SALIENCE IN MULTI-STAKEHOLDER NETWORKS

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Abstract: Mitchell, Agle, and Wood's typology of stakeholders according to their power, urgency, and legitimacy (PUL) attributes predicts which stakeholders will be salient to managers. We review the literature critiquing such corporate-centric foci as insufficient and connect those critiques to the problem of determining what factors account for gaps between which stakeholders are salient to managers and which are strategically important to the company. In order to generate hypotheses, we examine three cases with stakeholder network maps. Factors hypothesized as sources of strategic importance include stakeholder PUL attributes, issue PUL attributes, bridging positions in networks, and network centrality. Factors identified as promoting or inhibiting the salience of strategically important stakeholders and issues included the congruence of issues with the manager's perception of the company's mandate, the extent to which issues are under the autonomous control of the company, stakeholders' bridging positions in networks, and managers' embeddedness in network sub-groups.

Keywords: salience; stakeholders; networks

Mitchell, Agle and Wood (1997) developed a typology of stakeholder attributes that predict stakeholder salience to managers. This paper broadens the range of things that potentially produce salience and then compares what is salient with what should be salient. Mitchell et al's focus on managerial perceptions followed Hill and Jones' (1992) stakeholder-agency theory which viewed the firm as a nexus of contracts between management and stakeholders. In a footnote, they acknowledged an alternative view proffered by Freeman and Evan (1990) in which the contracts that form the firm are negotiated multilaterally among all stakeholders, not only bilaterally between management and stakeholders. As Mitchell *et al* note, a multilateral contracting approach implies a network perspective on stakeholder identification and salience.

The subsequent literature contains a variety of views converging on a core consensus that, in order to align stakeholder theory with sustainability, CSR, and corporate citizenship perspectives, stakeholder theory's corporate-centric focus must be augmented with a perspective that takes account of salience of stakeholders to each other and of a multiplicity of stake-generating issues.

Stormer (2003) argued that most of the issues covered under the various headings of sustainable development, CSR and stakeholder groups are shared problems that affect all social actors, including business. A corporate-centric view of stakeholders, therefore, is a poor conceptual tool for bringing to awareness the multiple dimensions and actors involved in the problems.

Taking a more explicitly network perspective, Roloff (2008a) reviewed cases in which the stakeholders in such problem domains came together in attempts to find common solutions. She developed a life-cycle model of the progress or failure of such multi-stakeholder networks.

Cummings and Doh (2000) developed a framework for identifying which classes of stakeholders *should be* salient to a company, from the perspective of helping or hindering it in achieving its strategic goals in economic, socio-political, and technological contexts. This was an important contribution insofar as it recognized the need to compare *actual salience* with broadly defined *strategic importance*.

METHOD

Since 2000, the authors have been applying the salience-importance matching strategy articulated by Cummings and Doh to help managers change their stakeholder salience schema in ways that more closely match the strategic importance of the stakeholders.

Sampling Domain of Cases

The three cases selected for examination here came from a set of 39 similar studies. The three cases selected were selected because they most clearly illustrate how various strategically important factors relate to stakeholder salience to managers. Using measures of social capital as defined by Nahapiet and Ghoshal (1998), we have assessed the strength of ties in stakeholder networks in which stakeholders are defined by broader problem domains beyond the sole control of the focal organizations.

Concepts and Variables Estimated

There were two main conceptual variables in these cases, salience and strategic importance. It is the manager's responsibility to become aware of everything that is strategically important. Therefore, to the perfect manager, all stakeholders and issues would be salient in exactly the same proportion that they affect strategy. In reality, there is a gap between salience and strategic importance.

Salience and Strategic Importance of Stakeholders

We assessed stakeholder salience as high low based on comments made by the managers in their conversations with us. Many things can make a stakeholder or issue strategically important. One set of indicators of strategic importance that we used was the power, urgency, and legitimacy (PUL) typology of Mitchell, Agle, and Wood (1997). Another was network position. A third set of indicators were more related to the breadth of the issues championed by the stakeholder.

Network Based Indicators of Strategic Importance

A number of concepts from the social network analysis literature, such as centrality, betweenness, closure, core-periphery structures, cut points, and structural holes, were applied to arrive at interpretations about which network members could help or hinder other managers achieving strategic goals. Bonding social capital is enjoyed by social actors who are embedded in a dense part of a network where the actors have many ties among themselves. Together they form a discernable subgroup that may or may not also happen to be the core of the network. By contrast, bridging social capital is indicated by patterns in which two subgroups in the network have few ties between them, except those that are mediated through an actor with ties to both groups. The relative absence of ties between the groups is called a “structural hole”.

Stakeholder Power

We assessed the PUL attributes of the stakeholders from knowledge of their roles, institutional responsibilities, and history of campaigning. We were careful not to use network positions or characteristics as proxies for any of these attributes. The power of the stakeholders was estimated from the apparent ability of the stakeholder to directly affect the manager’s company’s access to resources. In these cases, this included power in the form of ability to use force through police, the ability to enforce regulations and decisions on the company, and the ability to veto resource access through actions like strikes and protests.

