



Mechanisms for stakeholder integration: Bringing virtual stakeholder dialogue into organizations

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ABSTRACT

The growing use of Web 2.0 applications (social media) has led to easier communication with more and more interconnected stakeholders. The result is a stakeholder dialogue with high intensity and richness, which organizations should match by suitable coordination mechanisms. This conceptual article extends stakeholder theory by opening up the organizational black box through exploring and describing organizational structures and systems to coordinate issues emerging from virtual stakeholder dialogue. The authors identify two organizational outcomes – achievement of task-related objectives and organizational identification by stakeholders – and present propositions. Structures with high bandwidth increase both outcomes. Structures with high dispersion of control decrease achievement of task-related objectives and increase organizational identification. While routine-based systems increase achievement of task-related objectives, communication-based systems increase organizational identification. Redundancy in systems increases both outcomes. Finally, the authors discuss implications for further research.

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1. Introduction

Organizations build and maintain relationships with their external stakeholders, such as customers, suppliers, governments, nongovernmental organizations, and unions. They engage in continuous communication with multiple stakeholders. Such communication has the character of a dialogue (Kent & Taylor, 2002), which has led to the emergence of the term stakeholder dialogue (Unerman & Bennett, 2004). Organizations engage in stakeholder dialogues through so-called boundary spanners; organizational members and departments that are directly involved in the dialogue with stakeholders at the interface of the organization and its environment (Stock, 2006). Typical boundary spanners root from marketing, public relations, safety health and environment (SHE), top management, finance, and human resource management (HRM). Boundary spanners introduce stakeholder issues into the organization. Stakeholder issues need coordination to ensure that they are distributed to the right organizational members, that boundary spanners act upon promises to stakeholders, and that boundary spanners are prevented from contradicting each other in their communications to stakeholders. Thus, stakeholder integration is the combination of introducing stakeholder issues into the organization and coordinating organizational efforts to deal with these issues.

Stakeholder integration has gained importance with recent technological developments that increased the ease of communication

and the interconnectedness among stakeholders. Applications of Web 2.0 (social media) have created a host of opportunities to interact with and among stakeholders, including document sharing sites such as Youtube (Bernoff & Li, 2008), discussion forums (Unerman & Bennett, 2004), microblogs such as Twitter (Rybalko & Seltzer, 2010), and social networks such as Facebook and LinkedIn (Waters, Burnett, Lamm, & Lucas, 2009). Organizations that have started virtual stakeholder dialogues include Dell with Ideastorm, Nike with GreenXchange, Intel with the CSR@Intel blog, the Dutch Railroads with the Battle of Concepts crowdsourcing website, and Google with the Chromium project. Virtual communication has increased the opportunity to have a dialogue with a great number of stakeholders at the same time. Because of greater ease of communication, more and more diverse stakeholder groups can and will join in stakeholder dialogue, including stakeholders that did not participate in the dialogue before (Heath, 1998; Unerman & Bennett, 2004). The use of internet results not only in more stakeholder issues being voiced (i.e., intensity of the dialogue), but also in more diverse stakeholder issues (i.e., richness of the dialogue). For example, MyStarbucksidea.com generated more than 65,000 ideas, covering issues from product innovation ideas, service improvements, to social responsibility (Chakravorti, 2010). Similarly, content analysis of an online stakeholder dialogue forum of Shell revealed a wide variety of stakeholder issues being voiced (Unerman & Bennett, 2004).

Despite the growing importance of stakeholder integration in practice, the academic discussion of stakeholder integration is underdeveloped. Most researchers treat organizations as black boxes when studying stakeholder integration, resulting in a lack of attention for

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the internal coordination of the issues emerging from the stakeholder dialogue (Driessen & Hillebrand, *in press*). Even founding fathers of stakeholder theory acknowledge that, while stakeholder theory has a lot to contribute on how to identify stakeholders and their issues, “stakeholder theory does fail to provide an algorithm for day-to-day managerial decision making” (Phillips, Freeman, & Wicks, 2003: p. 485). Although debate could exist whether day-to-day managerial decision making should fall within the realm of stakeholder theory, the managerial need for more concrete guidance in this respect is beyond debate.

The objective of this conceptual article is to delineate this relatively new domain of study by exploring and describing the internal mechanisms that organizations can use to coordinate issues emerging from stakeholder dialogue and by presenting propositions about the consequences of adopting such mechanisms that may serve as a roadmap for further research. Conceptual mapping exercises are especially relevant when delineating relatively new domains of study (MacInnis, 2011), such as stakeholder integration. Thus, this article is a first step towards extending stakeholder theory to the internal consequences of virtual stakeholder dialogue.

This article proceeds by offering a theoretical background on stakeholder theory and innovation management literature that introduces two broad categories of coordination mechanisms (structures and systems) for stakeholder integration. The theoretical background also introduces two organizational outcomes: the achievement of task-related objectives and organizational identification. Next, the article provides a set of propositions that explain how structures and systems influence the organizational outcomes, given the intensity and richness of virtual stakeholder dialogues. The article concludes with a discussion of the contributions and implications for further research.

