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Bridging the transactional and relational view on management-stakeholder cooperation

Janita Vos Marjolein C. Achterkamp

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Janita Vos and Marjolein C. Achterkamp
Faculty of Economics and Business, University of Groningen, Groningen, The Netherlands

Abstract

Purpose – The purpose of this paper is to present a 2 × 2-perspective of management–stakeholder cooperation in organizational issues. The model encompasses the perspectives of both management and stakeholder and bridges the two dominant views in stakeholder thinking, namely, the transactional and the relational view.

Design/methodology/approach – From a state-of-the-art elaboration of the stakeholder literature, this paper combines two separate perspectives on management–stakeholder cooperation.

Findings – The bilateral perspective stresses that the ease of this collaboration not only depends on the willingness of management to pursue cooperation, but also on that of the stakeholder. The double-motive perspective signifies that both parties can be dominantly motivated by either individual, issue-based reasons (transactional motives) or by the desire to establish lasting relationships (relational motives).

Originality/value – This paper presents a more elaborate picture of management–stakeholder cooperation by combining the transactional concept of stakeholder salience with the concepts "stakeholder reputation" and "management reputation" associated with the relational dimension.

Keywords Stakeholders, Stakeholder analysis

Paper type Conceptual paper

Introduction

From the understanding of organizations as constellations of stakeholders (Goodstein and Wicks, 2007), the core of strategic management is to manage the relationships within such constellations effectively (Choi and Wang, 2009; Harrison *et al.*, 2010). The nature of the relationships between an organization and its stakeholders varies in time, per issue and across stakeholders (Post *et al.*, 2002; Wolfe and Putler, 2002; Phillips *et al.*, 2010). We aim to contribute to increasing the understanding of how these relationships can be made *cooperative* and what factors play a role in this process. Our point of departure is that cooperation concerns the extent to which an organization and a stakeholder work together in solving a certain issue whereby both parties aim at achieving an outcome that creates mutual value. These parties are likely to be driven by self-interest. However, cooperation should be clearly distinguished from opportunistic behavior, which is primarily directed at increasing one's own advantage (Van Werder, 2011).

The relevance of cooperative relations between organizations and their primary stakeholders is widely acknowledged (Harrison *et al.*, 2010; Hillman and Keim, 2001; Post *et al.*, 2002; Sawhney and Zabin, 2002). Freeman and Phillips (2002, p. 344) argue

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that cooperation with stakeholders enables businesses to create new sources of value; Verbeke and Tung (2013) point at businesses achieving superior performance. Cooperation is a two-way process in which both the management, the organizational representative(s), and the stakeholders reach decisions about their mutual engagements. In our study, we view cooperation from a 2 × 2-perspective. The first dual approach is the *bilateral* perspective, which starts from the notion that the ease of the parties' interactions depends on their willingness to pursue cooperation. Willingness is the attitude toward the cooperation, reflecting the belief that cooperation is needed and that it is the best way to solve the matter at hand; it refers to the aspect of intentionality (Harrison *et al.*, 2010, p. 61). This bilateral perspective concurs with the argument of McVea and Freeman (2005, p. 58) that in the process of value creation, managers or entrepreneurs need to possess localized, idiosyncratic knowledge of *specific* stakeholders (Litz, 1996, p. 1359). It must be added, however, that stakeholders also need knowledge about management. In view of cooperation between stakeholder and management, a bilateral perspective seems therefore almost self-evident. Still, the stakeholder literature tends to be biased toward the management perspective (as acknowledged by Friedman and Miles, 2002; Laplume *et al.*, 2008; Phillips *et al.*, 2010, p. 177, 180), whereas the bilateral approach has received only little attention (with the exception of Frooman, 1999).

