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WORKING PAPER

Toward stakeholder responsibility and stakeholder motivation:

Systemic and holistic perspectives on corporate sustainability*

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September 2003

2003/196

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* We gratefully acknowledge Sanjay Sharma and Mark Starik for their helpful comments on earlier versions of this paper. We would like to sincerely thank Johan Albrecht and Stefan Ivanov for the discussions on our ideas and for stimulating us to develop them to the discourse presented here. Gratitude is expressed to the "Stichting Verantwoord Ondernemen" from Amsterdam for its financial support.

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ABSTRACT

Scholars in corporate sustainability have widely used negative examples of industrial accidents and poor (social and environmental) corporate performance to illustrate that companies have a significant impact on the alarming social and environmental developments. Besides, the extreme ecocentric management view on sustainability leaves the impression that full responsibility for sustainability, i.e. responsibility for the solution of existing social and environmental problems, should be awarded to business. However, we show that, in general, responsibilities are characterized by systemic interdependence, holism, subjectivism, and dynamics. In the context of sustainability, these four characteristics imply that awarding full responsibility to business is inappropriate. Organizations and all their stakeholders are responsible for sustainability. As this indicates the necessity for joint efforts to advance sustainable development, we attempt to integrate the responsibilities for sustainability of organizations, scientists, consumers, and policy makers. Overall, we believe that views on corporate sustainability should be perceived as an “alarm bell,” which managers need to consider in the process of stakeholder motivation in order to secure the organizational survival.

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INTRODUCTION

Alarming evolutions in the natural environment like, for example, global warming, air pollution, acid rain, toxic wastes, depletion of the ozone layer, and extinction of non-renewable resources lead to a growing awareness of the socio-economic consequences that may result from such environmental problems (Shrivastava, 1994). In addition, it is generally perceived that organizations (could) have significant impacts on these alarming social and environmental evolutions (Starik & Marcus, 2000). Narratives for perceiving organizations as a major criterion for sustainability are the unsustainable corporate practices (with respect to health, safety, emission rates, bribery, etc.) and the industrial accidents with the impact of, for example, Chernobyl, Bhopal, or Exxon Valdez. Yet, scholarship in “Organizations and the Natural Environment” (ONE) has predominantly focused on the interaction between organizations and the natural environment, and on deepening our understanding of sustainable organizational forms and their impacts on ecosystems and social welfare (Sharma, 2002).

The above-mentioned environmental evolutions and the acute inequalities in welfare distribution across the world encouraged various groups (e.g. scholars, members of international organizations, intellectuals) to rethink the way the modern societies should develop. In particular, management science has challenged the narrow, limited to rent-generation purpose of companies (Friedman, 1962, 1970) with social and environmental concerns. As a result, the concept of corporate sustainability has been developed, referring to “the need [for organizations] to improve social and human welfare while reducing the

ecological footprint and ensuring the effective achievement of organizational objectives” (Sharma, 2002, p. 13). Operating with respect for the natural environment and for people is, apparently, not in conflict with the organizational function to generate profit, i.e. to build and sustain competitive advantage (e.g. Aragón-Correa & Sharma, 2003; Lovins & Lovins, 2001; Porter & Linde, 1995). As to the meaning of organizational success, the sustainability principle suggests that the notion of “indefinite organizational growth” should be replaced with the notion of “indefinite organizational development” (Gladwin, Kennelly, & Krause, 1995, p. 897). This view on corporate sustainability advocates a broader scope of managerial decision-making as opposed to the exclusive egocentered, technocentered, and antropocentered strategies. Such managerial tradition of sustainability considers thus the simultaneous integration in organizational performance of the principles of economic welfare, social equity, and environmental preservation. Organizations operating in line with the sustainability principles aim at a balance of economic, social, and environmental issues.

However, the ecocentric management view on sustainability (Shrivastava, 1995a) takes a rather extreme stand:

“A central feature of postindustrial modernization is the proliferation of technological and environmental risks and crises.” (Shrivastava, 1995a, in abstract)

“Ecocentrism calls for questioning the very concept of organizations. If the organizational environment is viewed as an ecobiosphere, it forces those in the field of management to question the simplistic assumption that organizations are innocent *systems of production* that produce products desired by consumers. Accordingly, this theory suggests that organizations also must be seen as *systems of destruction* because they systematically destroy ecological value...Objectives of the firm that maximize (or satisfice) variables like profits, revenues, and productivity are incomplete and inadequate. Such objectives also must include minimizing the negative and destructive effects of organizational activities.” (Shrivastava, 1995a, p. 134)

Critics to such approach of argumentation have noted: “[G]reen business evangelists appear to fall foul of their own rhetoric in appearing to believe that their eco-change rationales will work because they ‘must’ do, since managers ‘will have to act’ etc.” (Newton & Harte, 1997, p. 93). The extreme ecocentric view on sustainability would incorrectly suggest that the full responsibility for causing and finding solution to all negative social and environmental evolutions should be awarded to business. Awarding the full responsibility for sustainability to business would suggest that one makes at least three fault assumptions. First, it suggests that markets are only supply driven and demand is irrelevant in modern economies. Second, it suggests that market failure should be completely neglected and that market regulators cannot contribute to sustainable development. Third, awarding a full responsibility for the negative social and environmental evolutions to companies suggests, above all, that businessmen are fully accountable for the limitations of science in general and for the limitations of technology in particular (which any researcher should oppose). Yet, ONE literature acknowledges “the desirability of economic and technological development that builds natural capital rather than depletes it, that enhances human welfare and builds healthier societies rather than deepens social divisions that lead to conflicts and acts of terrorism” (Sharma, 2002). Moreover, Shrivastava (1995b) acknowledges (in another article) the existence of “many wheels of sustainability.” As those many wheels of sustainability remained under-researched, the questions ‘what responsibilities the different corporate stakeholders³ have and how those stakeholders can contribute to the overall sustainability’ need to be addressed.

