Stakeholder relationships and social welfare: a behavioral theory of contributions to joint value creation

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STAKEHOLDER RELATIONSHIPS AND SOCIAL WELFARE:
A BEHAVIORAL THEORY OF CONTRIBUTIONS TO JOINT
VALUE CREATION

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Firms play a crucial role in furthering social welfare through their ability to foster stakeholders’ contributions to joint value creation—value creation that involves a public good dilemma arising from high task and outcome interdependence—leading to what economists have labeled the “team production problem.” We build on relational models theory to examine how individual stakeholders’ contributions to joint value creation are shaped by stakeholders’ mental representations of their relationships with the other participants in value creation, and how these mental representations are affected by the perceived behavior of the firm. Stakeholder theorists typically contrast a broadly defined “relational” approach to stakeholder management with a “transactional” approach based on the price mechanism—and argue that the former is more likely than the latter to contribute to social welfare. Our theory supports this prediction for joint value creation but also implies that the dichotomy on which it is based is too coarse grained; there are three distinct ways to trigger higher contributions to joint value creation than through a transactional approach. Our theory also helps explain the tendency for firms and their stakeholders to converge on transactional relationships, despite their relative inefficiency in the context of joint value creation.

In modern knowledge-based economies, the primary source of value creation has shifted from physical resources to intellectual property and knowledge (Asher, Mahoney, & Mahoney, 2005; Powell & Snellman, 2004), which are typically distributed among multiple stakeholders (Amin & Cohendet, 2000; Grant, 1996a). As a result, social welfare in knowledge-based economies increasingly relies on “joint value creation”—mutually supportive contributions to value creation from multiple stakeholders whose tasks and outcomes are highly interdependent. In situations of high task and outcome interdependence, stakeholders face a public good dilemma: while contributing to joint value creation is optimal from the collective point of view, stakeholders focused on their material self-interest will tend not to contribute (Kollock, 1998; Olson, 1965). Economists have labeled this dilemma the “team production problem” and have recognized that it undermines the beneficial role of the market in maximizing social welfare; in situations of high task and outcome interdependence, the market will not align individual interests with the collective interest (Alchian & Demsetz, 1972). In fact, some have argued that the need to solve the team production problem explains the very existence of firms, in general (Alchian & Demsetz, 1972), and of the public corporation, in particular (Blair & Stout, 1999).

In this article we build on relational models theory (Fiske, 1991, 1992, 2004, 2012; Haslam, 2004) to develop a stakeholder theory of individual stakeholders’ contributions to joint value creation. In doing so we share the view that a crucial contribution of firms to social welfare is overcoming the team production problem. However, in theorizing about how firms can foster stakeholders’ contributions to joint value creation, we take a rather different view of the problem than is typical in economic theory. First, we do not assume that all behavior is exclusively motivated by self-interest. Stakeholder theory has long emphasized...
the need to go beyond this simplifying assumption (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Freeman & Phillips, 2002; Jones, 1995; Jones, Felps, & Bigley, 2007; Jones & Wicks, 1999), and in line with this view we take as our starting point the recent literature on the microfoundations of stakeholder behavior, which builds on less pessimistic assumptions about human psychology (Bosse & Phillips, 2016; Bosse, Phillips, & Harrison, 2009; Bridoux & Stoelhorst, 2014; Hahn, 2015; Harrison, Bosse, & Phillips, 2010; Hayibor, 2012).

Second, we do not primarily conceive of economic relationships in terms of transactions governed by the price mechanism. Relational models theory suggests that people use a repertoire of four “representations, grammars, or script-like social schemata” (Fiske, 1991: 21), called relational models, to internalize relationships as part of their cognitive functioning and translate them into behavior (cf. Haslam, 2001; Turner & Oakes, 2010/1997; Turner, Oakes, Haslam, & McGarty, 1994). In addition to market pricing (a relationship where people compute cost-benefit ratios and pursue their self-interest), which is the primary focus of economic theory, people can also frame relationships as communal sharing (a relationship of unity, community, and collective identity), authority ranking (a relationship of hierarchical differences, accompanied by the exercise of command and complementary display of deference and respect), or equality matching (a relationship among equals manifested in balanced reciprocity; Fiske, 1991).

Our theory revolves around three predictions. First, contributions to joint value creation depend on how individual stakeholders frame their relationships with other participants in the value creation process, with increasing contributions from market pricing to authority ranking, equality matching, and communal sharing. Second, depending on their social dispositions (trait-like differences in preferences for distributions of outcomes to self and others in interdependent situations), individuals will be differently predisposed toward adopting one of the four relational models, yet regardless of their dispositions, all individuals are capable of framing relationships in terms of any of the four models if situational cues are strong enough. Third, the firm’s perceived behavior toward its stakeholders can be such a strong situational cue. Together, these predictions point to an important role for managers in contributing to social welfare by fostering cooperative stakeholder relationships that are not based on market pricing.

Our first contribution is to ground the stakeholder perspective on social welfare more firmly in positive theory. Stakeholder theorists have long emphasized the need for a perspective on market capitalism that goes beyond economic theory’s traditional focus on competitive transactions across markets as the key to creating social welfare (Freeman et al., 2010). Our theory substantiates this need for the case of joint value creation. By building on more realistic assumptions about human motivation and considering the role of relational models in explaining stakeholders’ behaviors, our theory suggests that when value creation involves high task and outcome interdependence, economic relationships based on market pricing will not help but, rather, will hinder the creation of social welfare because they exacerbate the team production problem. In line with stakeholder theorists’ emphasis on building cooperative relationships (Freeman, 1984; Freeman et al., 2010; Jones & Wicks, 1999; Phillips, 2003; Post, Preston, & Sachs, 2002), our theory suggests that social welfare is better served by stakeholder relations based on authority ranking, equality matching, and, especially, communal sharing.

Our second contribution is to go beyond instrumental stakeholder theory’s traditional dichotomy of a “transactional” approach, emphasizing self-interest and financial incentives, and a broadly defined, stakeholder-oriented “relational” approach, based on compassion, honesty, integrity, and kindness (e.g., Bosse et al., 2009; Harrison et al., 2010; Jones, 1995; Jones & Felps, 2013a,b; Mahoney, Huff, & Huff, 1994). Moving beyond this dichotomy and considering all four ways in which humans can mentally frame their relationships benefits both the rigor and relevance of stakeholder theory. With regard to rigor, our theory suggests that what stakeholder theorists have referred to as a relational approach maps onto three different relational models. With regard to relevance, our theory indicates that, rather than one option, managers have three distinct options to increase stakeholders’ contributions to joint value creation, beyond what these stakeholders would contribute if they framed their relationships as market pricing.

Our third contribution is to explain why firms and their stakeholders may often end up framing joint value creation in terms of market pricing, even when any of the other three models would result in more social welfare. Given the central claim of instrumental stakeholder theory that a relational approach to stakeholder management
outperforms a transactional approach (e.g., Harrison et al., 2010; Jones, 1995; Jones & Felps, 2013a,b; Mahoney et al., 1994), it is important to understand why firms and their stakeholders nevertheless regularly end up adopting a transactional approach and framing joint value creation in terms of market pricing. Our theory proposes that this is the case because stakeholders who frame joint value creation as communal sharing, equality matching, or authority ranking will be very sensitive to perceived self-interested behavior by the firm and, as a result, will more readily revert to a market pricing frame than abandon it once adopted.