In this paper, we use the term *issue* to refer to the subject under discussion between an organization and its stakeholder(s). Issues result from different organizational activities, occur in different points in time and can thus have various forms. Issues are typically associated with stakeholder concerns and/or may lead to stakeholder claims (cf. Mitchell *et al.*, 1997). We consider the issue the driver of cooperation: cooperation only takes place when an issue is under discussion. However, although cooperation is by definition issue-related, the interrelations between organizations and stakeholders often have a wider scope: the parties may have a history of mutual interaction and/or expect to cooperate in the future. The willingness to behave cooperatively regarding certain issues can thus be considered in view of the broader (desired) relation. The second dual approach is the *double-motive* perspective. This approach signifies that the parties on either side can be (dominantly) motivated by individual issue-based reasons leading to flexible, one-issue interactions, or driven by the desire to establish lasting relationships in which a series of sequential and cooperative exchanges are created. We label the first type of motives *transactional* (cf. Freeman, 1984, p. 69) and the latter *relational* (cf. Graves and Waddock, 2000, p. 397). In the literature, the transactional view has long been dominant (Zakhem, 2008). More recently however, the relational view has gained more momentum (Choi and Wang, 2009; cf. Parmar *et al.*, 2010).

In this paper, we present a research model on management–stakeholder cooperation. In this model, we acknowledge both the bilateral and double-motive perspectives. These perspectives include the two parties in the relationship (bilateral: management and stakeholder) and the two types of motives these parties may have for collaboration (double-motive: transactional and relational). As both types of motives can play a role on either side, we integrate the perspectives on cooperation to increase our understanding of the interactions between an organization and its stakeholders. To discuss the different motives, we use concepts from different strands of stakeholder literature (stakeholder salience and reputation, management reputation and issue impact). By combining these concepts in one research model, we contribute to stakeholder theory by adding an integrated approach. Table I provides the key elements of the model, which we will elaborate in the following sections. This elaboration guides us in deriving propositions about the willingness of both management and stakeholders to engage in cooperation.

Management willingness to cooperate

Transactional and relational motives

Management willingness refers to the decision of managers to interact with stakeholders. The nature of this interaction is based on management's perception of this group. Transactional motives concern management's perception that the stakeholder characteristics are beneficial for the outcome of the issue at hand and that cooperation is therefore desirable. Here the issue determines management's timeframe: solving it in a beneficial way is the key driver of considering cooperation. We use the well-known salience model (Mitchell *et al.*, 1997) for finding factors that explain management willingness. The transactional motive as presented in this model is explicated via the key message of Mitchell *et al.*'s argument: managers give a high priority to stakeholders with salient claims, that is to stakeholders whom they believe to have legitimate claims that call for immediate action (i.e. urgency), and power to influence the organization's activities directed at the issue. As a claim is linked to a specific issue (revealed in the salience model by the use of urgency), it follows that managers' transactional motives to pursue cooperation with a specific stakeholder depend on their perceptions of this *stakeholder's salience* regarding the issue.

At the relational level, managers adopt a more long-term perspective: they value cooperation in an issue as an investment in a desired lasting relation (Post *et al.*, 2002). Here the perceived benefits of having a cooperative relation with the stakeholder weigh heavier than the issue at hand. These benefits or relational assets may concern gains on expected future issues but can also refer to more general advantages, such as superior knowledge about stakeholder preferences, complementary resources and the capabilities of these stakeholders (Dyer and Singh, 1998; Harrison *et al.*, 2010), or lower search costs and/or more effective governance approaches (Dyer and Singh, 1998; Sawhney and Zabin, 2002).

Table I.
Key elements of the 2×2-perspective on management–stakeholder cooperation

Double-motive / Bilateral perspective	Transactional (short-term)	Relational (long-term)
Management view	Stakeholder salience (regarding issue: power, legitimacy, urgency) Issue is driver of cooperation	Stakeholder reputation (in general: power, legitimacy, reliability) Issue is investment in relationship
Stakeholder view	Issue impact motivates stakeholder-initiated interactions; management reputation influences stakeholder's valuation of these interactions Issue is driver of cooperation	Management reputation (competence, responsiveness, fairness) Issue is investment in relationship

Similar to stakeholder salience as an indication of the perceived stakeholder value to the issue, we introduce *stakeholder reputation* as an indication of the perceived value to the relation. The literature, however, offers little on stakeholder characteristics indicating relational assets as observed by the management. Still, with respect to potential benefits related to future issues, two stakeholder characteristics can be derived from the salience model: power and legitimacy. When establishing relations with a powerful and legitimate stakeholder, management will generally expect this group to contribute a great deal of asset value in solving future issues. But, whereas in case of stakeholder salience, this meant power and legitimacy over the specific issue, for stakeholder reputation, these attributes are related to possible future issues, and thus to the organization as a whole. Future benefits, however, are more uncertain than assets associated with a current decision, and a cooperative arrangement between two parties can only be viable if these parties acknowledge their obligations between each other (Freeman and Phillips, 2002). Goodstein and Wicks (2007) emphasize that it is not only the organization that is responsible for its stakeholders; stakeholders have responsibilities too. This indicates that the stakeholder's reputation not only depends on potential relational assets but also on the likelihood that these assets can be used in the relation. We consider the stakeholder's reliability as an indicator of this likelihood and define *reliability* as the perceived stakeholder willingness to share relational assets.