The paper is organized as follows. The first section argues that responsibilities for sustainability are subjective, dynamic, holistic, and systemic, to conclude (1) that stakeholder responsibilities for sustainability are relevant at the global level of analysis; and (2) that companies should consider views on corporate sustainability as an “alarm bell” at the

³ Freeman (1984) has defined stakeholders as “any group or individual who can affect or is affected by the achievement of the firm’s objectives.”

organizational level of analysis. The second section integrates the responsibilities of organizations, policy makers, consumers, and science in a global sustainability perspective. The next section proposes a stakeholder motivation process, which in a sense institutionalizes the “alarm bell” from a resource dependence perspective. This paper concludes with pointing out the implications of the advances on ‘stakeholder responsibilities’ and ‘stakeholder motivation’ for future research, for management, and for policy makers.

SUSTAINABLE DEVELOPMENT AND THE NOTION OF RESPONSIBILITY

A generally accepted definition of sustainability has been proposed by the World Commission on Environment and Development at the macroeconomic level (Reinhardt, 2000) or at the global level of analysis (Sharma, 2002).⁴ It refers to “a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations” (Brundtland, 1987, p. 46). This definition is translated at the organizational level of analysis in concrete corporate responsibilities for sustainability. Advocating systemic and holistic perspectives on corporate sustainability, we argue that not only the organizations but also their constituents have responsibilities for advancing the sustainable development of nations. This argument becomes clear when embedding responsibilities in the overall context of organizational performance. Therefore, a brief overview of the literature on “Corporate Social Responsibility” (Carroll, 1999; Windsor, 2001) follows.

⁴ One can distinguish between global, institutional, inter-organizational, organizational, and individual levels of sustainability analysis (Sharma, 2002).

The Four Faces Of Responsibility

Responsibilities (social, environmental, and economic) should be evaluated within the concrete interactions between an organization and its stakeholders (Carroll, 2000; Griffin, 2000). In addition, Rowley (1997) demonstrates that the interactions between companies and their stakeholders are not dyadic in nature, as shown in the early work of Freeman (1984), but are rather based on complex network influences. Moreover, if we accept that stakeholders are boundedly rational (Kahneman & Lovallo, 1993; Simon, 1982) in their evaluations, the term responsibility can be described as a subjective statement. In sum, the terms ‘network,’ ‘interaction,’ and ‘subjectivism’ imply that the notion of responsibility has four faces: systemic, holistic, dynamic, and cognitive.

Systemic. Companies are complex systems that involve their stakeholders in the creation and in the realization of products or services. Stakeholders affect (and are affected by) the actions of organizations (Freeman, 1984). Corporate constituents determine thus the competitive position of the company, since they influence the utilization of production-factors in the production process either directly or indirectly. Yet there are three ways to look at the interactions between companies and their stakeholders.

Firstly, interactions result from the autonomous decisions of both parties (i.e. companies and their constituents). Secondly, they decide upon their own actions under already existing rules of a larger system, i.e. society. It is referred here to the existing ethical and legal rules that companies and their stakeholders have to obey (Carroll, 1991). Thirdly, some legal rules emerge as a result of those interactions. Since laws are reflections of social problems, laws are lagging on the emergence of the problem between companies and their stakeholders. Managers and stakeholders can agree on a solution of the problem (without a need for external regulation), provided that at least the one party changes its conflicting

opinion (Mouwen, 1998). If, however, an agreement is impossible to reach between the parties, a third party, i.e. policy makers, will be involved in the problem as to impose its solution (existing or emerging regulation) (Carroll, 1991). One can argue, using very strong arguments, that corruption and lobbying align corporate preferences with law. Noreena Hertz (2001) has called this phenomenon ‘the silent takeover.’ However, in a situation of conflict between a stakeholder and a company, policy makers can still be put under pressure by an organized disagreement on their policies. NGO’s, labor unions, human rights watchdogs, consumer organizations, and animal welfare organizations have repeatedly been using their right to mobilize public opinion against corporate performance and government regulations.

Holistic. A holistic approach to responsibility is required from at least two perspectives. First, research has shown that companies should broaden their predominant concern to economic issues and should take into account social and environmental issues (Elkington, 1997; Waddock, 2000). This perspective opposes those (limited) neo-classical claims that argued for a single, i.e. economic, function of organizations in society (Friedman, 1962, 1970; Levitt, 1958). Yet, the separation thesis has been overcome (Wicks, 1996), and the economic, the social, and the environmental issues of corporate performance are generally described as inseparable (Herkstöter, 1999).

Second, companies should be held responsible for all their constituents as opposed to the neo-classical view of exclusive responsibility for the shareholders. Such a perspective implies that organizations are responsible for affecting all their stakeholders (Freeman, 1984). However, organizations need to prioritize their attention to constituents because of three basic considerations. The first consideration is that companies compete under the general limitation of resource scarcity. As a consequence of scarcity, organizations need strict priorities on how to allocate their (limited) resources. The second consideration is the challenge for

organizations to balance the conflicting interests of various stakeholders (Ansoff, 1965). Conflicting stakeholder interests result in the impossibility for companies to satisfy everyone. The third consideration is the strategic requirement for successful companies to consciously limit their offers and position themselves in a unique way (Porter, 1996). Such a limitation very much influences the way the organizations operate. Although prioritizing is inevitable, managers and only managers are responsible for those priorities. Organizations are responsible thus even for unconscious negative effects caused to stakeholders. Mistakes are possible, but are not permission for causing harm to others.

