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BRINGING MANAGERS BACK INTO STAKEHOLDER THEORY: THE ROLE OF PRACTICAL WISDOM AND MORAL AGENCY

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ABSTRACT

Extant literature presents two perspectives on how managers balance competing stakeholder interests. One points to norm-based and organization-specific general approaches, another to managers' own perceptions and motives. Utilizing a strategy-as-practice lens and relying on mixed-methods, we inductively investigate the interplay between organizations' general approaches to stakeholder management and managers' situation-specific balancing. Based on data from Dutch nonprofits, we develop a theoretical model highlighting practical wisdom and moral agency as central for explaining this interplay. We contribute to the stakeholder literature by challenging the view of managers as mere conduits of organizational approaches and revealing new mechanisms of variation and change.

INTRODUCTION

The central premise of stakeholder theory is that organizations must manage relationships with multiple stakeholders to create value (Freeman, 1984). As stakeholders increase in number and put forward potentially conflicting demands, prioritizing between and harmonizing across their interests (known as stakeholder balancing) becomes ever more challenging (Amis, Barney, Mahoney, & Wang, 2020). Extant literature presents different perspectives on the role of managers in this regard.

The bulk of stakeholder management research adopts the perspective that managers balance stakeholder interests in line with norm-based, organization-specific approaches associated with either instrumental or normative motives. Instrumentally driven organizations, and by extension their managers, are assumed to prioritize a specific stakeholder group while those driven by normative motives are assumed to strive for harmonization across stakeholders' interests (Berman, Wicks, Kotha, & Jones, 1999; Bridoux & Stoelhorst, 2014; Jones, Felts, & Bigley, 2007). This work implicitly assumes routinized managerial conduct, thus fostering a view of stakeholder management as fairly stable and self-reinforcing and managerial motives as given by their organizations' general approach (Bridoux & Stoelhorst, 2014; Jones et al., 2007).

An alternative perspective recognizes the "situational uniqueness" (Mitchell, Agle, & Wood, 1997: 854) of managerial perceptions and argues that managers' own characteristics and motives play an important role in balancing stakeholder interests (Hahn, Preuss, Pinkse, & Figge, 2014; Weitzner & Deutsch, 2015). In support of this view, a recent study found that a considerable portion of the variance in organizations' stakeholder management decisions can be attributed to managers (Wernicke, Sajko, & Boone, 2022). This reveals an important theoretical lacuna: What is the interplay between an organization's general approach to stakeholder

management and managers' situation-specific balancing of competing stakeholder interests? Answering this question is important because it helps re-establish and further advance the managerial roots of stakeholder theory (Donaldson & Preston, 1995), which have received limited attention in subsequent research (Elms, Brammer, Harris, & Phillips, 2010).

We address our research question by performing an inductive study of stakeholder management and adopting a Strategy-As-Practice (SAP) lens (Jarzabkowski & Spee, 2009; Whittington, 2003). During the past decades, SAP has grown into a unique approach to understanding organization (Suddaby et al., 2013). According to SAP, practitioners are the actors doing strategy work. They do specific things in specific situations (i.e. praxis), informed but not fully determined by norm-bound and routinized ways of doing things (i.e. practices) (Vaara & Whittington, 2012). Notably, SAP explicitly attends to the interplay and potential discrepancy between social structures and individual agency making it particularly suitable for the purpose of our study.

EMPIRICAL SETTING AND METHODS

Our research context is the Dutch nonprofit sector. Our context choice is motivated by suggestions in extant work (Cabral, Mahoney, McGahan, & Potoski, 2019) and the insight that nonprofits face competing stakeholder demands without granting any stakeholder group primacy per definition (Wellens & Jegers, 2014). The Dutch nonprofit sector is comparable to that in other Western European countries regarding structure, composition, and financing (Burger, Dekker, Toepler, Anheier, & Salamon, 1999). Guided by an interpretive approach (Langley & Abdallah, 2011) we use multiple inductive methods to extract and analyze information from knowledgeable practitioners (Corbin & Strauss, 1990).

We collected data between November 2010 and August 2013. We used informal and semi-structured interviews (N = 47), an explorative survey (N = 353), six workshops and dialogue meetings, and approximately 420 documents to gain a nuanced and rich understanding of stakeholder management in practice. Practitioners of stakeholder management, typically at director level, were our focal research participants. In interviews they named stakeholder management practices, rationalized why these practices were put into use and spoke in detail about their own decisions and actions in situations where stakeholder interests were perceived as conflicting. Our practitioner survey respondents were, subsequently, more systematically asked about the extent to which their organization generally adopted the stakeholder management practices uncovered through the interviews. The other data sources were useful for verification and triangulation purposes.