**JOINT VALUE CREATION AND RELATIONAL MODELS**

**Joint Value Creation As a Public Good Dilemma**

Social welfare is the result of value created through the actions of individual stakeholders (i.e., natural persons) who are interacting with other individual stakeholders in innovation, production, and exchange processes. We focus on joint value creation—that is, value creation processes involving multiple parties, within and/or across the firm’s boundaries, who face high task and outcome interdependence in providing mutually supportive contributions to value creation. The importance of such value creation processes is widely accepted in the management literature in general (e.g., Bridoux, Coeurderoy, & Durand, 2011; Dyer & Singh, 1998; Grant, 1996b; Lindenberg & Foss, 2011) and stakeholder theory in particular (Freeman et al., 2010; Harrison et al., 2010; Jones, 1995; Post et al., 2002).

A consequence of high task and outcome interdependence is that the collective output of joint value creation cannot be attributed accurately to participants in proportion to their individual contributions—or at least not without incurring very high costs (Alchian & Demsetz, 1972; Bridoux et al., 2011; Lindenberg & Foss, 2011). This measuring problem implies that stakeholders involved in joint value creation face a public good dilemma: (a) when contributing to value creation is costly, stakeholders receive higher individual payoffs if they do not contribute than if they do, regardless of how much others contribute, but (b) if a large portion of stakeholders do not contribute, everybody ends up worse off (Dawes, 1980; Kollock, 1998; Zeng & Chen, 2003). As a result, while contributing to joint value creation is optimal from the collective’s point of view, stakeholders focused on their personal payoffs tend not to contribute (Olson, 1965), which economists refer to as the shirking problem in team production (Alchian & Demsetz, 1972).

The public good dilemma at the core of joint value creation raises a fundamental problem for economic theories of social welfare focusing on competitive transactions across markets as the way to channel the actions of self-interested economic agents toward the collective interest (Alchian & Demsetz, 1972). In response to this problem, team production scholars have proposed that a fundamental contribution of firms to social welfare is their ability to overcome the team production problem (Alchian & Demsetz, 1972; Blair & Stout, 1999). Adopting standard economic assumptions, these scholars see the problem of achieving joint value creation as one of aligning the interests of self-interested agents, and they seek solutions in allocating property rights in ways that help overcome the tendency of self-interested agents to shirk (Alchian & Demsetz, 1972) and to underinvest in assets specific to the team (Blair & Stout, 1999).

While large bodies of literature in psychology and economics show that cooperation in public good situations is indeed very vulnerable to self-interested behavior, high levels of cooperation nevertheless can often be achieved and sustained because some people show concern for the collective interest or others’ welfare (for overviews see Fehr & Gintis, 2007, and Van Lange, Joireman, Parks, & Van Dijk, 2013). This calls into question the assumption that all human behavior is exclusively motivated by self-interest and shows the need to study the psychological mechanisms underlying cooperation in more detail. The specific aspect of human psychology we examine here is individual stakeholders’ mental representations of their relationships with the other participants in joint value creation in general and the firm in particular.

We focus on individual stakeholders because it is their actions that create value. We do not conceive of the firm, or of stakeholder groups, as creating value as such; strictly speaking, collectives do not act—only people do (Rousseau, 1985). Our view is that collectives affect the value that is created indirectly—that is, through their impact on individual stakeholders’ actions. Of course, not all stakeholders are directly involved in joint value creation; our arguments apply to the subset
of primary stakeholders who do participate in team production or who could choose to participate if they were motivated to do so. It is obvious that managers and lower-level employees are key actors in joint value creation activities, but external stakeholders can also possess knowledge that makes them important participants in value creation processes. For instance, in some industries suppliers and consumers are increasingly involved in developing products and services (Chesbrough, 2003; Cooper & Slagmulder, 2004).

A crucial assumption underlying our theory is that firms affect the actions of their individual stakeholders, in casu their contributions to joint value creation, because managers shape how individual stakeholders relate to the firm and to each other. We assume that the firm, as the linchpin among all participants in joint value creation, is a central actor in stakeholders’ mental representations of the network of relationships among the participants in joint value creation.1

Our theory therefore focuses on individual stakeholders’ mental representations of their relationship with the firm, rather than with specific persons representing the firm. The idea that individual stakeholders may perceive a relationship with a firm is supported by a large body of literature suggesting that people selectively ascribe humanlike characteristics, motivations, intentions, and emotions to organizations and tend to hold beliefs about obligations among themselves and the organization, rather than any specific agent of the organization (e.g., Fiske, 1991; Morrison & Robinson, 1997; Sluss & Ashforth, 2008). For example, researchers have shown that employees hold beliefs concerning the extent to which their organization values their contributions and cares about their well-being (Eisenberger, Huntington, Hutchison, & Sowa, 1986). On this basis it seems reasonable to assume that individual stakeholders will perceive the focal firm as “acting” and will infer how the firm relates to them from its perceived actions, even if what they experience are, in fact, managerial decisions and practices, which may affect them either directly or indirectly through their impact on the actions of the firm’s representatives with whom the stakeholders interact (Jones, 1995).

Relational Models
To theorize about how mental representations of relationships affect contributions to joint value creation, we build on relational models theory (Fiske, 1991, 1992, 2004, 2012; Fiske & Haslam, 2005; Haslam, 2004). Based on a review of the major work on social relationships in sociology, social anthropology, and social psychology, this theory identifies four relational models that people use (unconsciously) "to plan and to generate their own action, to understand, remember, and anticipate others’ action, to coordinate the joint production of collective action and institutions, and to evaluate their own and others’ actions" (Fiske, 2004: 3). The relational models are not only cognitive schemata but also comprise needs, motives, evaluative attitudes, and judgments, as well as emotions (Fiske, 1991). In line with the social identity literature (Haslam, 2001; Turner & Oakes, 1997/1994) and March’s (1994) logic of appropriateness, the models trigger different behaviors in social interactions because they make different relational self-representations salient (“Who am I in relation to the other(s)?”), and these are associated with different needs and motivations and, therefore, involve different rules of behavior (“What is appropriate behavior for myself and the other in this social interaction?”). Actions that are inappropriate according to the relational model used by participants and observers are evaluated as immoral and generate moral emotions such as guilt, shame, disgust, or outrage (Rai & Fiske, 2011). Table 1 presents the key features of the models.

According to relational models theory (Fiske, 1991, 1992, 2004, 2012; Fiske & Haslam, 2005; Haslam, 2004), communal sharing (hereafter “CS”) is characterized by a fusion of the self with the community, which means that the community identity is psychologically salient while the personal identity is pushed to the background. In consequence, actors adopting a CS frame see themselves and their relational partners as community members who are equivalent and undifferentiated and who share motivations and goals. Actors are motivated to contribute altruistically (i.e., regardless of personal rewards) to the achievement of these common goals, and the appropriate behavior regarding cooperation is to

1 For stakeholders who do not see the firm as a central actor—for instance, because they do not perceive the actions of internal stakeholders such as managers and other representatives as being the firm’s actions (e.g., they perceive all these persons as acting on their own behalf)—Propositions 1 and 2 apply but not Propositions 3 through 7.
<table>
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pitch in and help. The division of resources and of the
value created together is based on need, one of the
three distributive justice principles put forward by
Deutsch (1975), which means that community mem-
bers receive what they need without expectations
about a specific contribution to the community in re-
turn. Decisions are made by consensus. A CS model
meets individuals’ need to belong to a collective.

In authority ranking (hereafter “AR”) actors oc-
cupy asymmetric positions based on a legitimate
source of power of the superior over the sub-
ordinate. The identity of actors is equivalent to
their rank in the hierarchy. The superior is moti-
vated by power and the relational model meets
his/her needs for dominance, while the subor-
dinate is motivated by conformity and the model
fulfills his/her need for deference and security.
Appropriate behavior is linked to actors’ rank: the
superior is expected to organize and control the
work of underlings, and the subordinate is ex-
pected to respect and follow the superior’s orders.
Resources and value created are divided accord-
ing to status: the superior is entitled to get more
than the subordinate. Decision making takes place
through a chain of command, with directives
coming from the superior. The legitimacy of the
superior is an essential characteristic of AR. It
refers to the subordinate’s belief that the superior’s
authority is appropriate, proper, and just, which
leads to voluntarily deference to the superior’s
decisions (Tyler, 2006). If the superior’s persuasion
happens through terror, direct physical coercion,
or force, subordinates may obey but will see the
relation as an asocial relation, not as AR.