Stakeholder Legitimacy

Stakeholder legitimacy was estimated from our knowledge of their legal, institutional, and moral authority. Elected politicians were deemed to have the most legitimacy followed by the government institutions that they directed. Senior levels of government were deemed to have more legitimacy than those based on smaller local electorates.

Stakeholder Urgency

Urgency in these cases was estimated from the stakeholders' involvement in change campaigns or protests. In only one case was there a campaign underway at the time of the study. It was a national election campaign and one of the stakeholders was a grassroots subsidiary of a national party.

Issue Power

The PUL of the issues raised by various stakeholders were also estimated. However, these were defined in the context of the problem domain rather than the corporation. A powerful issue was one that had broad and severe impacts. The resolution or non-resolution of a powerful issue would affect more rather fewer people and would affect them in ways that would be resource intensive or impactful.

Issue Legitimacy and Urgency

A legitimate issue was defined as one that involved issues of justice and fairness, either in terms of outcomes or process. If the issue could be framed as a manifestation of some injustice, it was deemed more legitimate. An urgent issue was defined as one that had either gained significant media attention. Issues more likely to break into the media were deemed more urgent.

FINDINGS: SELECTED OBSERVATIONS

We compared stakeholder strategic importance with the salience the stakeholder had to managers in order to see if we could develop hypotheses about the factors that might account for any gaps between salience and a more objective assessment of strategic importance.

Validation and Extension of Mitchell, Agle and Wood

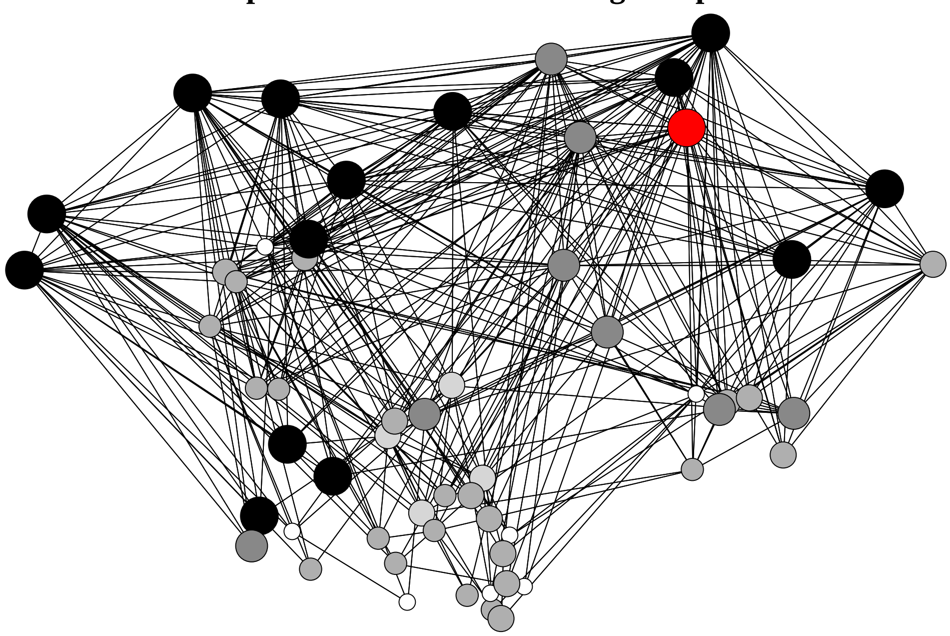
One case stood out as a validation of Mitchell *et al,* in their PUL typology. Not only were PUL attributes associated with salience to the managers, but they were also associated with network measures of stakeholder strategic importance as indexed by the network attributes of the stakeholders.

Figure **1** shows a network of stakeholders of a crown corporation mandated to expand the transportation infrastructure in a major city in the developed world. The focal organization is shown in red. The vertical positions of the circles on the graph represent the stakeholder's level of eigenvalue centrality.

In Figure **1**, the sizes of the circles represent the power we attributed to the stakeholder. Larger circles have more power. The colors of the circles represent their degree of legitimacy. The darker means more legitimacy. Therefore, the white circles have little or no legitimacy. A visual inspection shows that power and legitimacy are correlated but distinct. The vertical position of the stakeholder indicates its eigenvalue centrality, which is the extent to which it is well connected to well connected others.

For the focal organization, those with more influence are strategically more important. In an ideal scenario, they are the ones that *should be* salient, even if they are actually not. It appears that in this case, the power and legitimacy characteristics do roughly correlate with stakeholders' strategic importance and with salience.

Figure 1: Network Conforming to PUL Typology Predictions on Dependent Variable of Strategic Importance



In terms of urgency, the case history that goes with this graph is one in which community opposed a specific operation of the focal organization. They used all the classic urgency tactics: protests, public meetings and petitions. They received a high level of news media attention, which in itself made them strategically important. The activism had ended by the time our data were collected and therefore the urgency attributes of these stakeholders had returned to a low level. In accord with Mitchell et al (1997), their strategic importance was low and so was their salience to the managers. Both their strategic importance and the salience had declined. This is some confirmation of the Mitchell, Agle and Wood suggestion that those lacking either or both of power or legitimacy can increase their salience using urgency.

