribute utility theory (MAUT) concepts (Dyer, 1990). Further, there was initial concern that the hierarchical decision problem model itself has yet to be grounded in any theoretical base (Zahedi, 1986, p. 102), although Saaty (1990) sees it as a theory of measurement. However, these problems have been subsequently addressed in later chapters (Harker & Vargas, 1990; Saaty, 1990). A detailed analysis of the mathematical theorems underlying the AHP is beyond the scope of the study, although readers are referred to Saaty (1980, 1986).

7.3.7. Cognition

Clark and Schober (1992) identify a number of cognitive factors that challenge the validity of surveys in general. Drawing on research from a number of studies, they posit that the results of interviews depend upon: (1) how respondents understand and respond to questions, that is, the speaker's meaning and the common ground of information that they believe they share; (2) the responses to survey interviews, based on the interviewer's role as an intermediary, the presumption of interpretability by the interviewer, and the interviewee's pressure to respond; and (3) survey structure, that is, the pressure on the respondents to be consistent with other respondents in how they interpret questions.

Cognitive problems are present to a certain degree in all surveys, but are enhanced in cross-cultural research. The main problem is that of seeking to reduce the differences in social meaning from the questionnaire text. Words and sentences often convey different meanings depending on who constructs the survey and who interprets and answers the questions. Complete answer congruence may therefore be difficult to obtain in light of this contextual difference. As mentioned earlier, the word "stakeholder" does not have a direct translation into Mandarin or Bahasa Indonesian, and is only a recent term coined by Western nations. Therefore, terminology similar to "groups affecting an organisation" was used to convey the actual meaning.

Differences in understanding were not foreseen in earlier survey research, which according to Foddy (1993, p. 12) was based on a “stimulus response model”, which assumed among other things that respondents undertook a completely neutral and emotionally detached approach to answering questions.

Later feminist research has sought to debunk many of the myths that underlie this model, including the notion that

1. Meaning is created in social context, and standard text will not produce a uniform meaning for all respondents (Lawrence Neuman, 1997, p. 261).
2. Interpretive meaning is often added to the question, especially when the boundaries of the question are vague.
3. Responses to questions will often depend upon the gender of the interviewer and interviewee.

The feminist approach to addressing these problems emphasises the need for adopting an unstructured format for interviewing, and placing emphasis on empowering the respondent by downplaying the professional status of and the emotional involvement with the respondent. This reduces certain traditional masculine aspects of interviewing, which underlie the traditional positivist approach, such as the suppression of feelings and the instrumental and manipulative nature of the interview.

However, the main problem with the feminist perspective is that it introduces similar problems to those that it seeks to overcome. Instead of the problem of being detached and not picking up rich and hidden meanings through protracted answers, the researcher under the feminist approach becomes involved in interpreting meaning to questions, which are based ultimately on the social context of the interviewer. The closed nature of the questions in this study therefore allows for less variation in answers, and easier analysis than open-ended questions which rely to a large degree on interpretive answers which may often be difficult to compare.

Another possible problem is that each of the stakeholder matrices in this study, although different with respect to the attributes, is similar in construct and presentation. It may be the case that some respondents inadvertently perceived all the matrices to be the same, leading to consistency in the prominence of stakeholders across the three attributes. However, respondents were given ample opportunity to ask questions during completion of the questionnaire and post-interview inquiries indicated that there were no problems interpreting the meaning or content of the questionnaire.

7.3.8. Response Rate

Another limitation of the study is the low response rate for managers who had been mailed questionnaires. This was particularly evident in China where only 12 out of 200 mailed managers responded (6%). In Australia, the response rate was higher at 18% (36 out of 200). Also, the study was not of a time series and respondents were only solicited for their views at a particular point in time (October–December 1999). This period coincided with tumultuous changes within both China and Indonesia. Following the Asian economic crisis in 1998, China underwent unprecedented economic changes. The transition towards a market-based economy continues to result in the closure of inefficient state-owned enterprises. Many companies in the Chinese sample were state-owned and may have been subject to closure during the period of the data collection. Some of these organisations may have ceased to do business from the time of publication of “*The China Phone Book and Business Directory– 1999*” in late 1998 to the time of data collection in November 1999. Furthermore, Chinese managers may have been cautious about responding to requests for their attitudes, given the non-democratic nature of the society. This may have been partially responsible for the low response rate of Chinese managers.

With respect to Indonesia, the response rate was somewhat higher at 16.5% (33 out of 200) for managers who had been mailed. Data collection was undertaken, however, at a sensitive time for the country, given the intervention of the United Nations International Forces in East Timor (INTERFET) troops, largely of Australian domicile, into East Timor.¹ The researcher clearly identified himself as a researcher from Macquarie University in Australia. This may have impacted upon the results in that it may have created apathy or resentment in Indonesian respondents, which in turn may not have resulted in answers that would have been forthcoming under normal conditions. These limitations may be overcome in future research that could also address other areas of study with respect to stakeholder management.

7.4. IMPLICATIONS OF THE RESULTS OF THE STUDY

Section 6.2 examined the implications of the results of a positive theory of stakeholder choice, in particular the empirical results that emerge from the

research. This section focuses on the broader implication of the overall results.

As mentioned earlier, stakeholder theory has been evident in the literature for over 20 years, since its inception in 1983 (Freeman, 1983). However related research such as Interest Group Theory has been present for over 60 years, and corporate social reporting for over 30 years. They intertwine with, and in many respects act as a prelude to stakeholder theory, and still remain relevant research paradigms in their own right. The marked shift in social consciousness in the 1960s throughout the Western world led to a greater interest in these theories of the firm; theories that examined the organisation in a wider context, beyond the traditional concept of accountability to resource providers. However, stakeholder theory to date has remained largely North American in focus, and apart from research examining Japanese and American managers (Polonsky, 1996a), the literature has not explored other geographical domains. Yet in an ever-changing world, where developing economies are embracing market-oriented models as a means by which to advance the health and welfare of their citizens, stakeholder theory has much to contribute to the understanding of how organisations are perceived in different economic and social contexts, and the role of firm participants (stakeholders) in that process.

This study has hoped to contribute toward this understanding, via the empirical evidence gathered and the conclusions reached. Furthermore, it provides empirical evidence for three countries within the Asia-Pacific region, a region which contrasts significantly in social and economic development. Examining stakeholder theory in an international context allows us to examine whether different societies develop in similar ways. That is, do certain stakeholders emerge as prominent at different stages in a country's development? Are stakeholders such as investors and government perceived more prominently in developing rather than developed economies? As societies develop, does prominence disperse over a broader range of stakeholders, or does prominence become more centralised with a certain stakeholder? And what happens when a society develops economically but not socially? Answers to these questions require empirical evidence. Over time, such evidence will explain why certain organisations undertake certain decisions in a given environment. For example, in developed economies, organisations may engage in greater philanthropy, and pay greater attention to health and safety requirements, than they would in developing economies.

7.5. FUTURE RESEARCH

Future research may first wish to broaden the empirical observations undertaken in this study by examining the prominence of stakeholders within other geographical regions and in different cultural contexts. To date, empirical research has, with the exception of Japan (Polonsky, 1996a), been solely undertaken in North America. This study has broadened this coverage to include Australia, China, and Indonesia. A most important need, however, is for researchers to undertake time-series analyses of stakeholder prominence. Longitudinal research within the stakeholder literature would be a more powerful mechanism by which to measure social change because of the ability to identify stability or change in the nature of the prominence of certain stakeholders over others. This would provide a richer analysis of how both social and economic factors shape stakeholder development in a variable state. Furthermore, it would overcome the scenario where attitudinal results for a single year were being driven by a major event, which may not be reflective of attitudes over a longer time-frame. For example, a drawn out major industrial dispute by workers may increase the visibility of the union movement for a number of months, given the associated media coverage of the event. Studies conducted within that year may indicate that managers have above normal negative or positive views about the union's prominence in an organisational environment. Resolution of the dispute and the decrease in media coverage in subsequent years may then return the perception of union prominence to a pre-industrial dispute level.

Second, research may wish to encompass case studies on particular organisations. This may involve specific organisational scenarios or issues, conditions that may affect the change in attitudes on stakeholder prominence, and relations between stakeholders. Context-specific studies would allow a richer insight into the interactions between stakeholders and organisations.

Third, consideration may be given to exploring the extent to which stakeholders view their relationship with organisations. To date, stakeholder prominence has only focused on attitudes by organisational respondents, distinct from external stakeholder entities. Differences may occur between the extent to which a certain stakeholder feels it possesses a particular stakeholder attribute, for example, power, and how the organisation perceives the stakeholders power. Correlations could then be undertaken to identify differences in perceptions of prominence by the stakeholders themselves, and organisational managers. This would serve as a basis for

dialogue between the organisation and the stakeholder on organisational issues, and the stakeholders' role in them.

Fourth, research may wish to identify the mediums used by stakeholders to communicate their concerns to organisations. Are avenues like the mass media used, for example, television, the Internet, radio, or is their more direct protest through picketing corporate premises? As Etzioni identifies in his work on different aspects of power, is power exercised normatively by appealing to principles, via utilitarianism or through coercion? Fifth, the study has sought to develop a positive theory of stakeholder theory based on national development factors. However, the nature of any theory is that it cannot explain all phenomena. Future research may investigate whether factors other than economic and social development affect stakeholder prominence, such as a particular incident or locality. Alternatively, economic and social criteria could be expanded beyond those contained in the study. Future studies could directly test whether specific economic and social factors influenced attitudes to stakeholder prominence. For example, if a country had low net income per capita, would this affect/not directly affect a respondent's attitude toward a particular stakeholder?

Six, future research may wish to examine the attitudes of a number of managers within a particular multinational organisation, who are located in different countries. This would be used to determine whether despite managers being in the same organisation with the same organisational values; they displayed different attitudes toward the prominence of stakeholders when in a different geographical environment. Seventh, future research may wish to examine the correlation between managerial attitudes toward stakeholder prominence and the work of Rokeach, who categorised values into two sets of 18 *instrumental* (modes of conduct), and 18 *terminal* (end states of existence) in order to determine personal value preference structures. Research undertaken by Frederick and Weber (1987) found certain specific personal value preference structures that distinguished corporate managers from stakeholder groups; however, whether a broader personal value preference structure correlates with a wider recognition of prominence among a broader set of stakeholders remains to be seen.

Eighth, future research may examine the attitudes of respondents to a number of selected stakeholder questions. Different stakeholder-based questions could be asked in the survey, and a time-series analysis could be undertaken to determine whether respondent viewpoints changed over time. Stakeholder groups themselves could be solicited as to the issues they consider to be the most important, and these issues could be included in the study and the strength of the results compared with the perceived

prominence of the group itself. Ninth, future studies may wish to explore the linkages between the prominence of other stakeholder groups, such as government, with the attitudes toward issues such as taxes, regulations etc., which government may be responsible for. This would allow a deeper understanding of the relationship between the perception of the stakeholder itself, and the issues championed by the stakeholder. This would enable researchers to determine whether respondents identify the stakeholder group as separate from the issue they purport to represent.

7.6. CONCLUSION

This chapter has summarised the study, and provided an analysis of its limitations, and suggested areas of future research. In an era characterised by globalisation, a deeper understanding of the factors affecting prominence of stakeholders will provide organisations with an understanding of the pressures faced in countries characterised by different levels of development. In conclusion, this study has analysed stakeholder prominence based on two characteristics: that of economic and social development, and how these factors can help to explain why certain stakeholders are more prominent than others in certain countries. This, in turn, can contribute to a more enriching perspective on understanding organisational objectives and behaviour. Furthermore, they contribute toward an increasing literature on and a greater understanding of a new and emerging theory of the firm, one that is more representative of contemporary organisational practice. An understanding of the interaction between the stakeholder and the organisation in society can proceed by adopting a philosophical approach and prescribing how organisations should behave, or by undertaking a descriptive analysis of who and what are considered important for organisations. Although a search for a normative foundation of stakeholder theory should continue as a means by which to generate new ideas and frameworks for organisational and stakeholder understanding, a social-science approach that seeks an understanding of which stakeholders are considered important and the underlying factors that may affect this importance, can offer a practical insight into contemporary organisational understanding and behaviour. This study has sought to at least contribute toward this endeavour by providing an understanding of current and future organisational attitudes across three dynamic, but yet distinct countries within the Southeast Asian region.

NOTE

1. These forces were led predominantly by Australia, which strained relations between Australia and Indonesia at the time. This may have led some respondents not to undertake the questionnaire seriously in protest. In fact one respondent wrote an expletive on the questionnaire. However, the researcher believes the seriousness of this notion is limited with respect to its overall impact on the results.