Dynamic. Dynamics in responsibility is a function of dynamics in stakeholder importance, dynamics in social issues importance, and dynamics in (appropriate) responsiveness to those issues. First of all, stakeholders differ in their salience to the firm by a combination of the attributes power, legitimacy, and urgency (Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997). Besides, stakeholders are not static but dynamic groups, whose claims could possibly change in power, legitimacy, and urgency (Mitchell et al., 1997). This means in practice that latent stakeholders may become active, provided that a stakeholder with one attribute of a claim (power, urgency, or legitimacy) acquires one or two more. Hence, the firm's 'latent' attention to these constituents has to go through the same metamorphosis in order to secure the longevity of business. Stakeholder dynamics imply as well that active stakeholders may become latent, if losing at least one attribute of their claims (power, urgency or legitimacy). Companies should observe and adapt to this sort of change in stakeholder importance as well.

Secondly, social issues are not static (Carroll, 1979; Waddock & Boyle, 1995). They change over time, differ among industries, and differ among social systems. Examples of social issues are human rights, discrimination, child labor, (product and labor) safety,

environmental pollution, and solidarity (to the poor and the vulnerable). This is, obviously, not an exhaustive list. Yet these issues are embedded in the interactions between the company and its stakeholders (Mahon & Waddock, 1992).

And finally, the responsiveness to those issues is also dynamic. Companies can adopt various responsiveness strategies (varying from proactive to reactive, and from doing much to doing nothing). Moreover, what has been evaluated as a responsible (re)action today might not be considered as responsible tomorrow (Zanisek, 1979, p. 360).

Cognitive. Any evaluation on whether organizations are operating in a responsible way is subjectively determined, unless there are specific, generally accepted prescriptions of responsible conduct (e.g. legislation). Different parties (evaluators, organizations, or corporate stakeholders) (1) have conflicting interests (Jensen & Meckling, 1976); (2) are interested in different sorts of information (issues) (Dutton & Webster, 1988); or (3) diverge in their interpretations of information due to the differences in their environments or due to the differences in their experiences (Daft & Weick, 1984). Consequently, different parties are likely to have dissimilar and sometimes conflicting opinion on what an organization is responsible for. For instance, one party in the corporate internal environment (the employees for instance) may judge the company to have certain responsibilities, while another party (the management) may not accept this point of view. A disagreement on the responsibilities of organizations can as well occur between 'external' stakeholders (e.g. environmental legal bodies and environmentalists). The responsibilities defined by 'external' parties (e.g. NGOs) and 'internal' parties (e.g. management) may also diverge. Overall, the evaluation of responsibilities is cognitively determined.

Whose responsibility?

The four notions of responsibility (i.e. systemic, holistic, dynamic, and cognitive) are highly relevant for ONE scholarship. Articles on sustainability have also stressed that characteristic for the debate are the dynamics of issues (e.g. Hoffman, 1999), the cognitive construction of sustainability definitions (e.g. Jennings & Zanderbergen, 1995), the systemic interdependence of organizations and the natural environment (e.g. Shrivastava, 1995a; Starik & Rands, 1995), and the holistic integration of social, ecological, and economic performance (e.g. Sharma, 2002). Hence, a reflection of holism, dynamics, cognition, and systemic interdependence is, in our opinion, necessary at all levels of sustainability analysis.

Integrating systemic, holistic, dynamic, and cognitive notions in the analysis of sustainability has at least two implications. On the one hand, at the global level, a *systemic* perspective on sustainability (Costanza & Wainger, 1993; Kay, Regier, Boyle, & Francis, 1999) suggests that companies *partially* cause and are affected by the alarming environmental and social developments (Gladwin et al., 1995). Consumers, regulators, scientists, information intermediaries, and all other ‘institutions’ in society are also responsible for the (un)sustainable development of nations, and should take their ‘stakeholder responsibility’ in cooperation with companies (Andriof, Waddock, Rahman, & Husted, 2002). As long as other ‘institutions’ in the social system ignore sustainability, the contribution of companies to the sustainable development of that system would be only marginal and even can have negative implications for the competitiveness of those companies.

On the other hand, according to the *subjective* perspective, views on corporate sustainability (e.g. this article) are only an indication of what others think about the organizational impact on the alarming social and environmental evolutions (this is at organizational level of analysis). Views of others are context dependent and cognitively determined (Kahneman & Lovallo, 1993; Simon, 1982). Therefore those opinions should be

seen as “alarm bells” for corporate performance rather than as “duties” that organizations must fulfill. It is thus advisable for companies to continuously analyze and evaluate what their impact is on the corporate constituents, and *vice versa*. In other words, managers need to always evaluate and assess the *dynamics* in the environment. Moreover, executives need to continuously adapt their stakeholder motivation strategies. The focus of stakeholder motivations should be *holistic*, assessing dynamics, interests, and capabilities of all corporate constituents. These ideas, advocating stakeholder responsibility and motivation, are further developed respectively in the next two sections.

STAKEHOLDER RESPONSIBILITIES FOR SUSTAINABILITY

As already mentioned, the ecocentric view on sustainability leaves the general impression that full responsibility for extant negative social and environmental developments should be awarded to business. Such a thesis incorrectly suggests that at least three groups – customers, scientists, and policy makers – are dismissed from responsibility in the sustainability debate. The incorrectness of a thesis that would award full responsibility for sustainability to business is supported by the following quote:

“[T]he achievement of sustainability requires an effective integration of these multiple levels and systems. For us, integration involves the assumptions that (a) an ecologically sustainable world requires ecologically sustainable societies, cultures, political and economic systems, organizations, and individuals and that (b) achievement of sustainability by an entity at any one of these levels requires simultaneously recognizing and addressing the actions of and interactions with entities at each of these levels.” (Starik & Rands, 1995, p. 909)

We propose to integrate four different groups – policy makers, consumers, scientists, and business – in our analysis, attempting to analyze their stakeholders’ responsibilities toward sustainable development. We urge to acknowledge the limitations of that attempt, as responsibilities for sustainability at the global level of analysis are not (and should not be) limited only to policy makers, consumers, scientists, and business.