In a way, the stakeholder's reliability in the reputation notion is comparable to the stakeholder's urgency in the salience concept. Urgency is the perceived need for immediate action on a specific issue (Eesley and Lenox, 2006). In this action, the stakeholder's power and legitimacy regarding the issue play an important role in solving this issue. Urgency thus determines the chances that the potential contributions to the issue (as indicated by the stakeholder's power and legitimacy regarding the current issue) are captured. This situation is mirrored by the stakeholder's reliability in future issues: reliability determines the chances that potential future contributions (as indicated by the stakeholder's power and legitimacy regarding future issues) are captured.

Weighing the motives through issue impact

Obviously, issues differ; this influences the motives' significance in each situation. We use *issue impact* as the indicator of this variety, arguing that impact plays a crucial role in weighing the motives. In the continuum of the relative importance of the two types of motives, issue impact explains why one of these motives matters more in a specific situation as compared to the other type. How management values cooperation may vary based on the extent to which they perceive the possible losses or gains. Using the prospect theory (Tversky and Kahneman, 1974), Jawahar and McLaughlin (2001) explain that depending on the presence of threats to organizational survival, management frames the issue impact in terms of either gains or losses. It will therefore adopt a gain frame in the absence of threats and a loss frame in the occurrence of threats. In the first situation, management will pursue a risk-averse strategy in which all stakeholders' issues are addressed. In the latter situation, management may pursue a risky strategy by only addressing the concerns of those stakeholders who are relevant to the immediate loss threat, while denying any responsibility for other stakeholders (Jawahar and McLaughlin, 2001, p. 404).

Although Jawahar and McLaughlin do not focus on achieving cooperation, their approach is interesting in view of the management willingness to cooperate; it indicates that the assessment of potential threats in addressing a specific issue depends on the issue's perceived *impact* on the organization. In the case of high-impact issues, the benefits of cooperation may be perceived larger, as useful stakeholder input has then more significance, but so may the risks, as unsuccessful cooperation could cause more harm (cf. Dyer and Singh, 1998). Furthermore, sharing value with stakeholders, and in particular over-allocating value to them (as a potential risk of cooperative relationships, see Harrison *et al.*, 2010, p. 69f.; Phillips *et al.*, 2010), is more costly in the case of high-impact issues. In other words, high-impact issues are potential threats, which can lead managers to adopt a loss frame. In line with Jawahar and McLaughlin, we argue that the higher the impact, the more the organization is focused on involving only salient stakeholders to prevent these threats: then management will be especially interested in cooperating with those particular stakeholders who in its perception can increase value by providing interesting resources (such as particular expertise), or who are powerful or legitimate enough not to be ignored. This means that in the case of cooperation in high-impact issues, the strength of the relation between stakeholder salience and management willingness increases.

Stakeholder studies from the field of risk management provide support for the effect of issue impact on the relationship between stakeholder salience and management willingness to cooperate. These studies, particularly focused on high-impact issues, relate stakeholder salience attributes (legitimacy as in the democratic view on risk management and power as in the technical approach) to risk minimizing and management's willingness to cooperate (Gurabardhi *et al.*, 2005; cf. Rowe and Frewer, 2000). On the other hand, public management studies focused on explaining the increase in stakeholders' trust in (public) management and the strengthening of the citizenship of stakeholders (Wagenaar, 2007; Wang and Wart, 2007) present the opposite argument, namely, that regarding low-impact issues, salience is less important and reputation more important for management willingness. Here we find examples of matters valued as less crucial (by the public management) than the cooperative relationship itself, which may therefore be considered as low-impact issues. Rather than cooperating solely with a specific group of salient stakeholders to resolve an issue, the goal appears to be to invest in relations with relevant (or, in our terms, highly reputed) groups (Irvin and Stansbury, 2004; Wagenaar, 2007). This finding suggests that in dealing with lower-impact issues, management is less inclined to put effort in determining which stakeholders are salient, and more interested in establishing which stakeholders have a high reputation. In such cases, the relation between stakeholder salience and management willingness is less strong, whereas that between stakeholder reputation and management willingness is strengthened. The first proposition reflects the ideas on weighing the management's motives for cooperation:

P1a (transactional). The higher the management perceives the impact of the issue on the organization, the stronger the relation between stakeholder salience and management willingness to cooperate.