Equality matching (hereafter “EM”) is charac-
terized by equivalence and balanced interactions
over time. Actors see themselves and their rela-
tional partners as equal (with exactly the same
rights and duties) but distinct because they define
themselves at the interpersonal level (unlike in
CS). Actors are motivated by reciprocity in order to
maintain the balance in the relationship. In joint
endeavors actors are expected to reciprocate the
relational partner’s behavior following rules like
tit-for-tat. Deutsch’s (1975) equality principle ap-
plies to the distribution of value and resources.
Each participant has an equal say in decisions
(e.g., one person, one vote). EM fulfills individuals’
need for equality.

Market pricing (hereafter “MP”) is characterized
by a focus on proportionality in the form of ration-
al cost-benefit calculations. Personal identities
are salient, with actors seeing themselves as in-
dependent entities competing for achievement.
Actors’ key motivation is self-interest. Actors are
expected to pursue efficiency and the maximiza-
tion of their individual payoffs. The principle
guiding the division of value and allocation of
resources is equity—that is, rewards should be
proportional to actors’ contributions (Deutsch,
1975). Actors make decisions individually, and
market mechanisms coordinate these individual
decisions.

The four relational models are “building blocks
from which very rich and complex relationships
are formed” (Sheppard & Tuchinsky, 1996a: 365),
and they operate at all levels of social inter-
actions, from dyadic interactions among indi-
viduals to organization of linkages between
groups to formulation of public policies at the
societal level (Fiske & Haslam, 2005). Relational
models theory holds that four models suffice to
generate the very high diversity in social rela-
tionships observed in practice, for two reasons.
First, actors may relate in different ways when
interacting in different domains of their relation-
ship, which generates variety across relation-
ships (Fiske, 1991, 2004, 2012; Fiske & Haslam,
2005). Second, the cultural context (i.e., ethnic,
national, organizational, etc.) determines the
exact implementation rules of the relational
models—that is, when, how, and with whom to
implement each relational model (e.g., to oper-
ationalize EM, actors must have a shared un-
derstanding of what is the proper interval
between receiving and giving in return; Fiske,

In support of the claim that relational models
theory identifies the elementary building blocks
of all social relations, the four relational models
are related to many concepts familiar to stake-
holder theorists. CS relates closely to Ouchi’s
(1980) clan, Adler’s (2001) community, Gittell’s
(2005) relational coordination, Clark and Mills’

2 The four models do not cover all the interactions among
people but, rather, only the social relations among them. “A
social relationship exists only if people structure their in-
teraction with other people or putative beings with reference
to conceptions and rules assumed to be shared (or that they be-
lieve should be shared) and that they consciously or implicitly
use as shared goals, ideals, or standards in guiding their ini-
tiatives and responses” (Fiske, 1991: 19). In contrast, there are
asocial interactions in which other parties are simply treated
and manipulated as means to some other end, taking no ac-
count of their needs, wishes, expectations, or standards (Fiske,
1991; Fiske & Haslam, 2005).
RELATIONAL MODELS AND CONTRIBUTIONS TO JOINT VALUE CREATION

In this section we argue that individual stakeholders’ contributions to joint value creation are influenced by the relational model they adopt toward the other participants in joint value creation activities. Our arguments hinge on two mechanisms: (1) appropriate behavior varies across the four relational models, leading to more or less motivation to contribute, and (2) some relational models are better coordinating devices than others with regard to joint value creation.

First, we expect contributions to joint value creation to be highest if stakeholders adopt a CS model. Management scholars have already argued that CS leads to higher levels of cooperation than do the three other models (e.g., Mossholder et al., 2011; Sheppard & Sherman, 1998; Sheppard & Tuchinsky, 1996a). More generally, it is well established that actors’ identification with a collective makes them more likely to cooperate and engage in behaviors that benefit the collective (e.g., Dukerich, Golden, & Shortell, 2002; Flynn, 2005; Tyler & Blader, 2000) and to contribute in public good dilemmas (De Cremer, van Knippenberg, van Dijk, & van Leeuwen, 2003).

If stakeholders see their relationships with the other participants in joint value creation as CS, this means that they perceive the participants as a community and themselves as members of this community. As a consequence, they equate the collective interests with their own; they are energized to exert themselves on the collective’s behalf, to direct and facilitate others’ effort toward the collective (instead of individual) outcome, and to remain loyal to the collective through times in which it is not individually rewarding; and they trust that other participants will behave in the same way (Ellemers, de Gilder, & Haslam, 2004; Fiske, 1991; Haslam & Ellemers, 2005; Sheppard & Tuchinsky, 1996b; Turner, 2010/1985). In particular, stakeholders are motivated to pitch in and do whatever is necessary to get the work done because they perceive the work to be done as “our work” (Fiske, 1991: 66).

In addition to leading to high motivation to contribute to joint value creation, CS facilitates coordination among stakeholders. When stakeholders see the other participants as belonging to the same community, they are willing to exchange information with them and clarify points of disagreement because they expect and are motivated to reach agreement (Haslam, 2001; Turner, 2010/1985). This leads to convergence toward a shared view of the goals a prototypical member of the community would pursue and a shared view of how a prototypical member of the community would behave to reach these goals (Haslam, 2001). Furthermore, their self-representation as community members leads stakeholders to wish to emulate the behavior of this prototypical member (Turner, 2010/1985). As
a result, this shared prototypical image serves as a common frame of reference that directs individuals’ behavior toward the community’s goals and facilitates concerted collective action (Haslam, 2001)—for example, because actors use the same criteria to generate possible courses of actions and select among them (Brickson & Lemmon, 2009).

Second, we expect contributions to joint value creation to be lowest if stakeholders adopt an MP model. An MP model leads stakeholders to perceive the relationship with the other participants as mediated by contracts and regulated by prices. The self is represented at the individual level (Vohs, Mead, & Goode, 2006), which means that stakeholders are focused on their personal payoffs and motivated by self-interest. Therefore, the appropriate behavior is to conduct a cost-benefit analysis to obtain the highest payoffs in return for the lowest contributions (Fiske, 1991, 1992). This implies that stakeholders are only induced to contribute if they are likely to be personally rewarded for doing so or sanctioned for failing to do so (Ellemers et al., 2004; Haslam & Ellemers, 2005).

Yet economists and management scholars have long recognized that monetary incentives are imperfect instruments to induce cooperation in settings characterized by high task and outcome interdependence (e.g., Bowles, 2008; Fuster & Meier, 2010). As explained above, a critical characteristic of joint value creation is that stakeholders’ individual contributions to the collective outcome cannot be separated from the contributions of others (Alchian & Demsetz, 1972). In the absence of an accurate measure of individual contributions, it is very difficult (or impossible) to solve the public good dilemma by designing contracts with outcome-based monetary incentives that closely align stakeholders’ personal payoffs with the collective outcome (Holmström, 1982). For knowledge-intensive tasks, behavior-based monetary incentives cannot completely solve the public good dilemma either. To be effective, behavior-based individual monetary incentives would require that stakeholders’ tasks be easily programmed, in the sense that it would be relatively easy to specify the desired behavior in advance and to monitor this behavior, but this is not the case for highly interdependent, knowledge-intensive tasks (Alchian & Demsetz, 1972; Kirsch, 1996). Finally, MP also affects stakeholders’ motivation to contribute to joint value creation because it triggers the expectation that other participants will pursue their self-interest and will contribute only to the extent that it personally pays off.