Awarding full responsibility to business for sustainability implies that organizations (can) dispose over technologies that minimize their footprint, i.e. their negative influence to people and the natural environment. ‘Can’ means that if such technology does not exist yet, one is able to develop it. Although we fully agree with the necessity for developing technologies that enable organizations to minimize their negative impact on both people and nature, we have to disagree with any suggestion that only business should be blamed for not developing such technologies. Our view is supported by Healy (1995), who argues that “[in the context of sustainability] technological change, the development of new technological systems, is the result of a broad, complex interplay of forces in which no one element can be perceived to be dominant.” (p. 616) A “complex interplay of forces” refers to the contextual framework, including extant scientific, political, economic, and social aspects, in which new technologies are developed. Although all other forces (political, economic, and social) have a joint responsibility for scientific evolutions, scientists should be in the first place held responsible for the current development of science. Since technologies are based on extant scientific knowledge, scientist should be partially held responsible for the development of technologies that minimize the negative impact of organizations on both people and the natural environment.

Consumers determine the demand for products with environmental and social features (Green, Morton, & New, 2000). Green et al. (2000) use the term ‘consumers’ in its broad meaning, referring to ‘end users’ such as families, governments, and organizations.

Organizations might have a negative impact on people and the natural environment, but one should not forget that in modern capitalist economies companies are operating in function of meeting the demand of consumers. Mohr, Webb, & Harris (2001) conducted a study on the influence of social and environmental product features on consumer purchasing behavior.⁵ They report that only a small but articulate group of consumers consider actively corporate social responsibility as a criterion for purchase. The reasons for this fairly low demand for products with environmental and social features are twofold: “(1) self-interest manifested in buying based on the traditional criteria of price, quality, and convenience, combined with the assumption that using CSR would compromise their choices on these criteria, and (2) low level of knowledge and difficulty obtaining information on the social responsibility records of companies.” (Mohr et al., 2001, p. 68) If, however, there is no demand for products with social and environmental features, organizations will suffer a competitive disadvantage. Therefore consumers should be partially held responsible for the (un)sustainable development of nations.

The existence of information problems, i.e. scarcity, selection, and intentions (Stiglitz, 2000), is broadly accepted in the sustainability debate. In the Stiglitz framework, scarcity refers to information availability, while the problem of information complexity (or lack of knowledge) is inherent to selection, resulting in a necessity of certificates⁶ or increased search motivation. As to incentives, Stiglitz refers to the problem of moral hazard (Mirrlees, 1997), in which (due to information inefficiency) people ignore their promises. Information problems with respect to sustainability translate in (1) lack of information, (2) lack of understanding, (3) difficulties to find, or (4) reliability problems with respect to sustainable development. Policy

⁵ Mohr et al. (2001) identify the missing knowledge in the literature and research on what consumers think about socially responsible and irresponsible companies. They contributed to that knowledge conducting deep semi-structured interviews with forty-eight persons in a varied sample of respondents. Interviewees were anonymous, approached in public settings, and encouraged to freely discuss a phenomenon of interest, which contributed to the richness of data and with attention to minimizing social desirability response bias. To decrease rejection rates, 10 USD were offered to respondents.

⁶ Certificates rather mean any form of third party verification.

makers can thus contribute to sustainability regulating these market frictions. There is an opportunity, though challenging, for policy makers to educate consumers (Mohr et al., 2001), to stimulate science and technology development (Healy, 1995), to ensure “well-designed” regulations for business (Majumdar & Marcus, 2001).⁷ In doing so incentives are created as to bridge the sustainability problems of information scarcity and moral hazard, as well as the problems to finding and understanding the relevant information to take decisions conform with the sustainability principles. In short, policy makers should be partially held responsible for sustainability.

Remarkable is the simultaneous existence of similarities and differences among the responsible for sustainability parties. In the context of sustainability, all parties (i.e. organizations and their stakeholders) experience the above mentioned information problems. Another similarity among stakeholders is the resource scarcity that determines their decisions. However, stakeholders have a different role in contributing to sustainability. Products with social and environmental features result from the innovative developments of science; they are either supply (push) driven or demand (pull) driven; and policy makers (may) stimulate such production. Those are four different drivers for the emergence of sustainability products. Overall, the above discussion is inconsistent with the (perceived) argument that organizations should be awarded full responsibility for sustainability. Companies are only one group in the social system that can contribute to the sustainable development of nations, and it would be inappropriate if only business is blamed for the negative environmental and social developments. Figure 1 summarizes the interdependent responsibilities of organizations, consumers, science, and policy makers.

⁷ According to Majumdar & Marcus (2001), well-designed regulations are “flexible and grant firms the latitude on how to meet goals, allow them time to deploy new means to meet goals, and set ambitious goals that stretch them beyond current practices.” (in abstract)

insert figure 1 about here

Stakeholder responsibilities for sustainability need to be well concerted in a joint effort, based on a long-term vision (Hart, 1995) that carefully considers the implications for the whole social system. As Coase argues, “It is necessary to weight the harm against the good that will result. Nothing could be more “anti-social” than to oppose any action which causes any harm to anyone.” (1960, p. 35) A long-term vision should (1) reveal the positive and the negative effects of current production processes on people and on the natural environment, (2) assess both a short-run and a long-run (economic, social, and environmental) implications of reducing negative effects, (3) analyze the roles (responsibilities) that different groups can play as to reduce those negative effects on people and the natural environment, and (4) agree on a collective action, and execute that agreement. Openness, dialogue, and trust are necessary requirements for a successful joint effort to sustainable development.