We first inductively coded the interview data to uncover which practices practitioners rely on when they 'do' stakeholder management, and how they rationalize their 'doings'. Our focal unit of analysis was practices, which we identified using two main criteria: the data had to reflect a routinized type of action pattern (Jarzabkowski & Spee, 2009) and describe general ways of doing things in relation to one or more stakeholders. From these practices we 'bracketed' (Gubrium & Holstein, 1997) to flesh out variation in specific managerial enactments (i.e. praxis) and to explore general stakeholder management approaches. For each practice, we coded the associated motive. A motive was understood as a reason or rationalization offered by the informant for enacting a given practice. In most cases, those rationalizations were mentioned directly before or after naming the practice.

The survey complements our interview data in that it enables more systematic comparative analysis. Our next step was therefore to use our survey data to identify typical bundles of

practices indicative of different ways of doing stakeholder management. We used Q-factor-analysis (McKeown & Thomas, 1988), an exploratory method well-known in psychology and political science (Zabala, 2014). The Q-factor analysis enabled us, via the perceptions of our well-informed practitioner respondents, to identify factors that reflected bundles of commonly enacted practices. We interpreted these bundles by consulting secondary data from survey respondents and revisiting insights from the preceding analysis. This led us to distinguish the factors based on their emphasis on various practice categories and motives.

In the final step, we zoomed in on specific episodes where managers responded to conflicting stakeholder demands. We constructed narratives (Riessman, 1993) to understand the lived experiences of our informants and explored the relation between managers' situated enactments and their organization's general approaches. At mature analytical stages we consulted theory to verify the novelty of our observations. We stopped the cycling between data, interpretation, and theory when substantial new insights relevant for our research focus were no longer obtained (cf. Glaser & Strauss, 1967).

 Figure 1 about here

EMERGENT MODEL AND CONTRIBUTIONS

Our combined findings enable us to theoretically specify the interplay between organizations' general approaches to stakeholder management and managers' situation-specific balancing of stakeholder interests (see Figure 1). Organizations' stakeholder management approaches consist of attention-giving and interest-balancing practices largely guided by certain dominant motives that are more or less consequentialist or deontological. Managers enact stakeholder management practices in line with past enactments, which contributes to reinforce the general approach associated with their organization. But when confronted with situations involving competing stakeholder interests, managers may well deviate as resolving a balancing challenge tends to activate their practical wisdom and moral agency. More concretely, managers take the specifics of the situation as the starting point to determine what is right to do (Tsoukas, 2018), while drawing on prior experience, including insights they have accumulated through past stakeholder interactions. This capability denotes practical wisdom (Bachmann, Habisch, & Dierksmeier, 2018). Managers may reach a solution in line with the organization's established practices and dominant motive or, alternatively, enact different practices informed by other motives-in-use. Their mindful deliberation of what ends are appropriate to pursue (Tsoukas, 2018), and their ability to switch between deontological and consequentialist motives depending on the situation at hand, is what we understand as managerial moral agency.

The deliberation process materializes in praxis that help prioritizing one stakeholder group or harmonize across various stakeholder interests. Some deviations from the organization's general stakeholder management approach may be short-lived. However, managers can integrate new solutions into the organization's existing bundle of practices, through re-enacting those solutions once the next balancing challenge emerges. It may also happen that resolving a balancing challenge triggers a longer-term process where managers, through a series of interrelated enactments, shift between different motives-in-use, and replace several stakeholder management practices. Thus, over time, deviant motives-in-use may gradually contribute to shifting the general approach to stakeholder management.

The main outcome of our research is a theoretical model explaining the relation between organizational approaches to stakeholder management and managers' situation-specific balancing of stakeholder interests (Figure 1). The model pinpoints managers' practical wisdom and moral agency as central for understanding this relation. With these findings, our research makes three contributions. First, we extend stakeholder theory in which the role of managers has been undertheorized. When resolving competing stakeholder demands, managers exercise practical wisdom (Bachmann et al., 2018; Tsoukas, 2018) and display a great deal of moral agency (Weaver, 2006), challenging the view of managers as mere conduits of established approaches (Jones et al., 2007). Second, we develop a dynamic understanding of stakeholder management by theorizing that, despite somewhat stable approaches to stakeholder management (Berman et al., 1999; Bridoux & Stoelhorst, 2014; Jones et al., 2007), situated responses to balancing challenges can trigger a break with these approaches (Hahn et al., 2014; Weitzner & Deutsch, 2015) and even prompt a gradual change in established practices and motives. Third, we contribute to SAP scholarship on the micro-macro dynamics in tackling complex societal challenges (Tsoukas, 2018; Wright & Nyberg, 2017). We explain how managers' situated judgment shapes which practices and moral logics become enacted in response to specific challenges while acknowledging the presence of established practices.