The literature related to monetary incentives and cooperation is extensive; we give only the main arguments here.
In addition to a lower motivation to cooperate compared to the three other models, an MP model also makes coordination among the participants more difficult. First, when seeing themselves as individuals not only distinct but also independent from other participants, stakeholders likely will not perceive others as qualified to inform them about how to coordinate actions to create value together (Haslam, 2001). Second, MP creates interpersonal reserve among participants, which limits relational depth and trust (Mossholder et al., 2011). As a result, stakeholders may often second guess the other participants' intentions when they attempt to coordinate actions. Third, the cost-benefit analyses guiding behavior in an MP model are cognitively demanding, making it the most complex coordination device of the four relational models (Fiske, 1991; Giessner & van Quaquebeke, 2010). Together, these three features of MP make disagreement among the parties involved in joint value creation relatively likely, which hampers coordinated collective action.

It is well known that MP leads to lower cooperation than does CS. Many stakeholder theorists have argued that community-like relationships lead to more cooperation from stakeholders than do transactional relationships (e.g., Bosse et al., 2009; Brickson, 2007; Harrison et al., 2010; Jones, 1995; Jones & Felps, 2013a; Scott & Lane, 2000). Empirical evidence supports this argument for joint value creation. For example, Liberman, Samuels, and Ross (2004) found that labeling a prisoners’ dilemma the “Community Game” led to much more cooperation than did labeling it the “Wall Street Game,” which evokes MP. Similarly, Cherry, Kalbekken, Kroll, and McEvoy (2013) found, across multiple experiments, that even when the incentive structure is exactly the same, cooperation is much lower when the vocabulary “buyer,” “market,” and “purchasing” is used than when the same situation is presented with the labels “member,” “group,” and “contributing.”

We also expect an MP model to lead to lower contributions to joint value creation than an EM or AR model. With EM and AR the level of self-representation is interpersonal, which means that stakeholders not only are concerned with their personal welfare but also have a genuine concern for the welfare of the other participants (Brewer & Gardner, 1996; Brickson, 2007). In contrast, with MP the self is represented at the individual level, which means that stakeholders are focused on their personal payoffs and only take others’ welfare into account to the extent that it affects their own welfare (Haslam, 2001).

Comparing AR and EM, we do not expect a significant difference in stakeholders’ motivation to contribute to joint value creation. In both AR and EM the level of self-representation is interpersonal, meaning that stakeholders are inclined to pursue the other participants’ welfare as well as their own and, thus, are ready to bear some personal costs to benefit others (even if the extent of self-sacrifice is more limited than in CS, because personal payoffs also matter in AR and EM). However, we do expect EM to lead to higher stakeholder contributions to joint value creation than AR because it is a better coordination device when knowledge is dispersed across participants. In line with the appropriate behavior in an AR model, the party seen as the superior is in charge of coordinating joint value creation, while the party that represents itself as subordinate should emulate or simply obey the superior.

It has long been recognized that hierarchy is not always the best way to organize collaboration (Ouchi, 1980). In particular, if knowledge is distributed among participants, the superior is less knowledgeable than the participants collectively about what needs to be done to create value (Alchian & Demsetz, 1972; Kirsch, 1996). The superior is less knowledgeable not only because the knowledge-processing capacity of a single individual or organization is more limited than that of a group but also because subordinates are likely to hoard knowledge—for instance, because subordinates fear the superior’s assessment of the quality of their knowledge or because they fear losing bargaining power in an already unequal relationship (Gupta & Govindarajan, 2000; Michailova & Husted, 2003). While the superior is in charge of coordination in an AR model, relational partners have an equal say in EM and organize joint value creation together. In addition, the relational partners may be less reluctant to share knowledge needed to coordinate actions since they perceive the other party as an equal partner. So EM can pool more expertise to coordinate value creation than AR. These arguments lead us to propose the following:

**Proposition 1:** Stakeholders contribute more to joint value creation if they frame their relationships with the other participants (1) in terms of CS rather than EM, AR, or MP; (2) in terms of EM.
rather than AR and MP; and (3) in terms of AR rather than MP.

This naturally leads us to examine what causes stakeholders to represent their relationships with the other participants in joint value creation as CS, AR, EM, or MP. Which of the four relational models stakeholders use at a given point in time depends on which representation of the self and the other participants is activated (i.e., made salient) in the stakeholders’ minds. The salient representation is the one that “renders the social context and one’s place within it subjectively most meaningful” (Hogg & Terry, 2000: 125). More precisely, salience depends on “an interaction between the perceiver’s motives, expectations and theories and the social relationships and actions being represented” (Turner & Oakes, 2010/1997: 307). In line with this, we consider first the effect of stakeholders’ social dispositions, and we then turn to the firm’s perceived behavior as an important situational factor.

SOCIAL DISPOSITIONS AND RELATIONAL MODELS

The literature has already hinted that people “differ in a systematic, trait-like manner in their tendencies to employ the models in making sense of their interpersonal worlds” (Haslam, 2004: 44). We expect that individuals are predisposed to use one of the four relational models as a function of their social disposition. Social dispositions are perhaps the most studied personality traits in the literature on public good dilemmas (Au & Kwong, 2004). The study of social dispositions arose from social psychologists’ and behavioral economists’ desire to nuance models of behavior based solely on self-interest. Across fields researchers use different labels (e.g., “social value orientations,” “social preferences,” “self versus other orientation”), but they all refer to trait-like differences in preferences for distributions of outcomes to self and others in interdependent situations (e.g., De Cremer & Van Lange, 2001; Fehr & Fischbacher, 2002; Meglino & Korsgaard, 2004). Social dispositions have been shown to be stable personality traits with genetic roots (Wallace, Cesarini, Lichtenstein, & Johannesson, 2007) that are not affected by the dynamics of specific interactions (e.g., Eisenberg et al., 1999; Swap & Rubin, 1983).

Although many social dispositions have been identified (for overviews see Bogaert, Boone, & Declerck, 2008; Fehr & Fischbacher, 2002; Sobel, 2005), researchers typically focus on the four that describe the vast majority of people. These four dispositions are also the crucial ones to explain cooperation in public good dilemmas (De Cremer & Van Lange, 2001). The first disposition is seeking to maximize one’s absolute payoffs, regardless of others’ payoffs (Fehr & Gintis, 2007; Van Lange, 1999), which corresponds to the pursuit of self-interest. People holding this disposition have been labeled “self-regarding” by behavioral economists and “individualists” by social psychologists. People holding the second social disposition seek to maximize the difference between their payoffs and those of others and have been labeled “competitors” (Van Lange, 1999). The third social disposition is seeking to maximize the joint payoffs for oneself and others, as long as others are perceived to be cooperative and fair (De Cremer & Van Lange, 2001). People holding this disposition have been labeled “reciprocators” by behavioral economists and categorized as “prosocials” by social psychologists. Prosocials also include people who exhibit the fourth disposition, altruism. “Altruists” seek to maximize the payoffs for others, regardless of their own payoffs (Fehr & Schmidt, 2006). When defined as unconditional kindness in one-time encounters with anonymous others, altruism is quite rare (Fehr & Schmidt, 2006). For example, using games where subjects were asked to divide money between oneself and an anonymous other, Liebrand (1984) and Liebrand and Van Run (1985) classified less than 5 percent of their subjects as altruists. As a result, researchers very often lump altruists together with reciprocators.

In their review Au and Kwong (2004) report that, on the basis of games with anonymous others, most people are classified as prosocial (46 percent on average), followed by self-regarding (38 percent) and competitor (12 percent). So, in contrast to the traditional assumption of economic theories that everybody is self-interested, self-regarding individuals turn out to be no more than a substantial minority, even in encounters with anonymous others.