P1b (relational). The lower the management perceives the impact of the issue, the stronger the relation between stakeholder reputation and management willingness to cooperate.

Stakeholder willingness to cooperate

As mentioned, the literature has paid limited attention to the stakeholder perspective (Friedman and Miles, 2002; Laplume *et al.*, 2008). It is clear, however, that stakeholders have their own particular views about organizations, which form the basis for their interaction with these institutions (Choi and Shepherd, 2005; Frooman, 1999; Phillips *et al.*, 2010). The fact that managers perceive a stakeholder as a salient or highly reputed party with which they want to cooperate does not necessarily mean that this stakeholder has similar interests in that regard. There can be a discrepancy between stakeholder eligibility, as perceived by the managers, and the actual stakeholder willingness to cooperate with management (Cheng and Mattor, 2006).

Relational motives

As the counterpart of stakeholder reputation, we use *management reputation* to refer to the stakeholders' relational motives for cooperation. In the literature, particularly definitions of *organizational* reputation are used to describe the way in which stakeholders view an organization or attribute key characteristics to organizations (Fombrun, 1996, p. 72). Puncheva (2008), for example, argues that corporate reputation is a leading factor in stakeholders' decisions regarding their interactions with an organization. Like Pirson and Malhotra (2011, p. 1089), we followed Fombrun's argument that such organizational attributions constitute the reputational umbrella for those who represent the organization (Ebbers and Wijnberg, 2010). With respect to the role of management as a prospective cooperation partner in a lasting relation, we focused on management reputation as a concept which affects the stakeholder's willingness to cooperate. Just as stakeholder reputation is an indicator of the value of the relational assets plus the likelihood of obtaining them (by management), management reputation is an indicator of these two elements from the perspective of the stakeholder.

To further describe management reputation in the context of stakeholder willingness, we use a number of studies to distinguish three underlying attributes. We stress the interaction components of management reputation by labeling these attributes *competence* (in arranging, engaging in and influencing the process of cooperation), *responsiveness* (to stakeholder ideas and initiatives) and *fairness* (in the cooperation process). Past performance on these attributes are used as indicators for future performance (cf. Ebbers and Wijnberg, 2010). Hendry (2006) shows that environmental NGOs are more willing to engage in cooperation if the firm's representatives are open to new, creative ideas (thereby reflecting responsiveness); possess the necessary expertise; and are able to influence other relevant parties (thereby showing competence). Litz (1996) argues that responsiveness also encompasses the managerial ability to respond to issues in a decisive and timely manner. According to Freeman and Phillips (2002), cooperative relations can only be sustainable if they include elements of fairness. Hosmer and Kiewitz (2005) and Bosse *et al.* (2009) claim that the support of stakeholders is based on whether this group perceives the firm's representatives' conduct as just and fair. Cheng and Mattor (2006) observe that whenever management presents itself as a fair and competent convener who legitimately shares the decision-making power with the stakeholder, the latter will tend to adopt a supportive attitude in the interaction. Similar to stakeholder reputation, the three attributes of management reputation point to both the relational assets (competence and responsiveness) and the likelihood that these assets can be achieved (responsiveness again, and fairness).