This page intentionally left blank

APPENDICES

APPENDIX A. A GLOSSARY OF KEY TERMS

Term	Definition
Accountability	Liable to be called to account, or to be responsible to
Agency theory	One party (the principal) engages another party (the agent) to perform services on the principal's behalf, by delegating decision-making authority to the agent (Godfrey et al., 1997, p. 262)
Analytical hierarchy process	A methodology, which allows both quantitative and qualitative criteria, which are expressed in either financial or non-financial terms, to be compared pairwise in order to facilitate a decision as to the most appropriate choice for a stated objective (Saaty, 1980)
Bounded moral rationality	Individual moral agents are constrained in their ability to discover and process morally relevant facts necessary to implement their preferred ethical theories (Donaldson & Dunfee, 1999, p. 29)
Descriptive stakeholder studies	Studies which describe and explain specific corporate characteristics and behaviour through concepts outlined in the theory (Donaldson & Preston, 1995)
Ethnography	The scientific description and classification of the various cultural and racial groups of humankind (The Macquarie Dictionary, 1997, p. 727)
Hypernorm	A principle based on a thin universal morality, that by its nature is so fundamental that it evaluates lower-order norms. They are discernible in a convergence of religious, political, and philosophical thought (Donaldson & Dunfee, 1999, p. 44)
Instrumental stakeholder studies	Studies which identify the relationship between stakeholder management and conventional corporate objectives (Donaldson & Preston, 1995)

APPENDIX A. (Continued)

Term	Definition
Legitimacy	In relation to stakeholder management, legitimacy reflects the degree to which the claims of the particular grouping are logically inferable and justified according to your beliefs (<i>The Macquarie Dictionary, 1997, p. 1227</i>)
Likert scaling	A unidimensional scaling method used to measure the strength of a particular concept or assertion. Scaling can be either dichotomous (agree vs. disagree) or interval response, i.e., 1 to 5 rating
Moral relativism	The view that moral standards are grounded only in social custom. The most famous statement of relativism in general is by the ancient Greek sophist Protagoras (480–411 BCE.): “Man is the measure of all things”
Moral universalism	The view that moral principles have universal validity. Unlike relativism, they are not relative to the particular interests or goals of individuals, societies, or cultures. They are norms, principles, policies, or goals that are not a function of time or place
Normative stakeholder studies	Prescriptive studies which interpret the function of the corporation in relation to basic moral or philosophical guidelines (<i>Donaldson & Preston, 1995, p. 71</i>)
Power	In relation to stakeholder management, power reflects the degree to which the particular grouping can effect or have the capability of instigating change, or be able to carry out its will
Social contract	An informal agreement between an organisation and one or more of its group constituents, whereby an organisation’s legitimate right to exist is dependent on the satisfaction of certain social welfare criteria, such as protection of its natural environmental surroundings and commitment to health and safety issues
Stakeholder	Groups or individuals who can affect and are affected by, the achievement of an organisation’s mission (<i>Freeman, 1983, p. 38</i>)
Stakeholder paradox	The notion that the multi-fiduciary duty to a range of organisational participants detracts from the strategic obligation that the firm has to the private property of

APPENDIX A. (Continued)

Term	Definition
	the stockholder. Underlying the paradox is the separation thesis, which states that an organisation can never be firm-strategic (business without ethics), while at the same time owing a multi-fiduciary duty to other stakeholders (ethics without business), underlies this stakeholder paradox (Goodpaster, 1991)
Stakeholder statutes	Legislation aimed at broadening the fiduciary “duty of care” that directors owe, to encompass the rights of organisational stakeholders other than shareholders
Stakeholder theory	Based on a democratic participatory concept, whereby an organisation, for both moral (normative) and economic (instrumental) reasons, embraces the viewpoints of constituents other than stockholders, who are effected by the achievement of the organisation’s mission (Freeman, 1983, p. 38) and explicitly systems-based view of the organisation (Gray et al., 1996, p. 45)
Stakeholder typology	A set of three attributes (legitimacy, power, and urgency) that constitute prominence, a measure of perceived influence a stakeholder has on an organisation (Mitchell et al., 1997)
Urgency	In relation to stakeholder management, urgency reflects the degree to which the claims of the particular grouping are of pressing or current importance as an issue. Mitchell et al. (1997, p. 867) state that urgency is based on the following two conditions: (1) time sensitivity and (2) criticality

APPENDIX B. SUMMARY USE OF STAKEHOLDER TERMINOLOGY

Article	Managers	Creditors	Environmental Groups	Shareholders	Employees	Customers	Government	Community	Suppliers	Other
Stanford Research Institute (1963)		✓		✓	✓	✓		✓	✓	
Ansoff (1965)	✓			✓	✓	✓			✓	
Rhenman (1968)		✓		✓	✓	✓			✓	
Freeman (1983, p. 35)		✓	✓	✓	✓	✓	✓	✓	✓	✓
Cornell and Shapiro (1987, p. 5)		✓		✓	✓	✓			✓	✓
Evan and Freeman (1988, p. 101)	✓			✓	✓	✓		✓	✓	
Freeman and Evan (1990, p. 337)	✓			✓	✓	✓		✓	✓	
Carroll (1991, p. 44)			✓	✓	✓	✓		✓	✓	✓
Clarkson (1991, p. 336)				✓	✓	✓		✓	✓	✓
Clarkson, Deck and Shiner (1992, p. 1)				✓	✓	✓		✓	✓	
Hill and Jones (1992, p. 133)	✓	✓		✓	✓	✓		✓	✓	

Hosseini and Brenner (1992, p. 100)				✓	✓	✓		✓	✓	
Roberts (1992, p. 597)		✓		✓	✓	✓		✓	✓	✓
Macey and Miller (1993, p. 403)		✓			✓	✓		✓	✓	
Dooley and Lerner (1994, p. 705)				✓	✓	✓	✓	✓		
Freeman (1994, p. 415)		✓			✓	✓		✓	✓	
Donaldson and Preston (1995, p. 69)				✓	✓	✓	✓	✓	✓	
Donaldson and Dunfee (1995, p. 88)				✓	✓	✓		✓	✓	
Harrison and St.John (1996, p. 50)			✓		✓	✓	✓	✓	✓	✓
Atkinson, Waterhouse & Wells (1997, p. 27)				✓	✓	✓		✓	✓	
Agle, Mitchell and Sonnenfeld (1999, p. 508)				✓	✓	✓	✓	✓		
Total	4	8	3	18	21	21	5	18	18	7

APPENDIX C. CHRONOLOGICAL SUMMARY OF STAKEHOLDER LITERATURE

Study	Classification	Contribution
Freeman (1983)	Normative	A foundation article. The stakeholder concept is central to the strategic management paradigm, and can help to identify strategic direction, strategic formulation, where resource allocation should be made, evaluation of strategies, and the macro systems and structures necessary for implementation. Case studies used as demonstrations
Cornell and Shapiro (1987)	Instrumental	Corporate financial policy and strategy depends on the role of non-investor stakeholders because of the implicit claims made to them which affect the value of the firm
Evan and Freeman (1988)	Normative	The stakeholder concept is the core idea behind the contractual view of the firm. The firm is conceptualised as a series of multilateral contracts among stakeholders, which provide a mechanism by which safeguards can be implemented
Barton, Hill, and Sundaram (1989)	Descriptive/ empirical	Empirical testing of Cornell and Shapiro (1987). Found firms with closely related products, markets technologies tended to have lower debt ratios than firms with unrelated businesses
Roberts and King (1989)	Instrumental	Used a case study in a U.S. government agency to show how a stakeholder audit can be an effective management tool
Gomolka, Chittipeddi, and Schenk (1990)	Descriptive/ empirical	Provides an overall summary of the state of stakeholder literature to date. Concludes that existing theory generally involves normative propositions and lacks operationalisation. Greater focus needs to be on corporate behaviour and its effects rather than morality judgments

APPENDIX C. (Continued)

Study	Classification	Contribution
Freeman and Evan (1990)	Instrumental	Stakeholder interpretation is seen as a part of corporate governance, where the corporation is seen as a number of voluntary multilateral contracts with endogenous safeguards
Preston and Sapienza (1990)	Descriptive/ empirical	Stakeholder performance indicators such as financial soundness, retention of quality employees, quality of products, and social responsibility were highly correlated between firms, and were also associated with corporate profitability and growth
Brenner and Cochran (1991)	Instrumental	Presents the stakeholder theory's four basic propositions: (1) fulfillment of stakeholder needs, (2) stakeholder value examination, (3) structuring and implementing choice processes, and (4) identification of stakeholders and their values; explores arguments supporting its usefulness, and outlines how the theory may influence business and society research
Carroll (1991)	Normative	Corporate social responsibility (CSR) is constituted by four elements: economic, legal, ethical, and philanthropic. A framework is then developed whereby these elements are linked to stakeholder accountability under three different types of management: immoral, amoral, and moral
Clarkson (1991)	Instrumental	Stakeholder management model developed to provide a framework for case studies and analysis of the corporate social performance of corporations
Goodpaster (1991)	Normative	Stakeholder theory is a paradox because the relationship between managers and stockholders is ethically different, because of a fiduciary-duty obligation, from that between managers and other parties. Greater attention must be given to the nature of moral obligation and its limits on the principal-agent relationship

APPENDIX C. (Continued)

Study	Classification	Contribution
Kreiner and Bhambri (1991)	Descriptive/ empirical	Organisations only gave priority to public policy issues generated by institutional stakeholders who were represented through specialised staff structures within a technical environment who are necessary for a firm's support and legitimacy
Savage, Nix, Whitehead, and Blair (1991)	Instrumental	Describes how each stakeholder's potential to threaten or co-operate can be classified as supportive, mixed-blessing, non-supportive, and marginal, which can then be used by the firm to manage and facilitate change
Vitell and Singhapakdi (1991)	Descriptive/ empirical	Strict enforcement of ethical codes within organisations, leads to marketers both valuing their company and client interests more highly. Therefore, elements of the organisational environment and personal experiences impact the perception of stakeholder (organisation, clients, peers) importance
Den Uyl (1992)	Normative	Replacing "stockholder" with "stakeholder" undermines the fiduciary relationship between managers and stockholders. Stakeholder theory subjects the organisation to views which are "politically savvy"
Hill and Jones (1992)	Normative	Recognises both the notions of power and efficiency in one framework to increase the predictive power of earlier theories of the firm such as agency and resource dependence theory. The resulting stakeholder-agency theory, therefore, accommodates the necessary adjustment mechanisms following short-term disequilibrium
Hosseini and Brenner (1992)	Instrumental	Proposes a multicriteria decision modelling approach, utilising the Analytical Hierarchy Process (AHP) to estimate stakeholder value matrix weights

APPENDIX C. (Continued)

Study	Classification	Contribution
Pinfield and Berner (1992)	Descriptive/ empirical	Used a Canadian case study to illustrate the growth in news articles of a large logging company over 15 years, specifically attributed to stakeholder concern over land use and pollution. Corporations need to respond to stakeholder challenges
Roberts (1992)	Descriptive/ empirical	Stakeholder theory explains social responsibility disclosure (SRD), as measures of stakeholder power (percentage owned by management, corporate political contributions, debt/equity ratios), strategic posture (corporate affairs staff, philanthropic contributions), and economic performance (return on equity) are related to SRD
Wang and Dewhurst (1992)	Descriptive/ empirical	Distinct stakeholder groups are perceived by U.S. directors. Directors have high stakeholder orientations, and directors view some stakeholders differently depending on director occupation (CEO vs. non-CEO and type (inside vs. outside)
Brenner (1993)	Normative	Greater understanding of organisational behaviour can be attained through a stakeholder theory of the firm's choice process model, which recognises the impact of the nature of stakeholder's values, stakeholder's relative levels of influence, organisational situational factors, the nature of the decision, and organisational structure
Steadman and Garrison (1993)	Instrumental	Despite the supplementation of U.S. firms for Japanese firms as economic leaders, traditional comparisons based on performance and value may not be appropriate because U.S. firms, unlike their Japanese counterparts, have moved from a "stockholder" to a "stakeholder" perspective, which may have implications for managerial success

APPENDIX C. (Continued)

Study	Classification	Contribution
Altman and Petkus (1994)	Instrumental	Application of social marketing principles can help non-governmental stakeholders to articulate their policy desires and enhance successful environmental policy development and implementation
Dooley and Lerner (1994)	Descriptive/ empirical	Economic performance is found to moderate the relationship between CEO responsiveness to stakeholder concerns and pollution performance variables such as total and direct toxic releases, despite the fact that a CEO may have a strong community orientation
Freeman (1994)	Normative	Cannot divorce the ideas of a moral community with the value-creating activity of business, which has been advocated (Goodpaster, 1991) by the separation thesis (business and ethics can be separated). There is, therefore, no stakeholder paradox (which infers that it is illegitimate to base corporate decisions on ethical values that exceed fiduciary requirements)
Gregory and Keeney (1994)	Descriptive/ empirical	A stakeholder approach was used in a workshop in Malaysia to serve as a basis for improved discussion and dialogue to identify policy alternatives based on trade-offs between economic and environmental objectives
Lerner and Fryxell (1994)	Descriptive/ empirical	CEO preferences have only a modest influence on corporate social activity. Only corporate philanthropy was positively related to CEO community orientation. Preferences were constrained by external conditions and internal inertia
Steadman, Green, and Zimmerer (1994)	Instrumental	Japanese firms who have higher levels of economic efficiency than their U.S. counterparts, by their nature are able to mitigate the demands of stakeholder

APPENDIX C. (Continued)

Study	Classification	Contribution
Tilt (1994)	Descriptive/ empirical	groups. Due to differences in societal expectations, there will never be a level global playing field Pressure groups (stakeholders), in particular, environmental groups, are the main users of corporate social disclosure (CSD). Pressure groups desire standards/legislation to enforce social responsibility, preferably through external social audits. There are high levels of dissatisfaction by pressure groups toward current levels of CSD
Wicks, Gilbert, and Freeman (1994)	Normative	Stakeholder theory can be understood in “feminist” terms as recognising value in a network of stakeholders, developing communication, decentralising power and authority, and generating consensus
Clarkson (1995)	Normative	Provides a framework for analysing stakeholder relationships under different ideological, political, cultural, and economic conditions. The extent of stakeholder management is a function of the normative core of an ideology
Donaldson and Dunfee (1995)	Normative	Proposes an Integrative Social Contracts Theory that allows humans to agree to hypothetical social contracts. Allows self-selected economic communities to set their own norms of ethical behaviour. Respects moral diversity present in economic communities
Donaldson and Preston (1995)	Normative	Major study, which provides a categorisation of stakeholder literature to date into studies which reflect its normative validity, instrumental power, and descriptive accuracy. Each category is mutually supportive, although the normative base is fundamental
Dunfee (1995)	Normative	Seeks to develop a generic normative stakeholder theory, based on widely