A PROCESS FOR STAKEHOLDER MOTIVATION

Stakeholder responsibilities were suggested when incorporating the subjective, dynamic, systemic, and holistic responsibility notions into the principles of sustainable development at the global level of analysis. At the organizational level of analysis, an integration of these notions implies that companies consider subjective stakeholder views on corporate sustainability as an “alarm bell” and not as a duty. When the bell rings, managers need to decide upon an appropriate corporate responsiveness, adopting a proactive, an accommodative, a defensive, or a reactive strategy (Carroll, 1979). The appropriate responsiveness strategy is meant to secure organizational long-term survival. Resource

dependence theory (Pfeffer & Salancik, 1978) can explain why a continuous process of stakeholder motivation contributes to the longevity of organizations.

Clarkson (1995) argues that organizations are dependent on their primary stakeholders (i.e. shareholders and investors, employees, customers, suppliers, and policy makers),⁸ and therefore need to realize the necessity of distributing wealth and value created by the corporation between those primary stakeholders, conform to the principles of fairness and balance. Dependency refers to the degree of control over specific [resource related] decisions (Russett, 1984). It is thus appropriate to say that primary stakeholders control critical resources, and thus are a criterion for the organizational survival. This view is supported by the work of Ulrich & Barney (1984, p. 477), who argue that “both efficiency and resource dependence perspectives posit the development of stable, low cost resource relations as a precursor to organizational survival over time.” Distribution of value, as Clarkson (1995) suggests, is a motivation for the primary stakeholders to take resource related decisions, which are favorable for the organization, and as a consequence to secure its longevity.

In order to survive (if not to gain above average profits) companies have to:

1. Create customer-value,
2. Appropriate the rents that follow from the creation of customer-value (Porter, 1980),
3. Build resources and capabilities that allow creating customer-value (the Resource Based View (Barney, 1991, 2001; Grant, 1991; Hunt, 1997; Wernerfelt, 1984), the Knowledge Based View (Kogut & Zander, 1992; Zander & Kogut, 1995) and the Competence Based View (Hamel & Heene, 1994; Heene & Sanchez, 1997; Sanchez, Heene, & Thomas, 1996) of strategic management).

⁸ “A primary stakeholder group is one without whose continuing participation the corporation cannot survive as going concern... Secondary stakeholder groups are defined as those who influence or affect, or are affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival.” (Clarkson, 1995, pp. 106-107).

In this context, competitive companies succeed in differentiating from their rivals' actions (Porter, 1996) and at the same time establish 'strategic fit' between their dynamic outside environment and their inside reaction capacity (Hoskisson, Hitt, Wan, & Yiu, 1999). The resource-based view (RBV), one of the most influential frameworks for explaining the emergence of competitive advantage, argues that companies in possession of valuable, rare, inimitable and nonsubstitutable resources are generating superior rents (Barney, 1991, 2001; Wernerfelt, 1984). Exactly these so-called VRIN attributes of resources enable companies to create value that is not easy to duplicate by competitors (Eisenhardt & Martin, 2000). The focus in this strategic management tradition falls predominantly on securing the competitive position of organizations in creating unique value to their customers. According to the RBV tradition of strategic management, resources and capabilities that enable companies to create a product with value for their customers can be either built internally (Dierickx & Cool, 1989) or acquired externally (Barney, 1986). In order to create opportunities for developing a competitive product-offer, companies should have faster access to "better" and/or "cheaper" resources than its competitors.

Primary stakeholders control per definition the critical resources and capabilities of organizations, and therefore need to be motivated. Attention to secondary stakeholders is inappropriate in the Clarkson (1995) framework. However, we believe that no attention to secondary stakeholders endangers the longevity of organizations. Our belief is based on the genuine state of stakeholder dynamics, in which companies operate. Theoretic and empirical research shows that the stakeholder salience (in aggregation of legitimacy, urgency, and power) can change over time (Agle et al., 1999; Mitchell et al., 1997). In parallel to this, Jawahar & McLaughlin (2001) argue that the nature of risk is changing during the organizational life-cycle, since stakeholders vary overtime in importance due to changes in their potential to satisfy critical organizational needs. Moreover, attention to primary

stakeholders only is referring to awareness for resources and capabilities that are *currently critical* for organization. However, organizations should be aware for resources and capabilities that will be *critical in the future*. Put differently, new practices, new techniques, and new opportunities inspire companies to enhance their competitive potential. Therefore organizations invest in strengthening their network ties as to leverage such inspirations (McEvily & Zaheer, 1999). In their research, McEvily & Zaheer (1999) studied the networking with regional institutions, defined as “locally-oriented organizations that provide a host of collective support services to firms in the region” (e.g. technical assistance centers, university outreach programs, vocational training centers, and local research institutes), and concluded that participation in regional institutions is positively related to the assimilation of competitive capabilities. Translated to the Clarkson (1995) framework, regional organizations are secondary stakeholders. Yet evidence shows the importance of secondary stakeholders to enhancing competitiveness of organizations.

Adopting motivation strategies only to primary stakeholders would lead to inertia (Sull, 1999) that endanger the competitive position and the survival of companies. Assessing the power and the dependency (Frooman, 1999) of stakeholders *vis á vis* organizations is important to describe the resource relationships and the influence strategies of companies and their constituents. However, the power/dependency classification may force practitioners into inertia to disregard changes in stakeholder importance and network (secondary) influences among constituents (Rowley, 1997). If an organization fails to acknowledge the importance of a particular stakeholder, (1) it might not adopt the most appropriate motivation strategy towards that particular stakeholder (to provide access to resources and capabilities); or (2) it might neglect its claims. In both cases stakeholders can react adversely, varying from not providing (faster) access to cheaper and/or better resources to withdrawing the organizational ‘license to operate.’ It should be stressed, therefore, that it is of equal significance to well

assess the stakeholders' importance and to promptly identify the changes in stakeholders' importance.