Stakeholder theorists who have considered social dispositions have so far focused on one (reciprocity; Bosse et al., 2009; Hahn, 2015; Harrison et al., 2010) or two (reciprocity and self-regard; Bridoux & Stoehorst, 2014) social dispositions. In contrast, we relate all four social dispositions to individuals’ inclination to ‘apply a particular
model broadly and persistently, using it as the preferred criterion, or default mode of organizing their interactions” (Fiske, 1991: 165). Specifically, we expect social dispositions to affect the relative salience of the relational models because each relational model implies a different self-representation, corresponds to a different motivation, and offers the opportunity to fulfill a different need.

We propose that self-regarding individuals have a tendency to frame relationships as MP. These individuals are generally attracted to competitive situations and are motivated by individual rewards (Dohmen & Falk, 2006). This indicates that their self-concept tends to be personal: they are inclined to define themselves as distinct from others and to see performance as the result of individual effort. In line with the MP model, self-regarding individuals are driven by a need for achievement and find efficiency important.

For example, Stouten, De Cremer, and Van Dijk (2005) found that self-regarding individuals are generally attracted to competitive situations (Bartling, Fehr, Maréchal, & Schunk, 2009) and value giving and receiving “kindness” and resources, as well as working with others to the extent that others reciprocate (De Cremer & Van Lange, 2001; Eisenberg et al., 1999; Van Lange, 1999). Reciprocators’ concern for others suggests that they include their relational partner in their self-representation.

Finally, because altruists are usually lumped together with reciprocators rather than studied as a category in their own right, relatively little is known about what motivates them in public good dilemmas. Based on altruists’ readiness to sacrifice their own welfare on another party’s behalf, we speculate that they would be inclined to frame relationships in CS terms.

Proposition 2: To frame their relationships with the other participants in joint value creation, (1) reciprocators are predisposed to use EM, (2) self-regarding individuals are predisposed to use MP, (3) competitors are predisposed to use AR, and (4) altruists are predisposed to use CS.

Proposition 2 suggests that most individuals are not predisposed to frame relationships as CS, the relational model that would lead to the highest contributions to joint value creation, while a significant proportion are inclined to adopt MP, which leads to the lowest contributions. Yet, in addition to personality traits such as social dispositions, behavior is also a function of situational factors (Aquino, Freeman, Reed, Lim, & Felps, 2009; Cohen & Morse, 2014). All individuals experience all relational models over time as a function of situational factors such as others’ behaviors (Brickson, 2000; Brickson & Brewer, 2001; Flynn, 2005). Below we examine a situational factor that is especially relevant for stakeholder theory: the firm’s perceived behavior.

Note that this statement is based on the percentages of the different types referred to above. While these percentages are empirically grounded, they result from exposing respondents to a particular situational context—namely, a one-shot anonymous interaction. The distribution among the different types would likely be different if the situational context embedded in the measurement instrument were different (e.g., if respondents were asked to allocate value between themselves and a family member, the percentage of altruists would likely be higher). We assume here that the measurement context provides a useful baseline for theorizing about economic relationships.
THE FIRM’S PERCEIVED BEHAVIOR AND RELATIONAL MODELS

How stakeholders perceive the firm to relate to them is a critical mechanism through which stakeholder management affects stakeholders’ behaviors (Mossholder et al., 2011; Sheppard & Tuchinsky, 1996b). This is in line with our perspective that while firms do not act in a literal sense, stakeholders will tend to perceive the decisions and practices of the firm’s managers as “the firm’s behavior” and will interpret this perceived behavior as signaling the firm’s use of a particular relational model. Moreover, because stakeholders are likely to perceive the firm as a central actor in joint value creation, their interpretation of the relational model adopted by the firm can be expected to affect not just the relational model they adopt toward the firm itself but also the model they adopt toward the other participants in joint value creation.

Generally, when stakeholders interpret the firm’s behavior as indicating the use of the same relational model that they themselves are using to frame joint value creation relationships, they will experience these relationships as harmonious. This is the case because they understand the firm’s behavior, have similar motivations and expectations, and evaluate actions using the same criteria (Connelley & Folger, 2004; Giessner & van Quaquebeke, 2010). When, in contrast, stakeholders view the firm as behaving in a way that does not fit the relational model they use, their reactions will depend on their perception of the firm’s accountability and intention (Folger & Cropanzano, 2001; Morrison & Robinson, 1997; Turillo, Folger, Lavelle, Umphress, & Gee, 2002). If stakeholders attribute the firm’s behavior to situational constraints or an honest mistake, they may excuse this behavior, or they may react by trying to change the situational constraints or by pointing out that the behavior is inappropriate.

If, on the contrary, stakeholders interpret the firm’s behavior as indicating the purposeful use of a model other than the one they have adopted, they may experience this mismatch as a transgression (Fiske, 1991; Giessner & van Quaquebeke, 2010).

Unless stakeholders expect the transgression to quickly cease—for example, because it will be sanctioned (Fehr & Gächter, 2000)—they will question the relational model they have adopted and either switch to a relational model more congruent with their perception of the firm’s behavior or sever the relationship with the firm (Gächter & Fehr, 1999; Kelley & Stahelski, 1970; Ostrom, Gardner, & Walker, 1994). Two key mechanisms underlie this psychological process. First, because others’ behaviors provide very important information about who one is in relation to others (Turner & Oakes, 2010/1997), the use of another relational model by the firm calls into question stakeholders’ self-representation (Milton & Westphal, 2005). A second mechanism is the negative moral emotions generated by a continuing transgression: switching relational model or ending the relationship is a way to avoid these negative emotions (Fehr & Gächter, 2002; Fiske, 1991).

**Proposition 3**: Stakeholders who perceive the firm’s behavior as a transgression of the relational model they have adopted will switch to a relational model congruent with the firm’s perceived behavior or will end their relationship with the firm.

As we show below, what is perceived as a transgression differs among the models, suggesting an important asymmetry between the likelihood that stakeholders will switch between models. Specifically, stakeholders will more easily switch from a CS, EM, or AR model to an MP model than they will switch from an MP model to one of the other models.

**The Firm’s Perceived Behavior Toward the Focal Stakeholder**

Behavior that employees perceive as breaching the firm’s obligations toward them has repeatedly been shown to lead to a series of negative outcomes, including lower productivity and lower extrarole or organizational citizenship behavior (Robinson & Morrison, 1995; Robinson & Rousseau, 1994). In addition, some have argued that the firm’s breach of its obligations leads to stronger feelings of violation and, thus, more negative outcomes in a relational rather than transactional type of exchange, because a breach of obligations is highly inconsistent with the former type (Morrison & Robinson, 1997). The

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6 It is how stakeholders interpret the firm’s behavior that affects stakeholders’ behaviors. So instrumental morality will not pay off if stakeholders perceive that the firm’s behavior is not driven by morality concerns but is purely instrumental in the pursuit of the firm’s personal interests (Jones, 1995; Jones & Felps, 2013a).
stakeholder literature has already integrated some of these ideas (e.g., Bridoux & Stoelhorst, 2014; Cording, Harrison, Hoskisson, & Jonsen, 2014). Here we add to this line of theorizing by considering in more detail the impact of self-interested behavior in all four relational models, and we propose that stakeholders who see the firm’s behavior toward them as purposefully self-interested will switch to an MP relational model if they had previously adopted a CS, EM, or AR model.