APPENDIX C. (Continued)

Study	Classification	Contribution
Frost (1995)	Normative	accepted “hypernorms” to apply cross-culturally to all organisations, which is consistent with the economic nature of enterprise organisations and one which provides adequate normative guidance to decision-makers Stakeholder analysis provides a mechanism that defines moral and ethical frameworks within the mineral resources sector, which is characterised by a complex set of environments
Grimble and Chan (1995)	Instrumental	Stakeholder analysis can be a useful tool for consulting in natural resource management and other environmentally sensitive areas where occasionally no formal rules exist
Jones (1995)	Instrumental	Stakeholder management is advanced through a synthesis of the stakeholder concept, economic theory, behavioural science, and ethics. The concepts of trust and co-operation in the contracts between the firm and stakeholders help to solve opportunistic behaviour
Polonsky (1995a)	Instrumental	A stakeholder strategy matrix that positions stakeholders as either mixed-blessing, supportive, non-supportive, marginal, or bridging, can aid the environmental strategy development process
Polonsky (1995b)	Instrumental	Stakeholder management provides a process that allows an industrial marketer to develop an environmental marketing strategy that satisfies both the goals of the firm and stakeholders
Starik (1995)	Normative	Non-human natural environment can be integrated into the stakeholder management concept. Stakeholder concept is more than human political/economic. This would provide a more holistic, value-oriented, focused, and

APPENDIX C. (Continued)

Study	Classification	Contribution
Fineman and Clarke (1996)	Descriptive/empirical	<p>strategic approach to stakeholder management, potentially benefiting both nature and organisations</p> <p>Pro-environmental responses by managers in the U.K. supermarket, automotive, power, and chemical industries are dependent on the nature of a stakeholder's power. Campaigners and regulators are perceived as legitimate because of their ability to adversely affect an industry</p>
Harrington (1996)	Normative	Goals of regulatory policy will be fully understood and evaluated by embracing a stakeholder approach that requires public conversation, encourages explicit instead of implicit approaches, and results in moral scrutiny of our economic and social systems
Harrison and St. John (1996)	Instrumental	Successful stakeholder partnerships result in product success, manufacturing efficiency, reduced litigation and negative publicity, and favourable regulatory policies
Polonsky (1996a)	Instrumental	Steadman et al. (1994) did not consider the complexities and importance of internal stakeholders, and underestimated the growing importance of external stakeholders in Japan
Polonsky (1996b)	Instrumental	Stakeholder management can be used by marketers for more effective and comprehensive strategy formulation, by identifying each stakeholder's relationship with the firm
Polonsky and Ryan (1996)	Instrumental	U.S. stakeholder statutes provide socially responsible managers with protection against creditors who assert that their interests are impaired by managerial choices, although the degree to which this applies remains limited when an

APPENDIX C. (Continued)

Study	Classification	Contribution
Atkinson, Waterhouse, and Wells (1997)	Instrumental	<p>organisation faces hostile takeovers because of their non-mandatory status</p> <p>Performance measurement systems that incorporate secondary objectives such as supporting contractual relationships between stakeholders, rather than relying solely on the primary corporate objective of profit, provide the necessary robustness needed for successful internal management and control</p>
Sternberg (1997)	Normative	Stakeholder theory is fundamentally misguided and intrinsically incompatible with organisational objectives. It undermines both private property and accountability
Greenley and Foxall (1997)	Descriptive/empirical	Although stakeholder orientation is positively associated with company performance, an optimal allocation of resources to address stakeholder claims is influenced by external factors such as competitive rivalry and appears to mitigate strategic efforts to address the diverse interests of multiple stakeholders
Mitchell, Agle, and Wood (1997)	Instrumental/normative	Stakeholder theory can be enhanced by identifying stakeholders based on the attributes of power and urgency, in addition to that of the common legitimacy argument. This can be used to generate a typology of stakeholders, and propositions concerning their salience to managers of the firm
Morris (1997)	Descriptive/empirical	Stakeholder management devices affect perceived moral climates within a firm and managerial expectations about the consequences of good social performance, but not about organisational member attitudes toward corporate social responsibility

APPENDIX C. (Continued)

Study	Classification	Contribution
Rowley (1997)	Instrumental/ normative	Accommodates multiple and interdependent stakeholder demands so that an organisation's conformation to stakeholder expectations is a function of the network density (the number) of stakeholders, and the centrality (the degree to which it acts as an intermediary) of the organisation
Cordano and Rands (1998)	Descriptive/ empirical	Suggest that attitudes more specifically related to behaviours should be the focus of examination. The study found that attitudinal differences on policy agendas played a significant role in stakeholder conflict irrespective of group affiliation
Reed (1999)	Normative	Prescribes a critical theory perspective toward stakeholder management, that provides (1) a firm basis for establishing the validity and scope for management's normative responsibilities and (2) the conceptual clarity for determining stakeholder validity through the three different normative realms (legitimacy, morality, and ethics) that constitute a critical approach
Jones and Wicks (1999)	Normative/ instrumental	Proposes a convergence between normative and instrumental aspects of stakeholder theory by stating that both moral and practical organisational responses can be achieved without compromising one over the other
Agle, Mitchell, and Sonnenfeld (1999)	Descriptive/ empirical	Empirically tested the salience model by Mitchell et al. (1997). CEO perception of legitimacy, power, and urgency are related to stakeholder salience
Gibson (2000)	Normative	Argues a normative stakeholder approach, and the moral basis for claims of particular stakeholders as a basis for distinguishing between competing stakeholder claims

APPENDIX C. (Continued)

Study	Classification	Contribution
Phillips and Reichart (2000)	Normative	Criticises Starik's (1995) attempt at ascribing stakeholder status to the non-human environment. Argues that the environment should be accounted for on a fairness-based approach through legitimate organisational stakeholders
Wijnberg (2000)	Normative	Suggests that given that problems exist with respect to the ethical foundation and norms between corporate and individual responsibilities, that managers should adopt an Aristotelian approach whereby managers live a complete and good life and undertake decisions for the interests of different stakeholders
Jawahar and McLaughlin (2001)	Normative	Argues for a descriptive stakeholder theory whereby a stakeholder's importance is dependent on the stage of the organisation's life cycle, and the organisation's response strategy will differ with each stakeholder
Hendry (2001)	Normative	Criticizes the predominant economic theory focus of existing stakeholder work, which sees the moral basis of stakeholder relationships being grounded in a "nexus of contracts". Argues that you cannot reduce the moral purely to the economic. Ethics is also about the social relationships between moral actors
Kaler (2002)	Normative	Argues that stakeholders in a business have to be defined as those with either a strong or weak morally legitimate claim to have their interests served
Kaler (2003)	Normative (implicitly prescriptive)	Rejects the Donaldson and Preston (1995) normative, instrumental, and descriptive stakeholder classification typology in favour of a stakeholder theory whereby duties to shareholders and stakeholders range from qualified to unqualified

APPENDIX C. (Continued)

Study	Classification	Contribution
Drisco and Starik (2004)	Normative	<p>depending on the obligations and duties owed to each</p> <p>This article integrates into managerial decision-making the relationship between business organisations and the natural environment. The authors review the literature on who or what should count as a stakeholder, and critique and expand the stakeholder identification and salience model developed by Mitchell et al. (1997). The stakeholder attributes of power, legitimacy, and urgency is reconceptualised and a fourth stakeholder attribute is developed “proximity”, to argue for the salience of the natural environment as the primary and primordial stakeholder</p>
Buchholz and Rosenthal (2005)	Normative	<p>Rejects both the inherent individualist aspect of stakeholder theory and the alternate feminist viewpoint in favour of a pragmatic approach involving pluralism as a basis for understanding the relationship between the firm and stakeholders</p>
Kaler (2006)	Normative	<p>Argues that there is a need to limit the number and degree of stakeholders and responsibilities to them, and consequently obligations to shareholders/ stakeholder are not enmeshed in claims about property rights and economic superiority</p>
Neville and Menguc (2006)	Normative/ instrumental	<p>Develops a framework, called “stakeholder multiplicity”, drawing on Mitchell et al. (1997), to understand and measure the effects on the organisation of competing, complementary, and co-operative stakeholder interactions. The framework is based upon the direction, strength, and synergies of the interacting claims</p>

APPENDIX C. (Continued)

Study	Classification	Contribution
Reynolds et al. (2006)	Descriptive	Indivisible resources and unequal levels of stakeholder salience impede managerial efforts to weigh stakeholder interests. Resource divisibility also influenced whether managers used a within-decision or an across-decision approach to balance stakeholder interests
Shropshire and Hillman (2007)	Descriptive	Using a longitudinal sample (1992–1999) of stakeholder management data, the authors find that firm age and size, along with industry shifts in stakeholder management, and to a lesser degree organisational risk and performance, managerial discretion, ownership and succession, increase the likelihood of changes in stakeholder management over time

APPENDIX D. STAKEHOLDER QUESTIONNAIRE

November 8, 1999

Dear Sir/Madam,

Name of Project: *Attitudes toward Stakeholder Prominence within an Asia-Pacific Context*

You are invited to participate in an international study on the attitudes toward organisational constituents (“stakeholders”) within the Asia-Pacific region. The purpose of the study is to elicit the attitudes of managers and managerial students toward stakeholder groups across the Asia-Pacific region.

The study is being undertaken by Mr Lorne Cummings, Department of Accounting and Finance, Macquarie University, NSW, Australia, Tel 61-2-9850-8531. This study is being conducted to meet the requirements for the degree of Doctor of Philosophy under the supervision of Professor James Guthrie 61-2-9850-9030 of the Macquarie Graduate School of Management (MGSM).

You are asked to complete a questionnaire based on pairwise comparisons of the importance of selected organisational “stakeholders”.

The study consists of three (3) matrices regarding the legitimacy, power and urgency of claims of certain “stakeholders”.

This questionnaire is the first of its kind, and is important in gaining an understanding of current and potentially future managerial attitudes toward certain stakeholder groups across nation states within the Asia-Pacific region.

Any information or personal details gathered in the course of the study are confidential. No individual will be identified in any publication of the results, and the data will be held solely by the researcher.

It would be greatly appreciated if you could complete the attached questionnaire, and return it in the enclosed addressed envelope as soon as possible. Your time and co-operation toward this study is greatly appreciated.

Yours Sincerely

Mr Lorne Cummings
Associate Lecturer in Accounting and Finance
Macquarie University, Australia

ASIA-PACIFIC STAKEHOLDER QUESTIONNAIRE

Please complete the questionnaire in pen rather than pencil. Please place a tick in the appropriate box.

1. Sex

- Male Female

2. In What Age Group Are You?

- Under 25 45-54 years
 25-34 years 55+ years
 35-44 years

3. Country of Birth

- Australia
 China
 Indonesia
 Other (please specify)

4. Cultural Background

- Anglo/European
 Chinese
 Native Indonesian
 Other (please specify)

5. What formal level of education have you obtained?

- High school
 Technical Certificate
 PhD
 Master's degree
 Bachelor's degree
 Other (please specify) _____

6. What is your Occupation?

- Business Owner
 Full-Time Manager
 Full-Time Manager/Part-Time Student
 Full Time Student
 Other (please specify) _____

7. Is your organisation owned by a foreign multi-national organisation? (for managers only)

- Yes No

For each of the two (2) questionnaire matrices, please indicate the relative concern of the goal or group on the left of the matrix, compared to the goal or group on the right by placing a circle around the most appropriate level of influence/legitimacy.

Example

	← More Important				Equal	More Important →				
	Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong	Extreme	
Apples	9	7	5	3	1	3	5	7	9	Oranges
Apples	9	7	5	3	1	3	5	7	9	Pears
Oranges	9	7	5	3	1	3	5	7	9	Pears

With respect to their overall role as an organisational stakeholder, from an individual perspective, for each pair please select the relative LEGITIMACY that you place on the claims of the group on the left, compared to the group on the right (i.e., circle one number for each line).

(Legitimacy reflects the degree to which the claims of the particular grouping are logically inferable and justified according to your beliefs).

	← More Legitimate					Equal	More Legitimate →				
	Extreme	Very Strong	Strong	Moderate		Moderate	Strong	Very Strong	Extreme		
Customers	9	7	5	3	1	3	5	7	9	Employees	
Customers	9	7	5	3	1	3	5	7	9	Environment Groups	
Customers	9	7	5	3	1	3	5	7	9	Government	
Customers	9	7	5	3	1	3	5	7	9	Investors	
Customers	9	7	5	3	1	3	5	7	9	Suppliers	
Employees	9	7	5	3	1	3	5	7	9	Environment Group	
Employees	9	7	5	3	1	3	5	7	9	Government	
Employees	9	7	5	3	1	3	5	7	9	Investors	
Employees	9	7	5	3	1	3	5	7	9	Suppliers	
Environment Groups	9	7	5	3	1	3	5	7	9	Government	
Environment Groups	9	7	5	3	1	3	5	7	9	Investors	
Environment Group	9	7	5	3	1	3	5	7	9	Suppliers	
Government	9	7	5	3	1	3	5	7	9	Investors	
Government	9	7	5	3	1	3	5	7	9	Suppliers	
Investors	9	7	5	3	1	3	5	7	9	Suppliers	

Customers = The legitimacy of customers as an organisational stakeholder group. Employees = The legitimacy of employees as an organisational stakeholder group. Environmental Groups = The legitimacy of environmental groups (e.g., Greenpeace) as an organisational stakeholder group. Government = The legitimacy of government as an organisational stakeholder group. Investors = The legitimacy of investors as an organisational stakeholder group. Suppliers = The legitimacy of suppliers as an organisational stakeholder group.