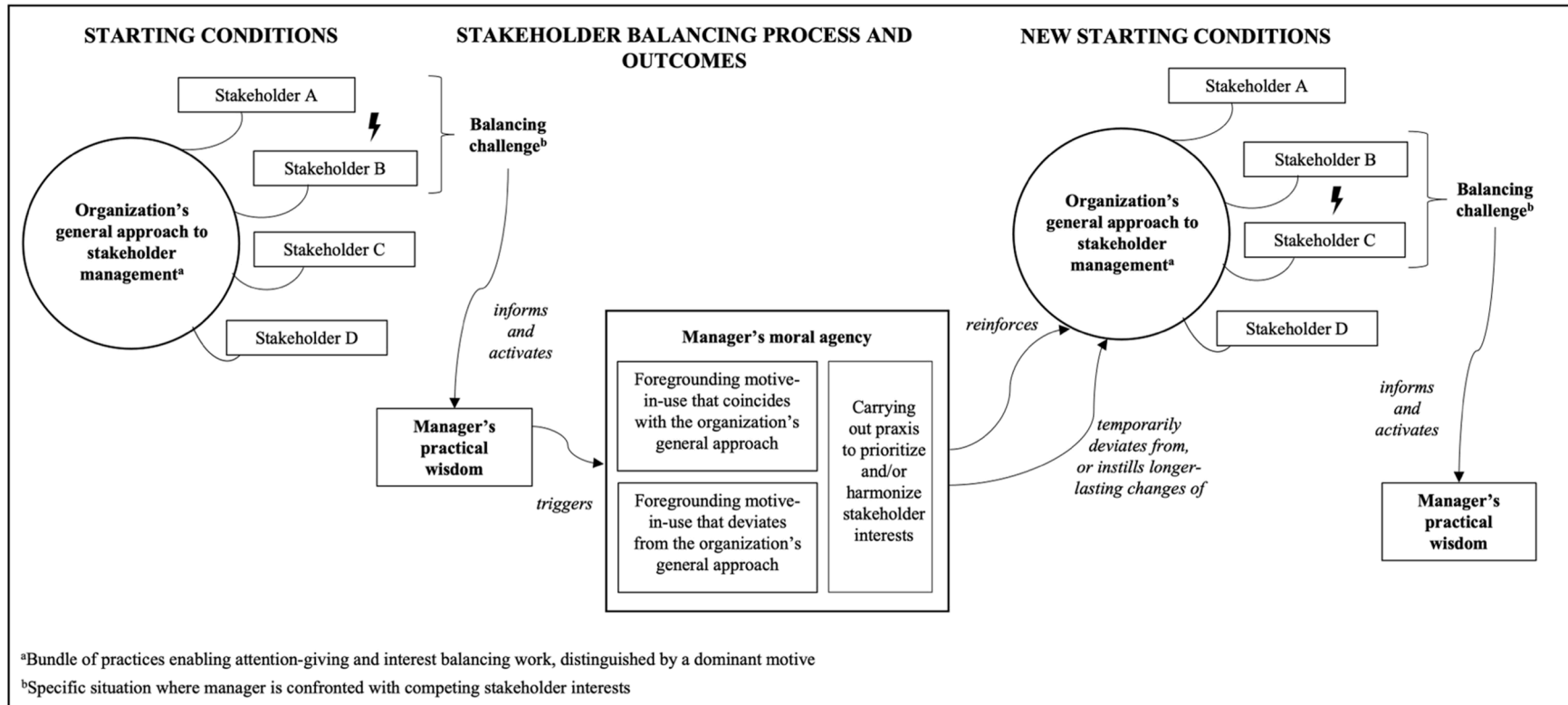
Our paper lays the groundwork for a practice perspective on stakeholder management, and demonstrates that further cross-fertilization of stakeholder theory and SAP holds great promise (Freeman & Elms, 2018; Tsoukas, 2018). Future research can explore the contextual factors that stimulate or inhibit managerial moral agency, such as for example stakeholder characteristics or governance structures. We also encourage further analysis of the types of work identified in this study. Our data suggests that attention-giving work is particularly important for identifying solutions that harmonize stakeholder interests. Finally, our practice-based model needs to be validated and extended beyond the nonprofit context.

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FIGURE 1: THEORETICAL MODEL



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