First, self-interested behavior is clearly not congruent with CS. Appropriate behavior in CS is altruism—that is, placing the community’s interest ahead of one’s personal interest (Fiske, 1991). Identification with the community, which is at the very core of CS, rests on the belief that other participants also identify with the community. Self-interested behavior signals that the firm does not see itself and its stakeholders as community members and is therefore very likely to destroy this belief, causing stakeholders to represent themselves and the firm differently and so contributing to displacing stakeholders’ CS frame (Flynn, 2005; Rai & Fiske, 2011). In addition to causing stakeholders to question their relational identity, the firm’s self-interested behavior also will generate intense negative emotions in stakeholders who see their relationships with other participants as CS (Lieberman & Linke, 2007). Before switching relational model, stakeholders may try to sanction the firm to force it to behave altruistically in joint value creation (Fehr & Gächter, 2002; Fiske, 1991). The heaviest sanction in the CS model is exclusion from the CS relationship. This is only an effective form of punishment insofar as the transgressor values participation in the relationship (Fiske, 1991: 193). Thus, unless the exclusion of the firm from the CS relationship also results in the end of joint value creation, the firm’s managers might care little about the punishment and stick to their decisions and practices. In the face of continuing self-interested behavior on the part of the firm, stakeholders will switch to MP, the model congruent with the firm’s perceived behavior, and contribute less to joint value creation (Gächter & Fehr, 1999; Kelley & Stahelski, 1970; Liebrand, Jansen, Rijken, & Suhre, 1986).

Similarly, self-interested behavior is perceived as a critical transgression in EM (Fiske, 1991). Reciprocity is the central motivation in EM. People driven by reciprocity are extremely sensitive to others’ self-interested behavior; their cooperation is conditional on others’ cooperation in order to avoid being exploited by selfish others (Fehr & Fischbacher, 2004). As a result, tit-for-tat reciprocity is common in EM relationships (Gächter & Fehr, 1999; Johnson, Dawes, Fowler, McElreath, & Smirnov, 2009; Ostrom et al., 1994). This includes punishing self-interested behavior by behaving so in return, which arises from the negative emotions caused by another’s free-riding (Fehr & Gächter, 2000, 2002), and this is judged as morally acceptable (Cubitt, Drouvelis, Gächter, & Kabalin, 2011). Unless stakeholders perceive the firm’s self-interested behavior as justified punishment for a past transgression on their part, stakeholders no longer will see others as equal partners who seek to balance their contributions to joint value creation over time but, rather, as actors primarily driven by self-interest. This corresponds to a switch to MP—relieving stakeholders from the negative emotions triggered by self-interested behavior in an EM frame. Thus, self-interested behavior causes stakeholders to behave selfishly in return, and, as a result, contributions to joint value creation unravel quickly (Fehr & Gächter, 2000).

Self-interested behavior is also inappropriate in an AR model. In AR, parties should exhibit a concern for the other’s welfare: appropriate behavior is respect, deference, loyalty, and obedience in subordinates, along with pastoral care by leaders who exercise their authority to give wise guidance to subordinates in order to coordinate collective action (Fiske, 1991: 117). Stakeholders who see themselves as subordinates and the firm as the leader in joint value creation will interpret the firm’s self-interested behavior as an illegitimate use of power. If such behavior persists, it will undermine the very ground of the AR relationship—namely, the leader’s legitimacy—and stakeholders will reframe their relationships with the other participants in MP terms, a relational model that is more consistent with who they perceive themselves to be in relation to the firm and that does not bring the negative emotions generated by an illegitimate use of power.7

7 In the improbable case that individual stakeholders acting on their own behalf see themselves as the leader and the firm as the subordinate, the firm’s self-interested behavior will quickly displace this AR model because, as the subordinate, the firm should follow the stakeholder’s directives and act with a concern for the leader’s interest.
In contrast to CS, EM, and AR, the pursuit of one’s interest is appropriate behavior in an MP model (Fiske, 1991). Indeed, when stakeholders who have adopted an MP model perceive the firm to do the same, they may disagree about the specifics of the firm’s cost-benefit calculation but they will not disagree that conducting a cost-benefit calculation is the correct course of action (Rai & Fiske, 2011: 61). This implies that self-interested behavior is not a transgression when stakeholders have framed their relationships with other participants in joint value creation as MP, as long as it does not entail deceit—that is, reneging on one’s commitments (Fiske, 1991). The mutual expectation of self-interested behavior among actors in MP helps us understand why self-interested behavior is so common in social interactions. In sum, we propose that MP is the only relational model that is not called into question by what is perceived as self-interested behavior on the part of the firm.

**Proposition 4:** Stakeholders who frame their relationships with the other participants in joint value creation as CS, EM, or AR will switch to MP if they interpret the firm’s behavior toward them as revealing the firm’s use of an MP model.

### The Firm’s Perceived Behavior Toward Other Stakeholders

The idea that stakeholders’ behaviors are affected by how the firm treats other stakeholders has received wide support outside (e.g., Fehr & Fischbacher, 2004; Turillo et al., 2002) as well as within the stakeholder literature (e.g., Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Cording et al., 2014; Hahn, 2015; Harrison et al., 2010; Skarlicki & Kulik, 2005). For example, Cording et al. (2014) showed that the firm’s treatment of customers following a merger affects employee productivity, and Skarlicki, Ellard, and Kelln (1998) showed that customers who perceive a layoff as unfair are less likely to buy the firm’s products.

In line with our arguments for Proposition 4, we expect the firm’s self-interested behavior toward other stakeholders involved in joint value creation to displace a CS, EM, and AR model. At least three mechanisms underlie this expected impact. First, the firm’s self-interested behavior toward other stakeholders conveys information about how the firm may treat the focal stakeholder in the future (Jones, Willness, & Madey, 2014). Stakeholders’ expectations of experiencing selfish behaviors by the firm will cause them to switch from CS, EM, or AR to MP for the reasons already discussed in relation to Proposition 4.

Second, stakeholders’ reaction to how the firm treats other stakeholders is also driven by the moral content of the relational models (Fiske, 1991; Skarlicki & Kulik, 2005). This moral content implies that a transgression generates negative emotions not only in the victim of the transgression but also in witnesses (Lieberman & Linke, 2007). These negative emotions help explain that witnesses are often ready to punish a transgression, even at a cost to themselves (Fehr & Fischbacher, 2004; Lieberman & Linke, 2007; Turillo et al., 2002). If witnesses feel unable to punish the transgression, or if their punishment fails to change the firm’s behavior toward others, it is likely that they will switch to an MP model in order to avoid the negative emotions that self-interested behavior generates in the context of other relational models.

Third, stakeholders who have adopted a CS model cannot keep seeing stakeholders involved in joint value creation as a community if the firm’s behavior signals that it does not view some participants as community members. In contrast, this particular mechanism may not be at play for stakeholders who have framed their relationships with the other participants as AR or EM because these relational models are primarily dyadic, which implies that how the firm views other stakeholders does not necessarily carry over to the relationship between the firm and the focal stakeholder.

**Proposition 5:** Stakeholders who frame their relationships with the other participants in joint value as CS, EM, or AR will switch to MP if they interpret the firm’s behavior toward another stakeholder involved in joint value creation as revealing the firm’s use of an MP model.

### The Firm’s Perceived Behavior and Stakeholders Who Have Adopted an MP Model

Propositions 4 and 5 hypothesize a detrimental effect of perceived self-interested behavior on contributions to joint value creation because stakeholders are easily moved into an MP frame. Is it as easy for a firm to increase contributions
to joint value creation by moving stakeholders away from an MP frame? We propose that it is not, because, as has been repeatedly shown, the level of cooperation of individuals holding the personal identity that is salient in an MP frame is less sensitive to others’ behaviors than that of individuals who define themselves in relation to others (Chatman & Barsade, 1995; Chen, Wasti, & Triandis, 2007).