With respect to their overall role as an organisational stakeholder, from an individual perspective, for each pair please select the relative POWER that you place on the claims of the group on the left, compared to the group on the right (i.e. circle one number for each line).

(Power reflects the degree to which the particular grouping can effect or have the capability of instigating change).

	← More Powerful				Equal	More Powerful →				
	Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong	Extreme	
Customers	9	7	5	3	1	3	5	7	9	Employees
Customers	9	7	5	3	1	3	5	7	9	Environment Groups
Customers	9	7	5	3	1	3	5	7	9	Government
Customers	9	7	5	3	1	3	5	7	9	Investors
Customers	9	7	5	3	1	3	5	7	9	Suppliers
Employees	9	7	5	3	1	3	5	7	9	Environment Group
Employees	9	7	5	3	1	3	5	7	9	Government
Employees	9	7	5	3	1	3	5	7	9	Investors
Employees	9	7	5	3	1	3	5	7	9	Suppliers
Environment Groups	9	7	5	3	1	3	5	7	9	Government
Environment Groups	9	7	5	3	1	3	5	7	9	Investors
Environment Group	9	7	5	3	1	3	5	7	9	Suppliers
Government	9	7	5	3	1	3	5	7	9	Investors
Government	9	7	5	3	1	3	5	7	9	Suppliers
Investors	9	7	5	3	1	3	5	7	9	Suppliers

Customers = The power of customers as an organisational stakeholder group. Employees = The power of employees as an organisational stakeholder group. Environmental Groups = The power of environmental groups (e.g., Greenpeace) as an organisational stakeholder group. Government = The power of government as an organisational stakeholder group. Investors = The power of investors as an organisational stakeholder group. Suppliers = The power of suppliers as an organisational stakeholder group.

With respect to their overall role as an organisational stakeholder, from an individual perspective, for each pair please select the relative URGENCY that you place on the claims of the group on the left, compared to the group on the right (i.e., circle one number for each line).

(Urgency reflects the degree to which the claims of the particular grouping are of pressing or current importance as an issue).

	← More Urgent				Equal	More Urgent →				
	Extreme	Very Strong	Strong	Moderate		Moderate	Strong	Very Strong	Extreme	
Customers	9	7	5	3	1	3	5	7	9	Employees
Customers	9	7	5	3	1	3	5	7	9	Environment Groups
Customers	9	7	5	3	1	3	5	7	9	Government
Customers	9	7	5	3	1	3	5	7	9	Investors
Customers	9	7	5	3	1	3	5	7	9	Suppliers
Employees	9	7	5	3	1	3	5	7	9	Environment Group
Employees	9	7	5	3	1	3	5	7	9	Government
Employees	9	7	5	3	1	3	5	7	9	Investors
Employees	9	7	5	3	1	3	5	7	9	Suppliers
Environment Groups	9	7	5	3	1	3	5	7	9	Government
Environment Groups	9	7	5	3	1	3	5	7	9	Investors
Environment Group	9	7	5	3	1	3	5	7	9	Suppliers
Government	9	7	5	3	1	3	5	7	9	Investors
Government	9	7	5	3	1	3	5	7	9	Suppliers
Investors	9	7	5	3	1	3	5	7	9	Suppliers

Customers = The urgency of customers as an organisational stakeholder group. Employees = The urgency of employees as an organisational stakeholder group. Environmental Groups = The urgency of environmental groups (e.g., Greenpeace) as an organisational stakeholder group. Government = The urgency of government as an organisational stakeholder group. Investors = The urgency of investors as an organisational stakeholder group. Suppliers = The urgency of suppliers as an organisational stakeholder group.

Thank you very much for completing the survey.

APPENDIX E. LIST OF CORPORATIONS SURVEYED

Australian Companies

Ameron Coatings Pty Ltd	KMCC Western Australia Pty Ltd
Ampol Lubricating Oil Refinery Ltd	Lanes Biscuits Pty Ltd
Arthur Yates & Co Ltd	Lemington Coal Mines Ltd
Austral Plywoods Pty Ltd	Ludowici Limited
Australian Dried Fruit Sales Pty Ltd	Mackay Sugar Co-Op Association Ltd
Australian Quality Egg Farms Ltd	Macquarie Textiles Group Ltd
Australian Window Furnishings (Qld) P/L	Matilda Bay Brewing Co Limited
B.P Australia Ltd	MEC-Kambrook Pty Ltd
Baiada Poultry Pty Ltd	Melocco Pty Ltd
Baxter Healthcare Pty Ltd	Merck Sharp & Dohme (Australia) P/L
Benckiser Australia Pty Ltd	Metroll Pty Ltd
BHP Minerals Pty Ltd	Milne Feeds Pty Ltd
Blackmores Ltd	Miranda Wines Pty Ltd
Bonds Industries Ltd	Monopak Pty Ltd
Brownes Dairy Pty Ltd	Mossman Central Mill Company Ltd
Canning Vale Weaving Mills Ltd	Namoi Mining Pty Ltd
Capilano Honey Ltd	National Can (NSW) Pty Ltd
Caterpillar Elphinstone Pty Ltd	Nonferral (NSW) Pty Ltd
Commercial Minerals Ltd	North Flinders Mines Ltd
Delta Gold NL	North Gold (WA) Ltd
Dow Chemical Australia Ltd	North Mining Limited
Eagle Mining Corporation NL	Novacoal Australia Pty Ltd
Ebenezer Mining Company Pty Ltd	Novartis Crop Protection Australasia
Energy Resources of Australia	NSW Sugar Milling Co-Operative Ltd
Ericsson Australia Pty Ltd	NT Gas Pty Ltd
Fasson Pty Ltd	Nufarm Limited
Gibson Chemicals Limited	Oakey Abattoir Pty Ltd
Golden Circle Limited	Oil Company of Australia Ltd
Goldfan Ltd	Oil Drilling & Exploration Ltd
Goodman Fielder Ltd	Olin Australia Limited
Gove Aluminium Ltd	Olivegrove
Gunns Ltd	Olympic Fine Foods Pty Ltd
H B Fuller Company Australia Pty Ltd	Palmer Tube Mills (Aust) Pty Ltd
Harris-Daishowa Australia Pty Ltd	Parke Davis Pty Ltd
Hydro-Chem Pty Ltd	Pasminco Australia Ltd
Industrial Galvanizers Corp Pty Ltd	PAX Australia Pty Ltd
James Hardie Windows Pty Ltd	Peerless Holdings Pty Ltd
Joyce Corporation	Peter Metchev Pty Ltd
KAAL Australia Pty Ltd	Perilya Mines NL
	Pfizer Pty Ltd

APPENDIX E. (Continued)

Australian Companies

Pharma Pacific Pty Ltd	St George Appliances Pty Ltd
Philip Morris Limited	St Regis Bates Pty Ltd
Phosphate Resources Limited	Spring Valley Fruit Juices
Pioneer International Limited	Stanbroke Pastoral Company P/L
Pivot Limited	Starch Australasia Ltd
PNC Exploration (Australia) Pty Ltd	Steggles Limited
Powercoal Pty Ltd	Stramit Corporation Limited
QCT Resources Limited	Sunburst Regency Foods Pty Ltd
Queensland Alumina Limited	Suncoast Milk Pty Ltd
Queensland Breweries Pty Ltd	Sunstate Cement Ltd
Queensland Cement Limited	Swane Bros Pty Ltd
Queensland Sugar Corporation	Tasmanian Pulp and Forest Holdings Ltd
Renown & Pearlite Pty Ltd	Tassal Limited
Rexam Australia Pty Ltd	Tatiara Meat Company Pty Ltd
Rhone-Poulenc Rural Australia P/L	Tatura Milk Industries Limited
Ridley Corporation Limited	Tea Estates of Australia Ltd
Riverina Stock Feeds Pty Ltd	Textron Corporation Pty Ltd
Riverina Wool Combing Pty Ltd	Thames Water Asia/Pacific Pty Ltd
Robe River Iron Associates	The Argus and Australasian Pty Ltd
Roche Products Pty Ltd	The Austral Brick Co Pty Ltd
Rohm and Haas Australia Pty Ltd	The Queensland Times Pty Ltd
Rosedale Leather Pty Ltd	The Stanley Works Pty Ltd
Sancellia Pty Ltd	The Swan Brewing Company Pty Ltd
Sandhurst Farms Ltd	The Wrigley Company Pty Ltd
Sarlou Industries Pty Ltd	Thompsons Kelly and Lewis Pty Ltd
Saxonvale Coal Pty Ltd	Thor Plastics Pty Ltd
Scholle Industries (Manufacturing) P/L	Thorn Lighting Pty Ltd
Selleys Pty Ltd	Tiger Engineering Pty Ltd
Shorko Australia Pty Ltd	Timcast Pty Ltd
Sigma Pharmaceuticals Pty Ltd	Tixana Pty Ltd
Simplot Australia Pty Ltd	Tooheys Pty Ltd
Slimax Laboratories Pty Ltd	Toowoomba Foundry Pty Ltd
Snow Brand Tatura Dairies Pty Ltd	Topmix Pty Ltd
Softwood Holdings Ltd	Total Australia Limited
Sonoco Australia Pty Ltd	Toyo Tyre and Rubber Australia Ltd
South Blackwater Coal Ltd	Transcom Communications Systems Ltd
South Johnstone Mill Ltd	Transform Composites Holdings P/L
Southcorp Wines Pty Ltd	Transparent Sheet Aust Pty Ltd
Southern Country Foods Aust Pty Ltd	Trollope Silverwood and Beck P/L
SPC Limited	

APPENDIX E. (Continued)

Australian Companies

Tube Fitting Sales Pty Ltd	Welded Tube Mills of Australia Pty Ltd
Tycan Australia Pty Ltd	Wesfarmers Bunnings Limited
Tyco Australia Pty Ltd	Wesfi Manufacturing Pty Ltd
Tyco Building Products Pty Ltd	Wespine Industries Pty Ltd
UDR Group Ltd	Western Australian Mint
Unidrive Pty Ltd	Western Metals Ltd
United Milk Tasmania Ltd	Westralian Sands Limited
UVS Ultra Violet Pty Ltd	White Industries Australia Limited
Valley View Poultry Pty Ltd	Pioneer- White Rock Quarries Pty Ltd
Valpak Pty Ltd	Wiluna Gold Pty Ltd
Valvoline (Australia) Pty Ltd	Windridge Pig Farm
Varian Australia Pty Ltd	WMC Fertilizers Ltd
Vinidex Tubemakers Pty Ltd	Woodbridge Henderson's Aust Group
Vita Pacific Ltd	Woodside Offshore Petroleum Pty Ltd
Walker Australia Pty Ltd	WR Grace Australia Limited
Warkworth Mining Ltd	Wyeth Australia Pty Ltd
Warrnambool Milk Products Pty Ltd	Wyndham Estate Wines (Aust) Ltd
Wattyl Limited	Yakka (Aust) Pty Ltd
WD & HO Wills (Australia) Limited	Yakult Australia Pty Ltd
Webforge Australia Pty Ltd	Yokogawa Australia Pty Ltd
Weir Engineering Pty Ltd	Yolarno Pty Ltd

Chinese Companies

ARCO Chemical Great China Ltd	Changsha Asbestos Prod Factory
ABB Xiamen Switchgear Co Ltd	Changsha Cigarette Factory
Anhui Cotton and Hemp Co	Changsha Tongda Group
Anhui Glass Bottle Fty	Changsha Timber Co
Anhui Petroleum General Co	Changsha Cement Factory
Anyang Dyestuffs Plant	Changxin Textile Co Ltd
Baling Petrochemical Corp	Chanzhou Forging General Factory
Baoding Tianwei Group Co Ltd	Changzhou Kangdali Pharmaceutical
Baoji Petroleum Machinery	Co
Manufacturing	Chaozhou Glazed Tile Factory
Baoji Petroleum Steel Pipe & Tube	Chenadu Chemical Co Ltd
Works	Chenadu Enamel General Factory
Boc-Tisco Gases Co Ltd	China Bekaert Steel Cord Co Ltd
CPC Foods Co Ltd	China Lucky Film Corporation
Cangzhou Ji-Hua Plastics Co Ltd	China National Timber Corp

APPENDIX E. (Continued)