In sum, the process of stakeholder motivation should be based on a holistic approach to the stakeholder space. Attention has to be paid not only to critical stakeholder characteristics that indicate the potential contribution of constituents to the organizational resources, but also to dynamic evolutions in the stakeholder space. Moreover, conflicts can occur among stakeholders for the amount of value that should be distributed to them. Taking into account all this (stakeholders, dynamics, and conflicts), organizations distribute value as a motivation factor to all their constituents. Value distribution motivates stakeholders to provide organizations with faster access to cheaper and/or better resources. The level of stakeholder motivation gives a valuable feedback on the effectiveness of the whole process as to eventually suggest necessary adjustments. A summary of the process for stakeholder motivation is proposed in figure 2, followed by a brief explanation of the rationale behind the different sub-processes.

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Stakeholder identification and evaluation sub-processes

In order to organize a comprehensive stakeholder motivation process, the following sub-processes are proposed:

1. Identify those parties that can be qualified as a “stakeholder”;
2. Identify the stakeholder's stake in the firm and as a result the stakeholder's interest(s);
3. Evaluate how the stakeholder contributes to the firm's resources and capabilities base;

4. Evaluate the willingness of stakeholders to provide (access to) resources and capabilities;
5. Evaluate the ability of stakeholders to build “better” and/or “cheaper” resources that are set at the disposal of the firm, or to increase the speed with which the firm can gain access to the resources and capabilities;
6. Identify and evaluate potential conflicts between the stakes of all stakeholders.

The six phases of the identification and evaluation sub-processes, presented in figure 2, are to be permanently and repeatedly executed. The different phases should be continuously repeated, because of (1) the stakeholder dynamics, (2) the dynamics of social issues, and (3) the dynamics in corporate responsiveness. Those dynamics can lead to misidentifications or misevaluations of stakeholder’s interests and importance, which will most probably result in an inadequate motivation strategy. Overall, this actually represents a learning (trial and error) process of stakeholder motivation and problem solving.

Identification of the stakeholder space and –interests (phases 1 & 2). The corporation needs to clearly identify which stakeholders are considered as ‘important’ in building and sustaining the organizational competitive advantage. It must be stressed that a too ‘narrow’ definition (i.e. the primary stakeholders, as defined by Clarkson, (1995)) of the stakeholder space can lead to an underestimation of ‘importance’ and a lack of response to particular issues. On the other hand, a too ‘broad’ definition (primary and secondary stakeholders) of the stakeholder space can lead to inefficient and ineffective stakeholder management (e.g. responding to issues that are not strategically important). Therefore, managers need to consider both primary and secondary stakeholders, without losing sense for the main organizational objectives.

Once the stakeholder space is identified, one should focus on the identification of specific stakeholder’ interests. Organizations can base their motivation strategies on (1)

responding to stakeholder interests; and on (2) not negatively affecting these interests. This will lead to a reduction of agency costs (Jensen & Meckling, 1976) and to the alignment of stakeholder objectives with corporate objectives.

Evaluation of stakeholder's willingness and ability to provide resources (phases 3,4 & 5).

Stakeholders should be willing to provide the organization with faster access to cheaper and/or better resources. A reciprocity perspective (Fehr & Gächter, 2000) would suggest that stakeholder willingness depends on corporate sustainability. In other words, corporate constituents form their views on corporate sustainability from their (and others) perceptions of corporate actions. The more attempts a corporation makes to minimizing its negative impact and maximizing its positive impact on people and the natural environment (by performing “better” stakeholder management-processes), the more the willingness of stakeholders to provide (faster access to better and or cheaper) resources and capabilities. The willingness of a stakeholder is required but not sufficient. In addition to their ‘willingness,’ stakeholders must be ‘able’ to provide the organization with critical resources and capabilities. For instance, employees that are willing to perform at the highest possible level need to have the required competences and facilities to do so.

Identification and evaluation of potential conflicts (phase 6). Stakeholders have different (if not conflicting) interests, described by Jensen & Meckling (1976) as the agency problem.⁹ Therefore, different motivation strategies (incentives) are necessary for the different constituents of the firm. Scarcity of time, resources, and capabilities implies that (in certain

⁹ We refer here to the agency problem in its broad sense (i.e. incongruent interests among stakeholders). Jensen & Meckling (1976) refer to the existence of a broad agency problem, as they argue that ‘...agency costs arise in any situation involving cooperative effort by two or more people even though there is no clear cut principal-agent relationship...We confine our attention in this paper to only a small part of this general problem (owner-top management...’ (p. 309)

situations) the preferences of (some) stakeholders can remain unanswered. In addition to scarcity, some preferences might remain unanswered due to the lack of legitimacy in those stakeholder claims. These two cases refer to the deliberate decision of organizations to not answer specific stakeholder preferences. As opposed to these motivated decisions, stakeholder preferences might remain unanswered simply because of organizational negligence to identify those preferences. Hence, executives should explain the background of their decisions (to not answer particular stakeholder preferences) as to make the position of their organization stronger (Herkstöter, 1999, p. 14). Balancing divergent stakeholders' interests, or being responsible rather to the entire stakeholder-space than to single stakeholder groups will ensure the longevity of the company.

The identification and evaluation sub-processes are value consuming. The value "consumed" depends on the conditions within which the process is undertaken. In order to perform these sub-processes, organizations use resources and capabilities built up in the past. In order to complete the stakeholder motivation process, companies distribute value to the stakeholders in function of the above six phases.