Transactional motives

Besides long-term relational motives for cooperation, stakeholders may also have more straightforward, transactional reasons to get involved in an issue (cooperatively or not), namely, because they want to influence the organization's actions and the outcomes of the matter. The *impact of the issue* as perceived by the stakeholder plays a major role in the decision to pursue interactions with managers, as it influences the stakeholder's valuation of these interactions. It needs no explanation that stakeholders will be more willing to put efforts in interacting with management if the issue has a major impact on them. Hendry (2006) shows that issue impact is particularly important for stakeholders in determining their targeting decisions, while Cheng and Mattor (2006) state that the willingness of stakeholders to become involved in the process of dealing with an issue also depends on the balance between the perceived costs and benefits. Regarding high-impact issues, impact can be the sole motivation for stakeholders to pursue involvement regardless of the management's reputation. It can be questioned, however, whether this attitude actually enhances stakeholder willingness to *cooperate*, because it may lead to negative stakeholder actions (Hendry, 2006). We argue that management reputation not only directly influences stakeholder willingness to cooperate on a relational level but also plays a role in the transactional sphere: the more favorable the management reputation, the more the stakeholder interactions initiated by transactional motives will be of a cooperative nature. The second proposition reflects the stakeholder side of cooperation:

P2a (relational). The more favorable the stakeholders' perception of management's reputation, the greater the stakeholders' willingness to cooperate with management.

P2b (transactional and relational combined). The more favorable the stakeholders' perception of management's reputation, the stronger the relation between the issue impact and the stakeholders' willingness to cooperate with management.

Conclusion and discussion

The model and its implications for stakeholder theory

In trying to bridge the gap between the transactional and the relational view on strategic choices in stakeholder management, we have argued that both types of motives play a role for both the management and the stakeholder. These motives are subject to change; they can shift from transactional to relational and the other way round, making cooperation a highly dynamic phenomenon. Figure 1 depicts the 2 × 2-perspective on management–stakeholder cooperation, including the propositions.

Via the current model, we have contributed to the stakeholder literature by presenting a more elaborate picture of the management–stakeholder cooperation. Our approach combines the well-known transactional concept of stakeholder salience with the concepts "stakeholder reputation" and "management reputation"

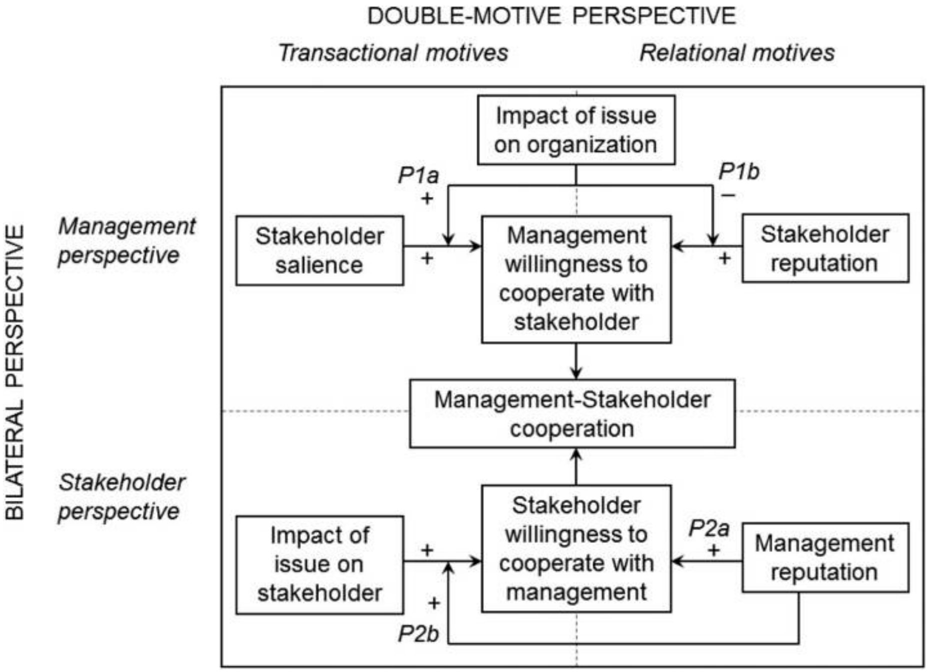

Figure 1.
The 2 × 2-perspective on management–stakeholder cooperation

on the relational side. The model shows that the factors which influence stakeholder willingness and management willingness are asymmetric. This can be explained by the different options of organizations and stakeholders in their mutual interactions: there is usually only one organization and, in most cases, there is more than one stakeholder, sometimes even a large number of stakeholders. This situation implies that managements of organizations are in the position to select stakeholders, whereas the stakeholders do not have this advantage; if they decide to become involved in an issue, they have no choice but to deal with a particular management (usually stakeholders cannot select the management). In this study, we used issue impact to emphasize the variety of issues. However, the asymmetry between stakeholders and management led to different uses of this concept: issue impact represents a transactional motive on the stakeholder side, while it has a contingency effect on the management side.