Chinese Companies

China National Tree Seed Corp	Guangzhou Steel Pipe Mill
China National Salt Industry Corp	Guizhou Xianfeng Industrial Corp
China Silk Garments I/E Corp	Guizhou Xizhong Plastics Co Ltd
China Tobacco Import and Export Yunnan Corp	H.R Medical Ltd
Chingqing Rubber Industry Corp	Haier Condensor Factory
Dalian Dyestuff Plant	Hainan Pharmaceuticals Co
Dalian Heng Cheng Industrial Corp	Hainan SEG Industrial Co Ltd
Dalian Longquan Winery Co Ltd	Hangzhou Oil Refinery
Dalian Metals and Minerals I/E Corp	Hangzhou People's Glass Factory
Dalian Pharmaceutical Factory	Hangzhou Resin General Factory
Dandong Yinhe Industrial Co Ltd	Hangzhou Toothpaste Plant
Dandong Nail and Needle Factory	Hangzhou Wahaha Nourishing Food Plant
Dongfang Electrical Machinery Co Ltd	Harbin Bearing Co Ltd
Dongfeng Adhesives Factory	Harbin Medicine Co Ltd.
Dongguan Advanced Coatings Co Ltd	Harbin Pharmaceutical Factory
Dongguan Henghui Electric Co Ltd	Hebei Textiles I/E Group Corp
Dongguan Shilong Industrial Gen Corp	Hefei Bearing Factory
Dongguan Yuelin Furniture Co Ltd	Heifei Castings and Forgings Plant
Dow Chemical (China) Ltd	Hefei Iron and Steel Co Ltd
Enping Guanghua Ceramics Co Ltd	Heilongjiang Feedstuff Co
First Brands Guangzhou Ltd	Henan Cotton Yarns and Fabrics I/E Corp
Foshan Pacific Metal Packaging Co Ltd	Henan Jiaozuo Steel Plant
Fujian Dongmen Enterprises Group Co	Henan Metals and Minerals I/E Corp
Fujian Petroleum Yiamen Co	Henan Pingyuan Pharmaceutical Factory
Fujian Sanming Chemical Industrial Complex	Henan Tianhe Industrial Corp
Fushun Industrial Fabric Fty	Hengyang Feilong Co Ltd
Fushun Petroleum Machine Works	Hua Dong United Can Co Ltd
Fuzhou Fuxing Medicine Co Ltd	Huafeng Electrical Appliance Co Ltd
Fuzhou Medical-Chemical Corp	Huaibei Garments Group Co
Gansu Cereals, Oils and Foodstuffs I/E Corp	Huamao (Xiamen) Weaving Dyeing & Finishing Co Ltd
Golden World Pharmaceutical Co Ltd	Huaxin Cement Co Ltd
Guangdong Chemical Material Corp	Hunan Zhenghong Forge Co Ltd
Guangdong Color Picture Tube Co Ltd	Hugingyutang Pharmaceutical Factory
Guangdong Panyu Silk I/E Co	Husi Food Co Ltd
Guangdong Power Development Co Ltd	Jiangmen Battery Factory

APPENDIX E. (Continued)

Chinese Companies

Jiangmen Chemical and Rubber Machine Factory	Liuzhou Chemical Group Co
Jiangmen Danone Biscuits Co Ltd	Liuzhou Minicar Factory
Jiangmen Leather Manufacturing Corp	Maoming Industrial Development General Co
Jiangmen Textiles Co	Mei Li Ya Animal Health Co Ltd
Jiangmen Water Co	Nanhai Tannery and Leather Prod Co Ltd
Jiangsu Aquatic Prod Corp	Nanjing Ferrous Alloy Factory
Jiangsu Baoling Chemical Co Ltd	Nantong Hymo Co Ltd
Jiangsu Huaian Lantian Towel Factory	Ningbo Chinese Medical Materials Co Ltd
Jiangsu Industrial Chemicals Corp	Ningbo Zhonghua Paper Co Ltd
Jiangsu Salt Industry Corp	Ningxia Coal I/E Corp
Jiangsu Soto Chemical Co Ltd	North China Pharmaceutical Group
Jiangsu Textiles I/E Group Corp	Nosawa and Co Ltd
Jiangxi Animal By-Product I/E Corp	Panyu Chemicals I/E Co
Jiangxi Cereals, Oils and Foodstuffs	Qilu Petro Chemical Corp of China
Jiangxi Garments I/E Corp	Qingdao Dayang Foof Group Corp
Jiangxi Medicines and Health Products I/E Corp	Qingdao Ciba Pigments Co Ltd
Jiangxi Metals and Minerals I/E Corp	Qingdao Laoshan Brewery
Jiangxi Native Produce I/E Corp	Qingdao Brewery Group
Jiangxi Pharmaceutical Ltd Liability Co	Qianwei Paper Mill
Jiangyin Mould Plastic Group Co	Quanzhou Haixia Medicine Co Ltd
Jiaxing Spun Silk Factory	Sanming Iron and Steel Works
Jiaozou Xinda Chemical Industry Co Ltd	Shandong Ocean Chemicals Group Co Ltd
Jihua Pesticide Factory	Shandong Silk Corp
Jilin Carbon Plant	Shantou Pesticide Factory
Jilin Chemical Industrial Company Limited	Shanxi Machinery I/E Corp
Jilin Knitting Wool Mill	Shaoxing Intel, Printing and Dyeing Co Ltd
Jilin Paper Group Co Ltd	Shenyang Garments I/E Corp
Jilin Pharmaceutical Stock Co Ltd	Shenyang Pharon Health Prod Co Ltd
Jung Yoon Toys Corp	Shenzhen Futian Medical Co Ltd
Kaiping Rubber Products Factory	Shenzhen Guangqiao Foodstuff Co Ltd
Kang Bei Garment Industrial Co	Shenzhen Nanshan Cereals Co
Kunming Chemical Industry Corp	Shenzhen SINOR Pharmaceutical Co Ltd
Kunming Machine Tool Co Ltd	Showa Shoi Co Ltd
Kunya Plastic Co Ltd	
Liaoning Pelagic Fisheries Co Ltd	

APPENDIX E. (Continued)

Chinese Companies

Shunde Debao Adhesive Co Ltd	Xinjiang Kunlun Plastics Factory
Sinopec Maoming Petrochemical Co	Yantai Huada Foodstuff Industry Co Ltd
Songjiang Cannery Factory	Yangzhou Tongyun Container Co Ltd
Southseas Oils & Fats Industrial (Chiwan) Ltd	Yibin Paper Co Ltd
Suzhou Classical Forestry Construction Corp	Yingkou Copy Machine Co Ltd
Suzhou Chemical Fiber Factory	Yizheng Chemical Fibre Co Ltd
Suzhou Zhenya Group Co	Yunnan Phosphate Fertilizer Factory
Taizhou Yuntong Electrical Plastics Co Ltd	Zhangjiagang Olay Clothing Co Ltd
The Jiangmen Sugarcane Chemical Factory Ltd	Zhanjiang Animal Products I/E Corp
Tianjin Steel Tube Corp	Zhejiang Huadong Optical Instrument Factory
Tong Fa Garment Manufacturing Co Ltd	Zhejiang Haimen Glassware Factory
Wenzhou Marine Fishery Corp	Zhejiang Jiande Perfume Plant
Wuhan Iron and Steel Co	Zhejiang Medicines and Crude Drugs Co Ltd
Wuxi Electric Household Appliances Co Ltd	Zhejiang Zheyuan Co Ltd
Wuxi Metal Materials Corp	Zhejiang Pacific Chemical Corp [JV]
Wuzhou Wuyi Plastic Factory	Zhenhai Refining & Chemical Company Limited
Xiamen Doly Chemical Co Ltd	Zhingshan Morning Star Glass Co Ltd
	Zhongshan Rubber Machinery and Moulding Factory

Indonesian Companies

Abadi Genteng Keramik	Aneka Tambang PT
Abadi Sakti Timber PT	Argha Karya Prima Industry PT
ABC Central Food PT	Argo Pantes PT
Ades Alfindo Putrasetia PT	Artha Nugraha Mandiri PT
AICA Indonesia PT	Arun Natural Gas Liquefaction Co PT
AKTIF Indonesia Indah PT	ASEAN Aceh Fertilizer PT
Alfred C Toepper Pelletizing Factory Indonesia PT	Atlantic Ocean Paint PT
Altron Niagatama Nusa PT	Atrisco Asbestos Cement Industry PT
Ancol Terang Metal Printing Industry PT	Badan Tekstil Nasional PT
Aneka Bina Cipta Central Food Industry PT	Bakrie Sumatra Plantation PT
	Bali Raya PT
	Bangun Delima Indah PT
	Barito Pacific Timber PT

APPENDIX E. (Continued)

Indonesian Companies

Bima Mandrasakti PT	Indocement Tunggul Prakarsa PT
Bina Kimia Nufarm PT	Indonesia Kasai Perkasa PT
Bintang Toedjoe PT	Indonesia Pelleting Co PT
Bowater Bulk Packaging PT	Indonesian Acids Industry Ltd PT
Bukit Baiburi Enterprise PT	Indorayonesia Lestari PT
Bumi Waras CV	Indotama Megah Indah Rubber PT
Cahaya Kalbar PT	Industri Soda Indonesia PT
Central Rama Informatik PT	Inkoasku Ltd PT
Champion Kurnia Djaja Chemicals	Insfoil Pradanasakti PT
Cisadane Raya Chemicals PT	Intan Suar Kartika PT
Continental Oil Company of Indonesia Inc.	Interworld Steel Mills Indonesia PT
Coronet Crown PT	Inti Celluloseutama Indonesia PT
Dactex Indonesia PT	Intraco PT
Dasa Windu Agung PT	Invetco Nusantara PT
Deho Canning Company PT	IVO MAS Tunggul PT
Dinar Makmur Industri PT	Japfa Comfeed Indonesia PT
Dong Sung Indonesia PT	Jaya Kertas PT
Duta Pertiwi Nusantara PT	Jayabaya Raya PT
Eastara Melawi Mineral PT	Joesnoes Tunggul PT
Erka Primasta Incorporated PT	Justus Sakti Raya Corporation PT
Extrupack PT	Kahatex PT
Family Raya PT	Kalbe Farma PT
Findeco Jaya PT	Kanindo Prima Perkasa PT
Friesche Vlag Indonesia PT	Kartika Tirta Hema PT
Gana Mas Prima PT	Karya Bahana Unigam PT
Gema Polytama Kimia PT	Karyasega Sejati PT
Giri Asihjaya PT	Kawan Niaga Sahabat Textile Industry PT
Graha Geotama Perdana PT	Kayu Mas Timber PT
Great Giant Pineapple Co	Kedaung Industrial Ltd PT
Gunatex Jaya PT	Kemajuan-Pabrik Mesin
Gunung Madu Plantation PT	Kenrose Indonesia PT
Hanjaya Mandala Sampoerna PT	Kerta Rajasa Raya PT
Hasfarm Products PT	Kiami Kentas PT
Henkel Indonesia PT	Kimia Farma PT
IGA Abadi PT	Kintama Agungerasi PT
Ikaindo Industry Karbonik PT	Kodeco Batu Licin Plywood PT
Indawan Ekaperkasa PT	Konimex PT
Indo Milk PT	Krakatau Steel PT

APPENDIX E. (Continued)

Indonesian Companies	
Kurnia Kapuas Utama TBK PT	National Industry and Textile Co Ltd
Kusuma Raya Utama PT	PT
Lamipak Primula Indonesia PT	New Simo Mulyo PT
Langgeng Makmur Plastic Industry Ltd	Nonferindo Utama Aluminium Alloy
PT	PT
Laris Chandra PT	Nusantara Damasplastik PT
Lea Sanent PT	Nutrifood Indonesia PT
Leewon Industrial Co PT	NV Hadji Kalla Trading Company
Liang Chi Indonesia PT	NV Sumatra Tobacco Trading
Lionindo Jaya PT	Company
Lippo Industries PT	Omedata Electronics PT
Lispap Rayasentosa	Opal Indah Glass Industrial PT
Lontar Papyrus Pulp and Paper	Oyama Ltd PT
Industry PT	Pabrik Gula Candi Sidoarjo PT
Mabarfeed Indonesia PT	Pabrik Pipa Indonesia PT
Mahera CV	Pacific Indomas Plastic Indonesia PT
Mangole Timber Producers PT	Padma Pacific Sejahtera PT
Martin Lestari CV	Pan Gas Nusantara Industri PT
Maspion PT	Panca Usahatama Paramita PT
Matahari Sakti PT	Pancayasa Prima Tangguh PT
Mawar Sejati PT	Panverta Cakrakencana PT
Maxus Southeast Sumatra Inc	Papertech Indonesia PT
Medion Parma Jaya PT	Parama Binatani PT
Megah Megalon Industries PT	Pardic Jaya Chemicals PT
Merck Indonesia PT	Pelangi Indah Canindo PT
Metrocorp Indonusa PT	Pelita Cengkareng Paper Co Ltd.
Milatronika Karya Nipah PT	Perkebunan III PT
Mitra Kumkang Shoe PT	Perusahaan Dagang Dan Industri Keris
Mitra Saruta Indonesia PT	PT
Monagro Kimia PT	Perusahaan Dagang Rodamas Co Ltd
Moom Lion Industries PT	PT
Moya Zamzami Utama PT	Perusahaan Obat Nyamuk Menara Laut
Mulia Glass PT	Perusahaan Pertambangan Minyak
Mulia Plastindo PT	Dan Gas Bumi Nasional
Multi Harapan Utama PT	Polkrik Chemicals Company PT
Multi Inti Chemicals Abadi	Polypet Karyapersada PT
Naarden Indonesia PT	President Feed Indonesia PT
Nasiodelta Electric PT	Pulosynthetics PT

APPENDIX E. (Continued)