The sub-process of value-distribution

The value, distributed in this sub-process, can be of a *financial* or of a *non-financial* nature. Value distribution of a financial nature implies a transfer of money to the stakeholders. Examples for such pecuniary transfers are payments of dividends, corporate taxes, above average (or extra-legal) wages and fringe benefits, returns of premiums. Non-financial value distribution, although it may be quite costly, does not imply transfer of money to the stakeholders. Examples of non-pecuniary transfers are ensuring quality, sharing knowledge, and making credible commitments (Mcevely, Das, & McCabe, 2000). The sub-process of value distribution allows the organization to satisfy stakeholders' needs and preferences. As a

result of value distribution, organizations “motivate” their stakeholders. Motivated stakeholders give the corporation access to critical resources and capabilities and secure the organizational longevity. Hillman & Keim (2001) found that “investing in stakeholder-management may be complimentary to shareholder value creation and may indeed provide a basis for competitive advantage as important resources and capabilities differentiate a firm from competitors” (p. 135).

Stakeholder motivation

Finally, the process of stakeholder motivation addresses the question whether the value distributed to (primary and secondary) stakeholders has the effect that it initially intended. As the intention of the overall process is to contribute at minimum to the organizational survival, if not to build and sustain the competitive advantage of organizations, managers need to evaluate the effect of their stakeholder motivation strategy and if necessary to adjust it. In effect, the question is whether changes in the mode of value distribution lead to changes in the perceived views on corporate sustainability, and whether changes in perceived views on corporate sustainability lead to faster access to cheaper and/or better resources. Those questions can be preferably answered in two stages. First, it is opportune to measure the impact on specific stakeholders, as defined in phase 1 of the identification and evaluation sub-process. This will give a valuable feedback to managers on the logic of their decision making in the stakeholder motivation process. Second, the integrated impact of value distribution on the overall organizational performance needs to be measured, as to have a feedback to the overall process of stakeholder motivation. The feedback will indicate whether adjustments are necessary at any stage of the process of stakeholder motivation.

DISCUSSION

This paper advances the systemic and holistic perspectives in the literature on organizations in the natural environment. Our systemic perspective advocates an integrated organizational and stakeholder responsibilities for sustainability at the global level of analysis. Our holistic perspective advocates a process of stakeholder motivation, in which the different views on corporate sustainability are seen as “alarm bells.” As views on stakeholder responsibility and stakeholder motivation were not explored yet in the ONE literature, it is opportune to speculate in this section on the implications of our ideas for management, for policy makers, and for future research.

Implications for management

The acknowledgment of stakeholder responsibilities for sustainability must be a pleasant relief for managers (Windsor, 2002). Executives should not, however, perceive tenets on stakeholder responsibilities for sustainability as a victory over decennia of criticism. The overall attitude of companies toward sustainability contributes to forming the critical and prescriptive language used in the literature. In other words, the general perception that organizations (could) have significant impacts on the alarming social and environmental evolutions (Starik & Marcus, 2000) is a reflection of how the available information on corporate performance has been interpreted. Interpretation is a matter of understanding and information availability concerning specific facts. Therefore, executives should rather consider our views on stakeholder responsibility as an invitation for constructive collaboration to sustainable development. Constructive collaboration requires from organizations attitudes of open communication, knowledge sharing, spirit of continuous improvement, stakeholder involvement, as to guarantee that the sustainability principles are successfully integrated in

the overall corporate culture. However, organizations should stimulate their constituents to share the same values and attitudes.

The process of stakeholder motivation, presented in figure 2, advances the importance of value distribution toward primary stakeholders, defended by Clarkson (1995), with the importance of value distribution toward secondary stakeholders. This implies that management needs to be aware of changes in stakeholder importance, in stakeholder needs, and in stakeholder preferences, in order to secure organizational longevity. It does not imply, however, that executives have to distribute equal amounts or sorts of value to all their constituents. Managers are rather challenged with finding the most appropriate mode of value distribution for each stakeholder, aiming at the overall improvement in corporate performance. Overall, the process of motivation of primary and secondary stakeholders is quite complex. Due to the genuine level of complexity, managers are likely to unconsciously influence particular stakeholders in a negative way. However, mistakes are not permission for harming people and the natural environment. Therefore, managers have to, in first place, acknowledge their mistake, and then take the necessary corrective actions.

Implications for policy makers

Policy makers contribute traditionally to sustainable development in imposing regulations on industries and stimulating scientific research. This paper suggests that policy makers have at least two other responsibilities for sustainability: to provide necessary information on sustainability to, apparently, the majority of the citizens; and to lead the development of a long-term strategy for the sustainability of their nation. “To lead” means to develop a long-term vision for development, knowing the implications (positive and negative) from the required improvements toward sustainability. Policy makers can know these

implications, only if they have the insights from all different social groups, e.g. civil society, organizations, investors, consumers, NGOs, media.

As to the responsibilities of policy makers (or any other stakeholder) for sustainability, it should be stressed that mistakes are possible, but not permission for irresponsible decisions of policy makers. Undoubtedly, power asymmetry between policy makers and multinationals has dramatically changed during the last decades. However, this is not an excuse for political decisions based on lower motives (e.g. in the case of the Kyoto agreement). The multitude of political scandals worldwide suggests that ‘morality’ is not only a business problem – it is rather a human problem.