To explain this fact, relational models theory suggests considering the emotions and the (dis)confirmation of one’s self-representation elicited by others’ behaviors. Others’ behaviors cause a switch to another relational model only if they raise strong negative emotions and change one’s self-representation. In stakeholders who have adopted an MP model, behavior that is interpreted as signaling the firm’s use of a CS, EM, or AR model may sometimes generate positive rather than negative emotions. This is likely when that behavior leads to higher material payoffs than anticipated by stakeholders carrying out cost-benefit analyses and expecting the firm to behave self-interestedly. These positive emotions are unlikely to call into question stakeholders’ personal self-representation, because stakeholders using an MP model expect intelligent others to pursue their own interest and ascribe behavior that is not self-interested to a lack of intelligence (Van Lange & Kuhlman, 1994).

In other cases, managerial decisions and practices based on a CS, EM, or AR model can lead to lower material payoffs than those in an MP model, and can therefore generate negative emotions in stakeholders holding an MP model and expecting the same from the firm. This may be the case regarding the division of the value created: while in an MP model value should be divided on the basis of equity, in the other models it is divided according to need, equality, or power, which can lead to lower personal payoffs for some stakeholders than if the equity principle were applied. Yet the negative emotions such decisions and practices generate are likely to be less intense than for stakeholders who have adopted a CS, EM, or AR model and are confronted with the firm’s self-interested behavior. The main reason is that stakeholders pursuing their own material payoffs make limited contributions to team production in the first place and, thus, are less vulnerable to being taken advantage of by other participants. Accordingly, Fehr and Gächter (2002) found that individuals who have contributed less in a public good game experience a lower level of anger toward a free-rider than individuals who have contributed more. Furthermore, to bring about a switch in relational model from MP to CS, EM, or AR, the negative emotions generated by the firm’s behavior should be accompanied by a change in self-representation. However, negative emotions are unlikely to lead stakeholders to extend their self-representation to include the other who is the source of these negative emotions, because this increases their vulnerability to this other’s behavior and, in turn, the risk of experiencing strong negative emotions in the future (Jones & George, 1998).

Proposition 6: Stakeholders who frame their relationships with the other participants in joint value creation as MP and who interpret the firm’s behavior toward them or other stakeholders as revealing the firm’s use of a CS, EM, or AR model will less readily switch to the model they ascribe to the firm than will stakeholders who frame their relationships as CS, EM, or AR.

The Firm’s Perceived Behavior and Stakeholders Acting on Behalf of a Group

We now extend our theory to persons who act on behalf of a group of stakeholders—for example, a union representative, the salesperson of a supplier firm, or an investment manager representing an institutional investor. As before, we expect the contributions of these individuals to joint value creation to depend on the relational model they adopt. And, as before, we expect the relational model they adopt to depend on their social dispositions and their perception of the firm’s behavior. However, if and when these individuals see themselves as acting on behalf of a group of stakeholders, a third antecedent comes into play: the sociopsychological dynamics within the group they represent. Our interest is in how these dynamics may affect the impact of the firm’s behavior on the relational model that individual stakeholders will adopt.

As mental representations of relationships, relational models are in the heads of individuals. Yet these mental representations are socially constructed. If the members of a group interact and communicate frequently, they may develop
a shared understanding of their relationships with other participants in joint value creation. For example, Brickson (2005) showed that organization members may have a shared representation of how to relate to internal and external parties. A high degree of consensus within a stakeholder group about how to relate to others implies that many group members perceive events, including the behavior of the firm, in the same way and that they hold the same expectations about the most appropriate behavior (Mischel, 1977). Consequently, individual members of the stakeholder group are likely to see the shared relational model within that group as a “strong situational factor” that mutes the impact of other factors, like personality traits, that would more prominently affect behavior in its absence (Mischel, 1977; Schneider, Salvaggio, & Subirais, 2002). As a result, individuals who see themselves as acting on behalf of a group characterized by a high degree of consensus are likely to adopt the shared relational model within that group and contribute to joint value creation accordingly.

However, this does not mean that the firm’s perceived behavior loses its relevance for predicting the relational model adopted by these individuals. Even shared mental models are in the heads of individuals, and, over time, the relational models held within a group of stakeholders will also be affected by the mechanisms discussed in relation to Propositions 3 through 6. However, this process is likely to be relatively slow, for two reasons. First, not all group members may interact with the firm and be exposed to the firm’s managerial decisions and practices or the behavior of the firm’s representatives. Second, the experiences of the boundary spanners among the group members—that is, those members who do have firsthand experience with the firm—take time to disseminate within the group.

Proposition 7: If there is a high degree of consensus within a group of stakeholders about how to relate to other participants in joint value creation, the impact of the firm’s perceived behavior on the relational model adopted by individual stakeholders who perceive themselves as acting on behalf of that group will be mediated by the relational model shared within the group.

Where there is a low degree of consensus within the group of stakeholders (i.e., high variability in the relational models held by the members of the group), there is no clear expectation about how group members should relate to others, and any relational model can be deemed as equally appropriate when acting on the group’s behalf (Mischel, 1977; Schneider et al., 2002). As a result, in such cases the relational model that stakeholders who act on the group’s behalf adopt to frame their relationships with the other participants in joint value creation is primarily explained by their social disposition and perception of the firm’s behavior, as developed above (Mischel, 1977; Schneider et al., 2002).

DISCUSSION
A Stakeholder Perspective on Social Welfare

Our first contribution is to stakeholder theory as an alternative to economic theories, with their traditional emphasis on the price mechanism as the key to furthering social welfare. Building on the recent literature on the microfoundations of stakeholder behavior (Bosse & Phillips, 2016; Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Hahn, 2015; Harrison et al., 2010; Hayibor, 2012), our theory replaces the traditional assumption of economic theory that all human behavior is exclusively motivated by self-interest with less pessimistic assumptions derived from empirical research on human motivation. Building on different motivational assumptions and taking into account the role of relational models in shaping stakeholder behavior leads to a rather different perspective on the problem of maximizing social welfare than in the economics literature in general and the team production literature in particular (e.g., Alchian & Demsetz, 1972; Blair & Stout, 1999).

In the traditional team production literature, the problems of shirking (Alchian & Demsetz, 1972)
and underinvestment in team-specific assets (Blair & Stout, 1999) inherent in joint value creation follow directly from the assumption that human behavior is exclusively motivated by self-interest. But if, as the empirical literature suggests, only a substantial minority of stakeholders are predisposed to focus exclusively on their self-interest, and if, under the right conditions, even these stakeholders are able to frame their relationships in terms other than MP—triggering behaviors that transcend their self-interest—then the very nature of the team production problem may be fundamentally different from what traditional team production researchers have assumed. Rather than looking for solutions to the problem given self-interested behavior, our theory suggests looking for solutions that avoid such behavior.

This different perspective on the team production problem naturally leads to different suggestions for solving it. The empirical literature indicates that absent effective sorting mechanisms, joint value creation must take place in the face of substantial motivational heterogeneity, with a majority of reciprocators predisposed to EM, a substantial minority of self-interested individuals predisposed to MP, a smaller but non-negligible percentage of competitors predisposed to AR, and relatively few altruists predisposed to CS. In combination with the tenet of relational models theory that all individuals can frame their relationships in terms of all four models, this points to an important role for managerial decisions and practices in contributing to social welfare. Specifically, whereas the team production literature suggests looking for allocations of property rights that can help align the interests of self-regarding individuals, our theory proposes that managers can help stakeholders frame their relationships with the firm and other stakeholders on the basis of relational models that trigger motivations other than self-interest. In the context of joint value creation, managers can increase social welfare by avoiding the appeal to stakeholders’ personal identity and self-interest that are salient in MP and, instead, triggering the interpersonal identities that are salient in AR and EM or, better yet, the collective identity salient in CS.

In line with this, a particularly important avenue for future research is to examine in more detail how personality and situational factors interact. Crucial questions concern whether there is variation in how easily the different relational models can be triggered in stakeholders with different social dispositions, and whether the managerial decisions and practices that trigger these models in self-regarding individuals, reciprocators, competitors, and altruists may be different.