 Indonesian Companies

Pupuk Sriwijaya PT	Swadaya Plastikatama PT
Puspa Kumala Jaya PT	Tambang Timah PT
Quarry Masutama PT	Taruna Mekar Sakti PT
Rapigra PT	Tens Indonesia PT
Rita Sinar Indah PT	Tlogomas Abadijaya Engineering Plastic Industry PT
Salim Rengo Containers PT	Topwell Indoceil PT
Salitrosa Ausasia PT	Tri Jasa Sarana Pratama Textile PT
Sandang Rakyat Textile PT	Tulung Agung Indah PT
Santos Jaya Abadi PT	Unggul Indah Corporation PT
Sasa Inti PT	Uni Tumbuh Utama
Shinta Indahjaya PT	Union Chemicals Industries PT
Sinar Jatimulya Gemilang PT	Usaha Mina (Persero) PT
Sinar Olechemical International PT	Vastex Prima Industries PT
Smart Corporation PT	Wirifa Sakti PT
Sugizindo PT	Yunix Foods
Sulfindo Adiusaha PT	Zeta Agro Corporation PT
Sumi Asih PT	

APPENDIX F. STAKEHOLDER PROMINENCE RESULTS

Category	Stakeholder	Australia (Respondents = 236)			China (Respondents = 204)			Indonesia (Respondents = 238)			All Respondents (Respondents = 678)			
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	
		Country of origin	Customer	.271	.267	.334	.148	.143	.173	.271	.248	.307	.274	.244
	Employee	.221	.154	.186	.126	.087	.132	.170	.109	.140	.174	.109	.141	
	Environmental group	.072	.066	.070	.218	.123	.173	.079	.070	.089	.081	.069	.089	
	Government	.094	.179	.110	.211	.329	.196	.119	.226	.152	.120	.236	.155	
	Investor	.252	.249	.212	.202	.218	.214	.269	.264	.227	.259	.259	.217	
	Supplier	.091	.086	.089	.096	.099	.112	.093	.083	.085	.092	.083	.084	
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1	
	Overall inconsistency		.00860			.00489			0.00648			0.00494		

Category	Stakeholder	Australia (Respondents = 13)			China (Respondents = 3)			Indonesia (Respondents = 13)			All Owners (Respondents = 29)			
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	
		Owner	Customer	.305	.279	.352	.090	.068	.146	.320	.342	.369	.287	.277
	Employee	.197	.170	.157	.222	.126	.135	.134	.126	.092	.177	.151	.124	
	Environmental group	.069	.077	.058	.110	.112	.143	.050	.045	.053	.066	.066	.063	
	Government	.054	.104	.082	.345	.442	.207	.076	.107	.100	.079	.128	.101	
	Investor	.297	.275	.263	.143	.174	.222	.292	.292	.272	.287	.284	.271	
	Supplier	.079	.095	.088	.090	.078	.148	.128	.088	.115	.104	.094	.109	
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1	
	Overall inconsistency		.02145			.04573			.01555			.01230		

Stakeholder		Australia (Respondents = 101)			China (Respondents = 20)			Indonesia (Respondents = 53)			All FT Managers (Respondents = 174)		
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg
Full-time manager	Customer	.259	.275	.341	.156	.118	.146	.283	.256	.303	.256	.248	.303
	Employee	.235	.162	.201	.136	.106	.142	.172	.109	.145	.204	.138	.178
	Environmental group	.067	.065	.069	.216	.199	.222	.073	.080	.085	.080	.081	.087
	Government	.096	.173	.109	.216	.285	.191	.113	.218	.151	.113	.201	.132
	Investor	.250	.242	.193	.190	.207	.201	.267	.252	.236	.253	.246	.212
	Supplier	.092	.083	.086	.087	.084	.099	.093	.085	.079	.094	.086	.088
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1
	Overall inconsistency		.01036			.01661			.00665			0.00602	

Stakeholder		Australia (Respondents = 83)			China (Respondents = 101)			Indonesia (Respondents = 61)			All Full-Time Managers/Part-Time Students (Respondents = 245)		
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg
Full-time manager/ part-time student	Customer	.298	.269	.353	.141	.161	.174	.316	.273	.362	.233	.222	.274
	Employee	.207	.151	.174	.122	.089	.129	.178	.107	.130	.169	.113	.148
	Environmental group	.071	.061	.065	.231	.119	.182	.073	.064	.069	.123	.083	.105
	Government	.095	.192	.115	.202	.313	.186	.110	.220	.161	.142	.248	.159
	Investor	.242	.240	.209	.208	.220	.225	.249	.261	.205	.242	.242	.222
	Supplier	.086	.088	.084	.097	.099	.104	.075	.075	.073	.091	.092	.092
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1
	Overall inconsistency		.00813			.00502			.01043			.00494	

APPENDIX F. (Continued)

Stakeholder		Australia (Respondents = 26)			China (Respondents = 39)			Indonesia (Respondents = 94)			All FT Students (Respondents = 159)		
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg
Full-time student	Customer	.225	.237	.286	.172	.158	.176	.234	.210	.263	.217	.201	.244
	Employee	.235	.140	.179	.142	.084	.134	.163	.103	.144	.169	.104	.148
	Environmental group	.087	.076	.086	.178	.109	.157	.092	.076	.113	.108	.084	.119
	Government	.103	.187	.104	.141	.308	.171	.137	.269	.164	.133	.265	.156
	Investor	.260	.274	.252	.263	.247	.240	.270	.258	.224	.270	.260	.235
	Supplier	.089	.086	.092	.104	.093	.122	.104	.084	.092	.103	.087	.100
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1
	Overall inconsistency		.01726			.00688			.00729			.00394	
Stakeholder		Australia (Respondents = 13)			China (Respondents = 41)			Indonesia (Respondents = 16)			All Other (Respondents = 70)		
		Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg	Leg	Pow	Urg
Other	Customer	.248	.235	.244	.135	.109	.180	.240	.281	.310	.185	.163	.223
	Employee	.194	.121	.179	.104	.071	.128	.187	.124	.173	.145	.092	.150
	Environmental group	.096	.072	.084	.222	.115	.144	.083	.059	.099	.163	.095	.124
	Government	.097	.220	.107	.314	.400	.248	.109	.163	.100	.213	.308	.178
	Investor	.236	.266	.250	.144	.190	.173	.299	.283	.228	.198	.233	.203
	Supplier	.127	.087	.136	.084	.115	.127	.082	.090	.090	.097	.108	.122
	Total = 1	1	1	1	1	1	1	1	1	1	1	1	1
	Overall inconsistency		.01546			.00980			.01947			.00518	

REFERENCES

- Adams, C. A. (2004). The ethical, social and environmental reporting – Performance portrayal gap. *Accounting, Auditing and Accountability Journal*, 17(5), 731–757.
- Agle, B. R., Mitchell, R. M., & Sonnenfeld, J. A. (1999). Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5), 507–525.
- Altman, J. A., & Petkus, E., Jr. (1994). Toward a stakeholder-based policy process: An application of the social marketing perspective to environmental policy development. *Policy Sciences*, 27, 37–51.
- Ambler, T., & Wilson, A. (1995). Problems of stakeholder theory. *Business Ethics: A European View*, 4(1), 30–35.
- Anderson, A. (1997). *Media, culture and the environment*. London, UK: University College London Press.
- Anselin, A., Meire, P. M., & Anselin, L. (1989). Multicriteria techniques in ecological evaluation: An example using the analytical hierarchy process. *Biological Conservation*, 49(3), 215–229.
- Ansoff, I. (1965). *Corporate strategy*. New York: McGraw-Hill.
- Apostolou, B., & Hassell, J. M. (1993). An empirical examination of the sensitivity of the analytical hierarchy process to departures from recommended consistency ratios. *Mathematical and Computer Modelling*, 17(4/5), 163–170.
- Atkinson, A. A., Waterhouse, J. H., & Wells, R. B. (1997). A stakeholder approach to strategic performance measurement. *Sloan Management Review*, 38(3), 25–37.
- Aupperle, K. E., Carroll, A. B., & Hatfield, J. D. (1985). An empirical examination of the relationship between corporate social responsibility and profitability. *Academy of Management Review*, 28(2), 446–463.
- Barton, S. L., Hill, N. C., & Sundaram, S. (1989). An empirical test of stakeholder theory predictions of capital structure. *Financial Management* (Spring), 36–44.
- Bedi, H. (1991). *Understanding the Asian manager: Working with the movers of the Pacific century*. North Sydney, Australia: Allen & Unwin.
- Belkaoui, A. (1976). The impact of the disclosure of the environmental effects of organisational behaviour on the market. *Financial Management*, 5(4), 26–31.
- Belton, V., & Gear, T. (1983). On a short-coming of Saaty's method of analytic hierarchies. *Omega*, 11(3), 228–230.
- Berry, J. W., Poortinga, Y. H., Segall, M. H., & Dasen, P. R. (1992). *Cross-cultural psychology: Research and applications*. Cambridge, UK: Cambridge University Press.
- Bird, F. (1996). Moral universals as cultural realities. In: F. Neil Brady (Ed.), *Ethical universals in international business*. Berlin, Germany: Springer-Verlag.

- Blair, J. D., Savage, G. T., & Whitehead, C. J. (1989). A strategic approach for negotiating with hospital stakeholders. *Health Care Management Review*, 14(1), 13–23.
- Boatright, J. (1998). The search for the normative core: Normative stakeholder theory and the agency theory of the firm. *International association for business and society proceedings*, Hawaii, USA.
- Brenner, S. N. (1993). The stakeholder theory of the firm and organisational decision making: Some propositions and a model. *International association for business and society proceedings*, San Diego, California, USA (pp. 205–210).
- Brenner, S. N., & Cochran, G. (1991). The stakeholder theory of the firm: Implications for business and society theory and research. *International association for business and society proceedings*, Sundance, Utah, USA (pp. 449–467).
- Buchholz, R. A., & Rosenthal, S. B. (2005). Toward a contemporary conceptual framework for stakeholder theory. *Journal of Business Ethics*, 58(1–3), 137–148.
- Cai, Z., & Wheale, P. (2005). Creating sustainable corporate value: A case study of stakeholder relationship management in China. *Business and Society Review*, 109(4), 507–547.
- Carroll, A. B. (1989). *Business and society: Ethics and stakeholder management*. Cincinnati: South-Western Publishing Co.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organisational stakeholders. *Business Horizons* (July–August), 39–48.
- Central Intelligence Agency. *The World Factbook 1998*, Washington, DC [Online]. Available at <http://www.odci.gov/cia/publications/factbook>. Retrieved on March 18, 1999.
- Chatman, J. A., Polzer, J. T., Barsade, S. G., & Neale, M. A. (1998). Being different yet feeling similar: The influence of demographic composition and organisational culture on work processes and outcomes. *Administrative Science Quarterly*, 43(4), 749–780, Ithaca.
- Clark, H. H., & Schober, M. F. (1992). Asking questions and influencing answers. In: J. M. Tanur (Ed.), *Questions about questions: Inquiries into the cognitive bases of surveys* (pp. 15–48). New York: Russell Sage Foundation.
- Clarkson, M. B. E. (1991). Defining, evaluating, and managing corporate social performance: The stakeholder management model. *Research in Corporate Social Performance and Policy*, 12, 331–358.
- Clarkson, M. B. E. (1995). The management of stakeholder relationships in totalitarian and democratic societies. *International association for business and society annual conference*, Toronto, Canada.
- Clarkson, M. B. E. (Ed.) (1998). *The corporation and its stakeholders: Classic and contemporary readings*. Toronto, Canada: University of Toronto Press.
- Clarkson, M. B. E., Deck, M. C., & Shiner, N. J. (1992). The stakeholder management model in practice. Paper presented at the annual meeting of the Academy of Management, Las Vegas, NV.
- Cordano, M., & Rands, G. P. (1998). *Attitudinal differences among stakeholders: An analysis of the antecedents of stakeholder conflict*. Unpublished Working Paper, University of Pittsburgh.
- Cornell, B., & Shapiro, A. (1987). Corporate stakeholders and corporate finance. *Financial Management* (Spring), 5–14.
- Cummings, L. S. (2000). The financial performance of ethical investment trusts: An Australian perspective. *Journal of Business Ethics*, 25(1), 79–92.
- Cyert, R., & March, J. (1963). *A behavioural theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.