Implications for future research

In fact, this paper contributes to ONE scholarship in expressing the need to explore the various “wheels of sustainability” (Shrivastava, 1995b) and suggest that the integration of these wheels in a joint action is possible. We therefore believe that the topic “stakeholder responsibilities for sustainability” has the potential of a fruitful field of research. More attention to stakeholder responsibility can lead to a comprehensive analysis of potential threats and opportunities for collective action toward advancing sustainability. Consequently, strategies can be developed in order to realize the optimal improvement of performance. However, our attempt to integrate the different stakeholder responsibilities for sustainability is limited to only four groups, i.e. organizations, policy makers, consumers, and scientists. Hence, in advancing these ideas on stakeholder responsibilities for sustainability, scholars in ONE would be confronted with numerous questions. Only few of them might be: What are the responsibilities for sustainability of all groups that this paper does not cover, e.g. of investors, shareholders, NGOs, media, employees, competitors, and suppliers? Are there differences stakeholder responsibilities for sustainability among organizations, industries, and

countries? If yes, what are the drivers of those differences? To what extent are stakeholder responsibilities for sustainability complementary to each other? To what extent are stakeholder responsibilities for sustainability supplementary to each other? How can complementary and supplementary responsibilities be integrated in a collective effort for sustainability advancement, as opposed to the systematic free-riding on sustainable development?

Our proposition on a process for stakeholder motivation is a reflection of the increasing need of instrumental approaches to corporate sustainability. The contribution of our ideas on stakeholder motivation is in advocating a holistic approach to both primary and secondary stakeholders, based on continuous process of stakeholder assessment. This process confirms the existence of numerous variables that moderate the link between improvements in corporate sustainability and organizational competitive advantage (Aragón-Correa & Sharma, 2003). Alternative way to look at these moderating effects is to analyze the effectiveness of value distribution. We have proposed that there are different sorts of value to be distributed to primary and secondary stakeholders. However, our contribution does not suggest a complete classification of what different groups perceive as valuable. This is also an opportune field for future research. Recent knowledge on stakeholder action (Rowley & Moldoveanu, 2003) suggests that constituents make not only intention driven decisions, but also identity driven decisions. In this context, future research should focus on the drivers of decision making, as to suggest a complete classification of value distribution.

CONCLUSION

This contribution advocates two inclusive approaches to sustainability. The one approach promotes organizational and stakeholder responsibilities for sustainability, attempting to

integrate all social institutions in the process of sustainable development. The other approach promotes the process of stakeholder motivation, suggesting that managers need have attention and distribute value to all corporate constituents. It would be a pleasure, if these ideas on stakeholder responsibility and motivation become an inspiration for future research, for policy makers, and for practitioners. After all, a model of collaboration and joint efforts will contribute much more to the advancements of sustainable development than a model of suspicion and confrontation.

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FIGURES TO BE INSERTED

Figure 1
Multiple, interdependent responsibilities for sustainability

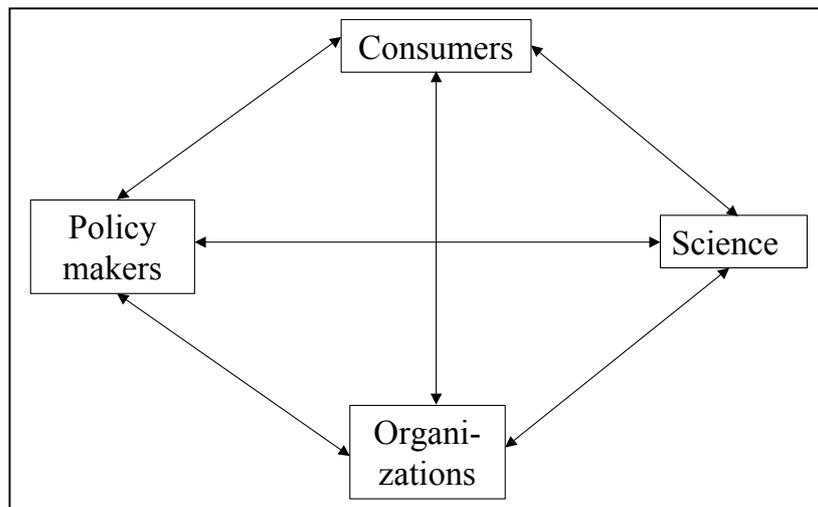
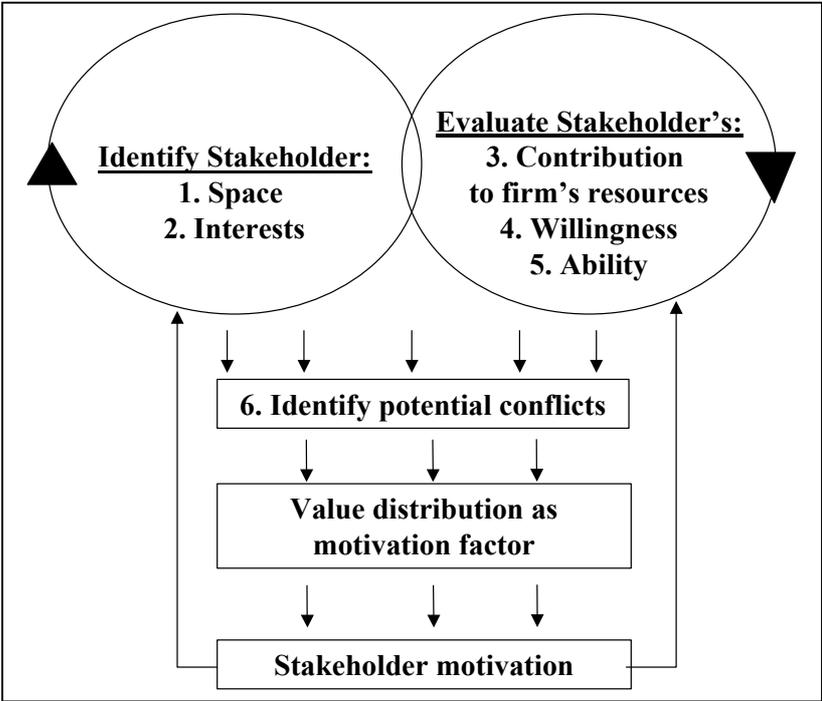


Figure 2
Stakeholder Motivation Process





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