It is obvious that a deeper analysis of the model's concepts is a prerequisite for the further maturation of the 2 × 2-perspective as advocated here. Therefore, we call for empirical research into both the propositions presented and the effects of the parties' willingness to cooperate. In the propositions, we focus on factors which influence the willingness of managements and that of stakeholders to cooperate. Willingness represents an actor's intentions with respect to cooperation: the notion is a proxy for cooperation. However, although one could easily assume that willingness has a positive effect on management–stakeholder cooperation, we did not combine the proxies to address the question what happens if there are considerable differences in the attitudes of the parties involved (i.e. one party is highly motivated to cooperate but the other is not). The model could therefore be improved through empirical research particularly aimed at explaining the effects of the *combined* stakeholder–management willingness on the level of management–stakeholder cooperation. A multiple case study approach seems a logical method for conducting this research (Laplume *et al.*, 2008, p. 1174).

Related to the previous point, in the current model, we did not include interaction effects between the willingness of the two parties involved. However, the final outcome on the cooperation depends on the actions of both actors, and it is a straightforward assumption that actors will make assessments of the other party's motives and willingness to cooperate to understand and predict their actions. For example, management may perceive some stakeholders as having predominantly transactional motives on a particular issue, and others relational. Management may then consider the latter type as an easier counterpart in their mutual interactions and act accordingly. Therefore, a systematic analysis based on the reciprocal assessment of both parties' motives (i.e. a game-theoretical interpretation of the model) may lead to new research directions and propositions on the actors' willingness to cooperate.

A further theoretical step would be to broaden the scope of the model by acknowledging the multi-stakeholder constellation in which the management–stakeholder cooperation takes place. The 2 × 2-perspective could be extended by incorporating multilateral cooperation based on both transactional and relational motives, both between management and stakeholders and among multiple stakeholders.

The model and its practical implications

The 2 × 2-perspective may contribute to the practice of stakeholder management in several ways. In a broader sense, the model can help identify the challenges and possible frictions in management–stakeholder cooperation. For instance, mapping out the transactional and relational motives can reveal differences in the actors' timeframes as well as potential conflicts between short-term transactional benefits and the long-term advantages of cooperative relations. Furthermore, the analysis has highlighted the crucial role of management reputation in improving stakeholders' willingness to cooperate.

More specifically, we learned that the notion of issue impact has implications for stakeholder management. To be able to understand and influence stakeholders' motives for interaction and cooperation, a relevant task for management is to assess the impact of the issue on the stakeholder. Assessing the issue impact on the organization, on the other hand, enables the selection of prospective stakeholders for cooperation: salient stakeholders in the case of high-impact issues and highly reputed parties in the case of low-impact matters. This means that low-impact issues can still be highly valuable for management–stakeholder cooperation. A low-impact issue, thus an issue that does not evoke transactional motives, may function as an investment vehicle for establishing cooperative relationships. Management may even deliberately put it on the agenda to promote cooperation. Stakeholder management therefore calls for an issue analysis closely related to the stakeholder analysis. In conclusion, the initial understanding of the organization as a constellation of stakeholders (Goodstein and Wicks, 2007) can be elaborated by adding the complementary understanding of the organization as a constellation of issues.

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About the authors

Janita Vos is an Assistant Professor in the Faculty of Economics and Business at the University of Groningen, The Netherlands. She has published in journals such as *Systems Research and Behavioral Science, International Journal of Project Management, The TQM Journal, European Journal of Innovation Management* and *Corporate Social Responsibility and Environmental Management*. Her research interests include stakeholder collaboration in change projects, change management in the context of healthcare and small to medium-sized firms and interactions between change agents and change recipients. Janita Vos is the corresponding author and can be contacted at: j.f.j.vos@rug.nl

Marjolein C. Achterkamp works at the Windesheim University of Applied Sciences in Zwolle, The Netherlands, where she coordinates the Business Administration program. Her research interests include stakeholder management and innovation, particular in the context of healthcare. She published in journals such as *Social Science & Medicine, International Journal of Project Management, European Journal of Innovation Management, Academic Medicine* and *Journal of Engineering and Technology Management*.