- Deegan, C. (2000). *Financial accounting theory*. Roseville, NSW: Irwin McGraw-Hill Book Company Australia Ltd.
- Deegan, C., & Rankin, M. (1996). Do Australian companies report environmental news objectively? An analysis of environmental disclosures by firms prosecuted successfully by the Environmental Protection Authority. *Accounting, Auditing and Accountability Journal*, 9(2), 52–69.
- Deegan, C., & Rankin, M. (1997). The materiality of environmental information to users of annual reports. *Accounting, Auditing and Accountability Journal*, 10(4), 562–583.
- Den Uyl, D. J. (1992). Corporations at stake: Contemporary ‘Stakeholder’ theory undermines private contractual responsibility. *The Freeman*, 42(7), 252–254.
- Denzin, N. K., & Lincoln, Y. S. (1994). *Introduction: Entering the field of qualitative research*. Thousand Oaks, CA: Sage.
- Donaldson, T., & Dunfee, T. W. (1995). Integrative social contracts theory: A communitarian conception of economic ethics. *Economics and Philosophy*, 11, 85–112.
- Donaldson, T., & Dunfee, T. W. (1999). *Ties that bind: A social contacts approach to business ethics*. Boston: Harvard Business School Press.
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65–91.
- Dooley, R. S., & Lerner, L. D. (1994). Pollution, profits, and stakeholders: The constraining effect of economic performance on CEO concern with stakeholder expectation. *Journal of Business Ethics*, 13, 701–711.
- Drisco, C., & Starik, M. (2004). The primordial stakeholder: Advancing the conceptual consideration of stakeholder status for the natural environment. *Journal of Business Ethics*, 49(1), 55–73.
- Dun & Bradstreet Information Services. (1998). *Duns Asia/Pacific key business enterprises, 1998/99*. Chatswood, Australia: Robert Burton Printers Pty Ltd.
- Dun & Bradstreet (Singapore) Pte Ltd. (1997). *Key business directory of Indonesia/Philippines and Thailand: 1997/98 Edition*, September 1997, Fabulous Printers Pte Ltd, Singapore.
- Dunfee, T. W. (1995). *Does stakeholder theory make sense in a global context*. Unpublished paper prepared for the Annual Conference of the International Association for Business and Society, Vienna, Austria, June 1995.
- Dunfee, T. W. (2006). A critical perspective of integrative social contracts theory: Recurring criticisms and next generation research topics. *Journal of Business Ethics*, 68(3), 303–328.
- Dyer, J. S. (1990). Remarks on the analytic hierarchy process. *Management Science*, 36(3), 249–258.
- Ernst and Ernst. (1976). *Social responsibility disclosure*, Ernst and Ernst, Cleveland, OH (*et seq.*).
- Etzioni, A. (1975). *A comparative analysis of complex organisations: On power, involvement, and their correlates*. New York: The Free Press-Macmillan Publishing Co.
- Etzioni, A. (1996). *The new golden rule: Community and morality in a democratic society*. New York, NY: BasicBooks.
- Evan, W. M., & Freeman, R. E. (1988). A stakeholder theory of the modern corporation: Kantian capitalism. In: T. Beauchamp & N. Bowle (Eds), *Ethical theory and business* (pp. 97–106). Englewood Cliffs, NJ: Prentice-Hall.
- Fineman, S., & Clarke, K. (1996). Green stakeholders: Industry interpretations and response. *Journal of Management Studies*, 33(6), 715–730.
- Foddy, W. H. (1993). *Constructing questions for interviews and questionnaires: Theory and practice in social research*. Cambridge: Cambridge University Press.

- Foucault, M. (1972 [1969]). *L'Archéologie du savoir [The archaeology of knowledge.]*, (A. Sheridan Trans.). New York: Pantheon.
- Frederick, W. C., & Weber, J. (1987). The values of corporate managers and their critics: An empirical description and normative implications. *Research in Corporate Social Performance and Policy*, 9, 131–152.
- Freedman, M., & Jaggi, B. (1982). Pollution disclosures, pollution performance and economic performance. *Omega: The International Journal of Management Science*, 10(2), 167–176.
- Freeman, R. E. (1983). Strategic management: A stakeholder approach. *Advances in Strategic Management*, 1, 31–60.
- Freeman, R. E. (Ed.) (1984). *Strategic management: A stakeholder approach*. Boston, PA: Pitman.
- Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, 4(4), 409–421.
- Freeman, R. E. (1999). Response: Divergent stakeholder theory. *Academy of Management Review*, 24(2), 233–236.
- Freeman, R. E., & Evan, W. (1990). Corporate governance: A stakeholder interpretation. *The Journal of Behavioural Economics*, 19(4), 337–359.
- Freidman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*, September 13.
- Friedman, A. L., & Miles, S. (2002). Developing stakeholder theory. *Journal of Management Studies*, 39(1), 1–21.
- Frost, F. A. (1995). The use of stakeholder analysis to understand ethical and moral issues in the primary resource sector. *Journal of Business Ethics*, 14(8), 653–661.
- Gale Research. (1996). *Statistical abstract of the world: Second edition* (Marlita A. Reddy, Editor). Detroit: International Thomson Publishing Company.
- Garran, R. (1998). *Tigers tamed: The end of the Asian miracle*. Sydney, Australia: Allen & Unwin.
- Gibson, K. (2000). The moral basis of stakeholder theory. *Journal of Business Ethics*, 26, 245–257.
- Godfrey, J., Hodgson, A., & Holmes, S. (1997). *Accounting theory* (3rd ed.). Queensland: Wiley.
- Godiment, F. (1999). *The downsizing of Asia*. London: Routledge Press.
- Gomolka, E. G., Chittipeddi, K., & Schenk, J. A. (1990). Applying the stakeholder concept. *The Journal of Applied Business Research*, 6(2), 72–79.
- Goodpaster, K. E. (1991). Business ethics and stakeholder analysis. *Business Ethics Quarterly*, 1(1), 53–73.
- Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3), 114–135.
- Gray, R. H. (1992). Accounting and environmentalism: An exploration of the challenge of gently accounting for accountability, transparency and sustainability. *Accounting Organisations and Society*, 17(5), 399–426.
- Gray, R. H., Dey, C., Owen, D., Evans, R., & Zadek, S. (1997). Struggling with the praxis of social accounting: Stakeholders, accountability, audits and procedures. *Accounting, Auditing and Accountability Journal*, 10(3), 325–364.
- Gray, R. H., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal*, 8(2), 47–77.

- Gray, R. H., Owen, D. L., & Adams, C. (1996). *Accounting and accountability: Changes and challenges in corporate social and environmental accounting*. Europe: Prentice Hall.
- Gray, R. H., Owen, D. L., & Maunders, K. T. (1988). Corporate social reporting: emerging trends in accountability and the social contract. *Accounting, Auditing and Accountability Journal*, 1(1), 6–20.
- Greenley, G. E., & Foxall, G. R. (1997). Multiple stakeholder orientation in U.K. companies and the implications for company performance. *Journal of Management Studies*, 34(2), 259–284.
- Gregory, R., & Keeney, R. L. (1994). Creating policy alternatives using stakeholder values. *Management Science*, 40(8), 1035–1048.
- Griffin, J. J., & McMahon, J. F. (1997). The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business and Society*, 36(1), 5–31.
- Grimble, R., & Chan, M. K. (1995). Stakeholder analysis for natural resource management in developing countries. *Natural Resources Forum*, 19(2), 113–124.
- Grimble, R., & Wellard, K. (1997). Stakeholder methodologies in natural resource management: A review of principles, contexts, experiences and opportunities. *Agricultural Systems*, 52(2), 173–193.
- Guthrie, J., & Parker, L. D. (1989). Corporate social reporting: A rebuttal of legitimacy theory. *Accounting and Business Research*, 19(76), 343–352.
- Haas, P. M. (1992). Introduction: Epistemic communities and international policy coordination. *International Organisation*, 46(1), 1–36.
- Hardy, C., & Reeve, R. (2000). A study of the internal control structure for electronic data interchange systems using the analytic hierarchy process. *Accounting and Finance*, 40(3), 191–209.
- Harker, P. T., & Vargas, L. G. (1987). The theory of ratio scale estimation: Saaty's analytic hierarchy process. *Management Science*, 33(11), 1383–1403.
- Harker, P. T., & Vargas, L. G. (1990). Reply to 'Remarks on the Analytic Hierarchy Process' by J. S. Dyer. *Management Science*, 36(3), 269–273.
- Harper, R. M. (1988). AHP judgement models of EDP auditors' evaluation of internal control for local area networks. *Journal of Information Systems*, 3(1), 67–85.
- Harrington, K. T. (1996). Ethics and public policy analysis: Stakeholders' interests and regulatory policy. *Journal of Business Ethics*, 15, 373–382.
- Harrison, J. H., & St. John, C. H. (1996). Managing and partnering with external stakeholders. *Academy of Management Executive*, 10(2), 46–60.
- Harte, G., Lewis, L., & Owen, D. (1991). Ethical investment and the corporate reporting function. *Critical Perspectives in Accounting*, 2, 227–253.
- Hegel, G. F. (1956). *The philosophy of history*. (J. Sibree Trans.). New York: Dover Publications.
- Hendry, J. (2001). Economic contracts versus social relationships as a foundation for normative stakeholder theory. *Business Ethics: A European Review*, 10(3), 223–232.
- Hill, C. W. L., & Jones, T. M. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2), 131–154.
- Hillman, A. J., & Klein, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal*, 22(2), 125–139.
- Hofstede, G. (1980). *Cultures consequences: International differences in work-related values*. Beverly Hills: Sage.
- Homer, P. M., & Kahle, L. R. (1988). A structural equation test of the value–attitude–behaviour hierarchy. *Journal of Personality and Social Psychology*, 54(4), 638–646.

- Hosseini, J. C., & Brenner, S. N. (1992). The stakeholder theory of the firm: A methodology to generate value matrix weights. *Business Ethics Quarterly*, 2(2), 99–119.
- Hunt, C. B., & Auster, E. R. (1990). Proactive environmental management: Avoiding the toxic trap. *Sloan Management Review* (Winter), 7–18.
- Hunt, S. D., & Vitell, S. (1986). A general theory of marketing ethics. *Journal of Macromarketing*, 8, 5–16.
- Hutchinson, A., & Hutchinson, F. (1997). *Environmental business management: Sustainable development in the new millennium*. London: McGraw-Hill International (UK).
- Ingram, R. W. (1978). An investigation of the information content of (certain) social responsibility disclosures. *Journal of Accounting Research* (Autumn), 270–285.
- Ingram, R. W., & Frazier, K. B. (1980). Environmental performance and corporate disclosure. *Journal of Accounting Research*, 18(2), 614–621.
- Jackson, J., Gillette, J. L., Goldberg, M. S., & Hooper, C. S. (1994). Stakeholder involvement in DOE's cost improvement initiative for environmental restoration and waste management activities. *Cost Engineering*, 36(3), 29–34.
- Jawahar, I. M., & McLaughlin, G. L. (2001). Toward a descriptive stakeholder theory: An organisational life cycle approach. *Academy of Management Review*, 26(3), 397–414.
- Jensen, R. E. (1984). An alternative scaling method for priorities in hierarchical structures. *Journal of Mathematical Psychology*, 28(3), 317–332.
- Jones, T. M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, 20(2), 404–437.
- Jones, T. M., & Wicks, A. C. (1999). Convergent stakeholder theory. *Academy of Management Review*, 24(2), 206–221.
- Kadvany, J. (1995). From comparative risk to decision analysis: Ranking solutions to multiple-value environmental problems. *Risk, Health, Safety and Environment*, 6, 333–358.
- Kaler, J. (2002). Morality and strategy in stakeholder identification. *Journal of Business Ethics*, 39(1–2), 91–99.
- Kaler, J. (2003). Differentiating stakeholder theories. *Journal of Business Ethics*, 46(1), 71–83.
- Kaler, J. (2006). Evaluating stakeholder theory. *Journal of Business Ethics*, 69(3), 249–268.
- Knott, D. (1997). Now god is also against Shell. *Oil and Gas Journal*, 95(20), 26.
- Kohlberg, L. (1980). Stages of moral development as a basis for moral education. In: B. Munsey (Ed.), *Moral development, moral education, and Kohlberg* (pp. 15–98). Birmingham, AL: Religious Education Press.
- Kohlberg, L. (1981). *The philosophy of moral development: Moral stages and the idea of justice. Essays on moral development* (Vol. 1). San Francisco: Harper and Row Publishers.
- Kreiner, P., & Bhambri, A. (1991). Influence and information in organisation–stakeholder relationships. *Research in Corporate Social Performance and Policy*, 12, 3–36.
- Kuhn, T. S. (1996). *The structure of scientific revolutions* (3rd ed.). Chicago, IL: The University of Chicago Press.
- Lawrence Neuman, W. (1997). *Social research methods: Qualitative and quantitative methods* (3rd ed.). Boston, MA: Allyn & Bacon.
- Lee, Y. F., & So, A. Y. (1999). *Asia's environmental movements: Comparative perspectives*. New York: An East Gate Book, M.E. Sharpe Inc.
- Lerner, L. D., & Fryxell, G. E. (1994). CEO stakeholder attitudes and corporate social activity in the Fortune 500. *Business and Society*, 33(1), 58–81.
- Lindblom, C. E. (1980). Interest group leaders. In: *The policy-making process*. Englewood Cliffs, NJ: Prentice-Hall.