2. Theoretical background

Stakeholder theory has emerged in the 1980s as a framework for managing the relationships with a wide array of actors in an increasingly complex environment (Freeman, 1984). Stakeholders are defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984: p. 46). Stakeholder theory advocates “simultaneous attention to the legitimate interests of all appropriate stakeholders” (Donaldson & Preston, 1995: p. 67). Stakeholder research has contributed to understanding how relevant stakeholders are identified and their interests analyzed (Parmar et al., 2010). Stakeholder theory acknowledges that organizations not only need to collect information about stakeholder issues, but also need to take these issues into account during the actual decision-making processes in order to manage the various stakeholder relationships in a coherent fashion (Freeman & Evan, 1990). Yet, stakeholder theory is not very instructive about how to deal with the often conflicting stakeholder issues, let alone integrating virtual stakeholder dialogues in the organization. Most studies using stakeholder theory treat the organization as a black box.

While the coordination of stakeholder issues has received scant attention in stakeholder theory, other areas of research are instructive for investigating internal coordination of these issues. Innovation management literature has extensively dealt with the question how organizations should coordinate various organizational departments involved in product development (Griffin & Hauser, 1996). More recently, authors noted that internal coordination and cooperation with external stakeholders are interrelated as successful relationships with stakeholders require the firm to internally coordinate the various relationships with these stakeholders (Hillebrand & Biemans, 2004).

The literature also suggests a number of mechanisms that organizations can use to coordinate. The effectiveness of these coordination mechanisms is contingent upon the nature and number of external

stakeholders involved (Aiken & Hage, 1968). Two broad categories of coordination mechanisms are distinguished: structures and systems (Gittel, 2002; Griffin & Hauser, 1996; Van de Ven, Delbecq, & Koenig, 1976). Structures are configurational arrangements for decision-making. Systems are sets of interrelated practices, processes, routines or tools. The suitability of specific structures and systems in the context of virtual stakeholder dialogue can be determined by the effects that structures and systems have on two organizational outcomes: the achievement of task-related objectives and organizational identification.

The achievement of task-related objectives refers to the degree to which unity of efforts is created across specializations to reach the goals set (Piccoli, Powell, & Ives, 2004; Van de Ven et al., 1976). Strategic management literature has frequently assumed (implicitly or explicitly) that organizations set goals to attain (Etzioni, 1964). While these goals may differ between organizations and between projects, achievement of goals is a measure of effectiveness and an important performance indicator (Venkatraman & Ramanujam, 1986). Achievement of task-related objectives is a traditional organizational goal, but also important in a virtual context (Piccoli et al., 2004).

Organizational identification refers to the degree to which internal and external stakeholders share beliefs about the central and enduring characteristics of the organization and reflects a bond between the stakeholders and the organization (Bhattacharya & Elsbach, 2002; Maignan & Ferrell, 2004). Once stakeholders strongly identify themselves with the organization, they are more likely to spread positive word-of-mouth, to work in the organization, to financially invest in the organization, and to buy its products or services (Ahearne, Bhattacharya, & Gruen, 2005). In this manner, organizational identification by stakeholders leads to increased resources for the organization (Maignan & Ferrell, 2004). In a virtual context, organizational identification is a particularly important organizational outcome, as organizational identification represents the “critical glue” that links stakeholders to organizations in the absence of physical meetings (Wiesenfeld, Raghuram, & Garud, 1999).

3. Structures

Literature on organizational structures suggests that the formal design of roles and administrative mechanisms help to coordinate activities among actors (Mintzberg, 1979). Structures include bureaucratic control, temporary task forces, matrix structures, and virtual teams (see Burns & Stalker, 1961; Griffin & Hauser, 1996; Olson, Walker, & Ruekert, 1995) and may be characterized by bandwidth and dispersion of control. Bandwidth refers to the structure’s capacity to process information (Gittel, 2002). Structures with high bandwidth provide boundary spanners the opportunity to coordinate directly with each other, thus facilitating more frequent and accurate exchange of information (Gittel, 2002). Other structures, however, arrange coordination more indirectly by letting formal communication flow through one or more intermediaries at the risk of losing information (Jaques, 1965) and straining the central coordinator with very frequent and diverse information streams (Mears, 1974; Urwick, 1956). Dispersion of control refers to the degree to which decision making regarding stakeholder issues is distributed throughout the organization or even beyond the boundaries of the organizations (cf. Tannenbaum, 1968). In a structure with high dispersion of control, many organizational members and external stakeholders participate in decision making.

While most studies have focused on organizational structures to coordinate tasks within organizations, these structures can extend beyond the organizational boundary and even include external actors (Hillebrand & Biemans, 2003). Consequently, this article proposes four organizational structures to enable the coordination of virtual

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