From Two to Four Models of Stakeholder Relationships

Our second contribution is to nuance stakeholder theory’s traditional view of stakeholder management in terms of two broadly defined “transactional” and “relational” approaches. While the link between the transactional approach and MP, with its emphasis on self-interest and monetary incentives, is relatively straightforward, the link between the relational approach and the other three relational models is not. The various characteristics that stakeholder theorists have used to describe the relational approach to stakeholder management, such as morality, fairness, reciprocity, trust, community, and common interest, either relate to different relational models or to all of them. For example, reciprocity is central to EM, while community and common interest characterize CS. In contrast, morality and fairness are concepts that relate to all four models; each of the models has its own moral basis and involves a (different) fairness principle.

A detailed understanding of how the various elements of the broadly defined relational approach map onto the relational models may not just improve the rigor of stakeholder theory; it also has important managerial implications. First, whereas traditional theory proposes one option to increase contributions to joint value creation, beyond what can be achieved with MP, our theory suggests three distinct options. When managers face difficulties in triggering a common group identity because, for example, stakeholders have very strong identifications with other communities, they need not fall back on MP but can aim for AR or EM and create more value that way. Second, our theory indicates that consistency in a firm’s managerial decisions and practices is crucial to sustaining stakeholders’ contributions to joint value creation, where consistency includes both consistency over time and consistency across stakeholders. In light of this, it is important to acknowledge that CS, EM, and AR differ as much from each other as they differ from MP (cf. Table 1). This implies that practitioners should be wary of
mixing decisions and practices that stakeholders would interpret as revealing different relational models. For example, if managers want stakeholders to adopt a CS model, they will undermine this objective not only by making decisions and using practices signaling MP but also by making choices signaling AR or EM.

A limitation of our theory is that it does not yet provide very concrete suggestions about how to trigger CS, EM, or AR relationships. To better inform practitioners on these matters, we need empirical research that helps us understand how specific managerial choices shape stakeholders’ mental representations. The literature on social identity processes has already identified many substantive and symbolic management practices that help make a common identity salient—for example, providing permanent employment, socializing newcomers with an emphasis on the common identity, emphasizing members’ commonalities, and using words like “we” and “us” (rather than “you” and “I”) and phrases like “we are a family” (Ashforth & Johnson, 2001). By comparison, much less is known about practices that could trigger EM. An exception is Mossholder et al.’s (2011) proposal that the practices underlying Lepak and Snell’s (1999) collaborative HR system would lead to EM relationships. In general, based on relational models theory, substantive practices to foster EM relationships should aim at developing and maintaining reciprocity-based relationships where all parties perceive a balance between what they give and what they get—for instance, by favoring equality in participants’ inputs and an equal say in decisions. Symbolic management would revolve around emphasizing feelings of social obligations and using words like “partners” or “friends” to mark reciprocity and equality among the participants. To foster AR relationships, managerial practices should aim at building and preserving the legitimacy of the superior(s) in stakeholders’ eyes. The social psychology literature has stressed that superiors are viewed as more legitimate if they exercise authority through procedures that people experience as fair (Tyler, 2006).

To provide further guidance to practitioners, empirical research should also investigate how stakeholders interpret the managerial discourse that accompanies managerial decisions and practices. The intentions we ascribe to others matter a lot in explaining our willingness to cooperate (Hoffman, Yoeli, & Nowak, 2015), and, as already suggested in relation to instrumental morality (Jones, 1995; Jones & Felps, 2013a), decisions and practices that would normally trigger stakeholders to frame their relationships as CS will not have this effect if stakeholders interpret them as being driven by a motive associated with another model. Furthermore, some decisions and practices could trigger different relational models depending on the intentions behind their choice. For example, a compressed pay structure could trigger an EM model if justified as a way to maintain equality among participants, or it could trigger a CS model if justified as a way to meet the needs of all participants (cf. Mossholder et al., 2011).

Why MP Is Such a Common Model

Our third contribution is to help explain why MP is so prevalent. If, as stakeholder theory has long suggested, firms could create more value by forging relationships with stakeholders on a basis other than the strong financial incentives and appeal to self-interest that characterize MP (Freeman et al., 2010), then why do so many firms and their stakeholders nevertheless end up in MP relationships?

The literature has already offered some possible reasons for this. Among them is the suggestion that the diffusion of theories assuming self-interested behavior leads to managerial decisions and practices that make this assumption a self-fulfilling prophecy (Ferraro, Pfeffer, & Sutton, 2005; Ghoshal & Moran, 1996). Specifically, managers whose treatment of stakeholders signals that they expect stakeholders to pursue their personal interests displace other relational models in favor of MP (cf. Bowles, 2008). Another reason is that MP relationships may work quite well in situations where parties are only engaging in arm’s-length market exchange, rather than producing or innovating together, or where value creation is characterized by low task and outcome interdependence (Jones & Felps, 2013a).

Our theory suggests two more explanations for the prevalence of MP relationships. The first is that, according to relational models theory, MP is a socially acceptable way of framing relationships, based on equity. This is important in light of a tension in stakeholder theory with respect to how the market logic of economic theory has been portrayed, with some leading authors referring
to this logic as amoral (Jones, 1995; Jones et al., 2007) and others stressing the fact that there are no amoral theories (Freeman et al., 2010; Phillips, 2003). In contrast to opposing an amoral transactional approach against a moral relational approach, relational models theory holds that all four relational models, including MP, hinge on well-established fairness principles that prescribe appropriate behavior. In fact, relational models theory only makes a distinction between four morally imbued models and an immoral one—the asocial model. It is only when MP relationships degenerate into asocial relationships in which others are merely seen as means toward selfish ends that their morality is undermined.

Our second explanation for the prevalence of MP is that there is an asymmetry in how stakeholders move between models. Stakeholders who have adopted a CS, EM, or AR relational model will be very sensitive to self-interested behavior and will move to an MP model as soon as they perceive the firm behaving in its own self-interest. By comparison, stakeholders who have adopted an MP relational model will be less sensitive to the firm’s behavior, and managers may therefore face difficulties in moving them away from an MP framing.

In summary, our theory suggests that in the case of joint value creation MP is a suboptimal fallback option for all stakeholders who perceive the firm as acting in a self-interested way (even if they are not self-regarding themselves), which it is subsequently relatively difficult to move away from. While we have focused on the firm’s perceived behavior as the starting point of the dynamics toward, and away from, MP, future research could also look into the behavior of stakeholders. For instance, management practices that emphasize MP could also be a response to what managers perceive as self-interested behavior from prominent (groups of) stakeholders.

**CONCLUSION**

Ever since the work of Freeman (1984), stakeholder theorists have aimed for an alternative to the “standard” economic narrative of capitalism that heralds transactions across competitive markets, or MP relationships, as the key to social welfare (Freeman et al., 2010). Instead, stakeholder scholars have argued that stakeholder cooperation is the engine of social welfare (Freeman, 1984, 2000; Jones, 1995; Jones & Felps, 2013a; Phillips, 2003). Stakeholder theory’s emphasis on cooperative relationships is especially relevant in the case of joint value creation, because the public good dilemma that is inherent in situations of high task and outcome interdependence is exacerbated when stakeholders frame their relationships in terms of MP. It follows that a crucial contribution of firms to social welfare is to help stakeholders frame their joint value creation relationships in other terms, and preferably in terms of CS. Some firms are better at this than others (Gittell, 2005; Sisodia, Wolfe, & Sheth, 2007), and we have much to gain from better understanding the practices that make them successful. By going beyond the assumption that all human behavior is motivated by self-interest and considering the full repertoire of mental representations that stakeholders can use to frame their relationships, our theory offers a starting point for doing so.

**REFERENCES**


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