- Loewe, P. M., & Bonchek, M. S. (1999). The retail revolution. *Management Review, New York*, 88(4), 38–44.
- Logsdon, J. M., & Yuthas, K. (1997). Corporate social performance, stakeholder orientation, and organisational moral development. *Journal of Business Ethics*, 16, 1213–1226.
- Macey, J. R., & Miller, G. P. (1993). Corporate stakeholders: A contractual perspective. *University of Toronto Law Journal*, 43(3), 401–424.
- Mahapatra, S. (1984). Investor reaction to a corporate social accounting. *Journal of Business, Finance and Accounting*, 11(1), 29–40.
- Maranville, S. J. (1989). You can't make steel without having some smoke: A case study in stakeholder analysis. *Journal of Business Ethics*, 8(1), 57–63.
- March, J. C., & Simon, H. A. (1958). *Organizations*. New York: Wiley.
- Marcoux, A. M. (2003). A fiduciary argument against stakeholder theory. *Business Ethics Quarterly*, 13(1), 1–24.
- Mathews, M. R. (1997). Twenty-five years of social and environmental accounting research: Is there a silver jubilee to celebrate? *Accounting Auditing and Accountability Journal*, 10(4), 481–531.
- Mathie, A., & Greene, J. C. (1997). Stakeholder participation in evaluation: How important is diversity. *Evaluation and Program Planning*, 20(3), 279–285.
- McGuire, J. B., Sundgren, A., & Schneeweis, T. (1988). Corporate social responsibility and firm financial performance. *Academy of Management Journal*, 31(4), 854–872.
- Merrick Dodd, E., Jr. (1932). For whom are the corporate managers trustees? *Harvard Law Review*, XLV(8), 1145–1163.
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4), 853–885.
- Morris, S. A. (1997). Internal effects of stakeholder management devices. *Journal of Business Ethics*, 16, 413–424.
- Neville, B. A., & Menguc, B. (2006). Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders. *Journal of Business Ethics*, 66(4), 377–391.
- O'Reilly, C. A., Caldwell, D. F., & Barnett, W. P. (1989). Work group demography, social integration, and turnover. *Administrative Science Quarterly*, 34, 21–37.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403.
- Orts, E. W. (1992). Beyond shareholders: Interpreting corporate constituency statutes. *The George Washington Law Review*, 61(1), 14–135.
- Perks, R. W., Rawlinson, D. H., & Ingram, L. (1992). An exploration of ethical investment in the U.K.. *British Accounting Review*, 24, 43–65.
- Phillips, R. A., & Reichart, J. (2000). The environment as a stakeholder? A fairness-based approach. *Journal of Business Ethics*, 23, 185–197.
- Pinfield, L., & Berner, M. (1992). The greening of the press: A case study of stakeholder accountability and the corporate management of environmentalist publics. *Business Strategy and the Environment*, 1(3), 23–34.
- Polonsky, M. J. (1995a). Incorporating the natural environment into corporate strategy: A stakeholder approach. *Journal of Business Strategies*, 12(2), 151–168.
- Polonsky, M. J. (1995b). A stakeholder theory approach to designing environmental marketing strategy. *Journal of Business and Industrial Marketing*, 10(3), 29–46.

- Polonsky, M. J. (1996a). The importance of internal stakeholders to Japanese management practices: A rejoinder to Steadman, Green and Zimmerer. *International Journal of Management*, 13(2), 193–197.
- Polonsky, M. J. (1996b). Stakeholder management and the stakeholder matrix: Potential strategic marketing tools. *Journal of Market Focused Management*, 1, 209–229.
- Polonsky, M. J., & Ryan, P. J. (1996). The implications of stakeholder statutes for socially responsible managers. *Business and Professional Ethics Journal*, 15(3), 1–35.
- Polonsky, M. J., Zeffane, R., & Medley, P. (1992). Corporate environmental commitment in Australia: A sectoral comparison. *Business, Strategy and the Environment*, 1(2), 25–39.
- Preston, L. E., & Sapienza, H. J. (1990). Stakeholder management and corporate performance. *The Journal of Behavioural Economics*, 19(4), 361–375.
- Rangone, A. (1996). An analytical hierarchy process framework for comparing the overall performance of manufacturing departments. *International Journal of Operations and Production Management*, 16(8), 104–119.
- Rawls, J. (1971). *A theory of justice*. Cambridge, MA: The Belknap Press, Harvard University.
- Reed, D. (1999). Stakeholder management theory: A critical theory perspective. *Business Ethics Quarterly*, 9(3), 453–483.
- Reidenbach, R., & Robin, D. P. (1991). A conceptual model of corporate moral development. *Journal of Business Ethics*, 10, 273–284.
- Reynolds, S. J., Schultz, F. C., & Hekman, D. R. (2006). Stakeholder theory and managerial decision-making: Constraints and implications of balancing stakeholder interests. *Journal of Business Ethics*, 64(3), 285–301.
- Rhenman, E. (1968). *Industrial democracy and industrial management*. London: Tavistock.
- Roberts, N. C., & King, P. J. (1989). The stakeholder audit goes public. *Organisational Dynamics*, 17(3), 63–79.
- Roberts, R. W. (1992). Determinants of corporate social responsibility disclosure: An application of stakeholder theory. *Accounting, Organisations and Society*, 17(6), 595–612.
- Robertson, R. (1990). Mapping the global condition: Globalisation as the central concept. In: M. Featherstone (Ed.), *Global culture: Nationalism, globalisation and modernity*. London: Sage.
- Rokeach, M. (1973). *The nature of human values*. London, UK: The Free Press.
- Rondinelli, D. A., & Vastag, G. (1996). International environmental standards and corporate policies: An integrative framework. *California Management Review*, 39(1), 106–122.
- Rootes, C. (2003). *Environmental protest in Western Europe*. London, UK: Oxford University Press.
- Rowley, T. J. (1997). Moving beyond dyadic ties: A network theory of stakeholder influences. *Academy of Management Review*, 22(4), 887–910.
- Saaty, T. L. (1977). A scaling method for priorities in hierarchical structures. *Journal of Mathematical Psychology*, 15(3), 234–281.
- Saaty, T. L. (1980). *The analytical hierarchy process*. New York: McGraw-Hill.
- Saaty, T. L. (1986). Axiomatic foundation of the analytic hierarchy process. *Management Science*, 32(7), 841–855.
- Saaty, T. L. (1990). An exposition of the AHP in reply to the paper 'remarks on the analytic hierarchy process'. *Management Science*, 36(3), 259–268.
- Saaty, T. L. (1994). How to make a decision: The analytic hierarchy process. *Interfaces*, 24(6), 19–43.

- Savage, G. T., Nix, T. W., Whitehead, J., & Blair, J. D. (1991). Strategies for assessing and managing organisational shareholders. *Academy of Management Executive*, 5(2), 61–75.
- Schaltegger, S., & Burritt, R. (2000). *Contemporary environmental accounting: Issues, concepts and practice*. Sheffield, UK: Greenleaf Publishing Ltd.
- Schattschneider, E. E. (1942). *Party government*. New York: Holt, Rinehart and Winston.
- Scherer, A. G., Palazzo, G., & Baumann, D. (2006). Global rules and private actors: Toward a new role of the transnational corporation in global governance. *Business Ethics Quarterly*, 16(4), 505–532.
- Schneider, S. C., & De Meyer, A. (1991). Interpreting and responding to strategic issues: The impact of national culture. *Strategic Management Journal*, 12, 307–320.
- Schwartz, M. (2006). God as managerial stakeholder. *Journal of Business Ethics*, 66(2–3), 291–306.
- Shane, P. B., & Spicer, B. H. (1983). Market response to environmental information produced outside the firm. *The Accounting Review*, 58(3), 521–538.
- Shropshire, C., & Hillman, A. J. (2007). A longitudinal study of significant change in stakeholder management. *Business and Society*, 46(1), 63–87.
- Sridhar, B. S., & Cambrun, A. (1993). Stages of moral development of corporations. *Journal of Business Ethics*, 12, 727–739.
- Stanford Research Institute. (1963). Internal memorandum. In: R. E. Freeman (Ed.), *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Starik, M. (1995). Should trees have managerial standing? Toward stakeholder status for non-human nature. *Journal of Business Ethics*, 14(2), 207–217.
- Steadman, M. E., & Garrison, S. H. (1993). The impact of stakeholder theory on the international firm: A United States v Japanese comparison. *International Journal of Management*, 10(3), 325–331.
- Steadman, M. E., Green, R. F., & Zimmerer, T. W. (1994). The relationship between culture, stakeholder interests, and management styles: A comparison of United States and Japanese firms. *International Journal of Management*, 11(2), 707–712.
- Sternberg, E. (1997). The defects of stakeholder theory. *Corporate Governance: An International Review*, 5(1), 3–11.
- Stevenson, W. B., Pearce, J. L., & Porter, L. W. (1985). The concept of ‘coalition’ in organisation theory and research. *Academy of Management Review*, 10(2), 256–268.
- Stewart, T. A. (2000). How teradyne solved the innovator’s dilemma. *Fortune*, New York, Vol. 141, Issue 1, January 10, pp. 188–189.
- The Asian Development Bank. (2001). Asian environment outlook 2001. Manila, Philippines. Available at <http://www.adb.org/Documents/Books/AEO/2001/aeo2001.pdf>. Retrieved on June 28, 2001.
- The China Phone Book Co Ltd. (1999). *The China Phone Book and Business Directory 1999*, January–June ed. Review Publishing Co. Ltd, Hong Kong.
- The Macquarie Dictionary. (3rd ed.). (1997). The Macquarie Library, Sydney, Australia.
- The Monash Group. (1996a). *APEC and the environment: A statement by regional business leaders*. Monash University.
- The Monash Group. (1996b). *APEC and the environment: A review for regional business leaders*. Monash University.
- The World Bank. (1997). *World development indicators*, The World Development Report, Washington, DC.
- The World Bank. (2001). *World Development Indicators*, The World Development Report, Washington, DC, Section 1.1-Size of the Economy, 12–13.

- Tilt, C. A. (1994). The influence of external pressure groups on corporate social disclosure: Some empirical evidence. *Accounting, Auditing and Accountability Journal*, 7(4), 47–72.
- Tinker, A. M., Lehman, C., & Neimark, M. D. (1991). Corporate social reporting: Falling down the hole in the middle of the road. *Accounting, Organisations and Society*, 4(1), 28–54.
- Tinker, A. M., Merino, B. D., & Neimark, M. D. (1982). The normative origins of positive theories: Ideology and accounting thought. *Accounting, Organisations and Society*, 7(2), 167–200.
- Tocqueville, Alexis de. (1961 [1835–1840]). *Democracy in America*, H. Reeve (Trans.) & with an introduction by H. S. Commager (ed.). London: Oxford University Press.
- Trevino, L. (1992). Moral reasoning and business ethics: Implications for research, education, and management. *Journal of Business Ethics*, 11(5/6), 445–459.
- Trotman, K. T. (1979). Social responsibility disclosures by Australian companies. *The Chartered Accountant in Australia*, 49(8), 24–28.
- Trotter, R. C., Day, S. G., & Love, A. E. (1989). Bhopal, India and Union Carbide: The second tragedy. *Journal of Business Ethics*, 9, 439–454.
- Truman, D. B. (1971). *The governmental process: Political interests and public opinion* (2nd ed.). New York: Knopf.
- Turnbull, S. (1994). Stakeholder democracy: Redesigning the governance of firms and bureaucracies. *The Journal of Socio-Economics*, 23(3), 321–360.
- Ullmann, A. A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms. *Academy of Management Review*, 10(3), 540–557.
- United Nations. (1995). *World Statistics Pocketbook*, World Statistics in Brief, Series V, No.16, Statistical Division, Department for Economic and Social Information and Policy Analysis, United Nations, New York.
- Vitell, S. J., Nwachukwu, S. L., & Barnes, J. H. (1993). The effects of culture on ethical decision making: An application of Hofstede's typology. *Journal of Business Ethics*, 12, 753–760.
- Vitell, S. J., & Singhapakdi, A. (1991). Factors influencing the perceived importance of stakeholder groups in situations involving ethical issues. *Business and Professional Ethics Journal*, 10(3), 53–72.
- Vogel, D. (1992). The globalisation of business ethics: Why America remains distinctive. *California Management Review*, 35(1), 30–49.
- Waddock, S. A., & Graves, S. B. (1997). The corporate social performance–financial performance link. *Strategic Management Journal*, 18(4), 303–319.
- Wang, J., & Dewhurst, H. D. (1992). Boards of directors and stakeholder orientation. *Journal of Business Ethics*, 11, 115–123.
- Wang, L., & Newman, P. (1997). Environmental management and attitudes of Chinese managers and accountants – The results of a questionnaire. *Centre for Social and Environmental Accounting Research (CSEAR) Newsletter*, Vol. 17, Issue 2, September, University of Glasgow.
- Wang, Z. (1998). The civil law tradition in China and its future development. *The China Connection Legal Forum*, [Online], Available at <http://www.qis.net/chinalaw/explan1.htm>. Retrieved on January 12, 2001.
- Warford, J., & Partow, Z. (1989). Evolution of the World Bank's environmental policy. *Finance and Development*, 26(4), 5–8.
- Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *The Accounting Review*, 53(1), 112–134.

- Weaver, L. K., & Trevino, G. R. (1994). Normative and empirical business ethics: Separation, marriage of convenience, or marriage of necessity. *Business Ethics Quarterly*, 4(2), 129–143.
- Wheeler, D., & Sillanpaa, M. (1997). *The stakeholder corporation: A blueprint for maximising stakeholder value*. London, UK: Pitman Publishing.
- Whitehead, C. J., Blair, J. D., Smith, R. R., Nix, T. W., & Savage, G. T. (1989). Stakeholder supportiveness and strategic vulnerability: Implications for competitive strategy in the HMO industry. *Health Care Management Review*, 14(3), 65–76.
- Wicks, A. C., Gilbert, D., Jr., & Freeman, R. E. (1994). A feminist reinterpretation of the stakeholder concept. *Business Ethics Quarterly*, 4(4), 475–497.
- Wijnberg, N. M. (2000). Normative stakeholder theory and Aristotle: The link between ethics and politics. *Journal of Business Ethics*, 25, 329–342.
- Wiseman, J. (1982). An evaluation of environmental disclosures made in corporate annual reports. *Accounting, Organisations and Society*, 7(1), 53–63.
- Wood, D. J. (1991). Corporate social performance revisited. *Academy of Management Review*, 16, 691–718.
- World Resources Institute. (1998). *World resources: A guide to the global environment 1998–99*. A joint publication by The World Resources Institute, UNEP, UNDP and The World Bank. New York: Oxford University Press.
- Zahedi, F. (1986). The analytical hierarchy process – A survey of the method and its applications. *Interfaces*, 16(4), 96–108.
- Zazueta, A. (1995). *Policy hits the ground: Participation and equity in environmental policy-making*. September. Washington, DC: World Resources Institute.