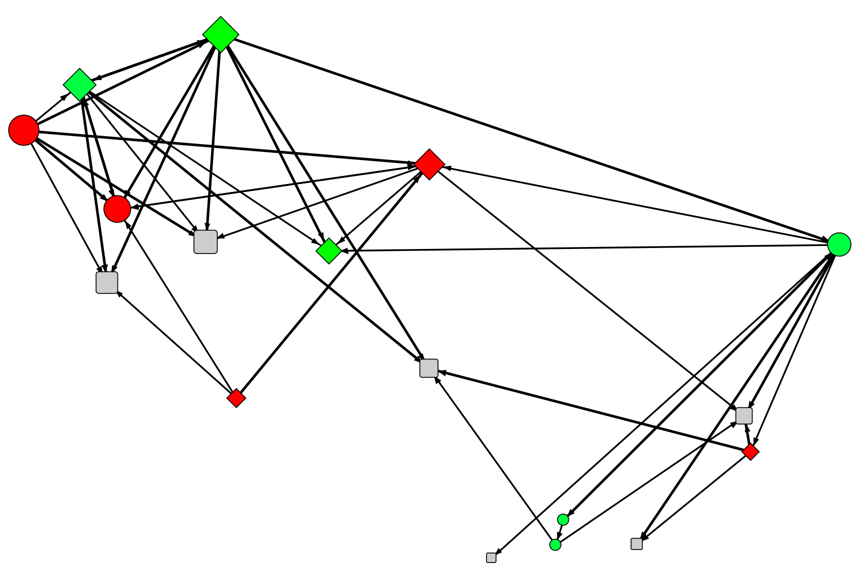
Are Stakeholders with Company-Centered Issues More Salient Than Stakeholders with Problem Domain-Centered Issues?

In another case, the two foci approach identified by Roloff (2008b), a corporation focus versus an issues focus, appeared important to stakeholder salience. This stakeholder network was defined by those who had an interest in the development of a particular tract of urban land. The proposal was to make it a mixed income residential area with several thousand new residents. As a property developer, the focal organization had control over how the land would be developed, but not over the surrounding infrastructure. The managers considered that to be the responsibility of other organizations. Thus, we had a case with one set of issues that were corporate centered and another that were centered around a problem domain greater than the corporation.

We conducted this research early in the project. When we asked management who the stakeholders were, they mentioned some community groups that had a recreational interest in the site and a few residents' groups that had concerns about the increased traffic. We deemed these to be the ones with high salience at the time. When we began asking interviewees for the names of other groups that had a stake in the development, we learned about several additional groups that were concerned about the traffic and overloading of other facilities.

Figure **2** shows how the stakeholders concerned with each category of issues sorted themselves into two clusters. The groups mostly concerned about recreation issues under the company's direct control are shown in green. The groups mostly concerned about the larger domain of regional infrastructure impacts are shown in red. The groups with positive perceptions of the focal organization are shown as circles. Those with negative perceptions are shown as diamonds.

Figure 2: Stakeholder Network Colored According to Roloff's Company Focus (Green) Versus Problem Domain Focus (Red)



The existing relationships among the stakeholders formed two clusters. The left cluster had more groups with a negative view of the focal organization and a greater concern for regional infrastructure issues beyond the control of the focal organization. The right side contained more groups with positive perceptions of the focal organization and more concern with the recreational issues under the organization's direct control.

The groups on both sides were about equal in legitimacy and power. Because it was early in the project, none of them had had an opportunity to show any urgency. Therefore, the PUL typology would not make any differential predictions about the salience of the stakeholders. Nonetheless, we did observe that the recreation-oriented stakeholders appeared to be more salient to the managers in the focal organization. They were the groups concerned about things that management could deal with independently. There was a tendency to under-emphasize the salience of stakeholders with issues that were greater than any one organization's ability to resolve. Thus, Roloff's distinction may be useful in predicting stakeholder salience, at least early in a project. We hypothesize that:

> *H1*: Stakeholders with corporate-centric issues will be more salient to managers than those with problem-domain centered issues.

Are Bridgers Unduly Ignored?

This same case suggested another hypothesis on a different dependent variable, the strategic importance of stakeholders. In Figure **2**, there are very few relationships connecting the left and right sides. This kind of communication gap is referred to as a "structural hole" (Burt 2000).

The red diamond and the gray square in the middle of Figure 2 are prime examples of social actors who have bridging social capital. Consider the important position that these nodes hold in the network. If these two nodes were removed from the network, the basic structure of the network would fall apart forming two relatively isolated "components". However, as it stands, they serve to maintain the connectedness of the network.

The discrepancy between the greater strategic importance of the red diamond and its un-exceptional salience to management suggests that management attention is not always deployed where it should be deployed from a strategic perspective. This suggests the hypothesis that:

> *H2*: Stakeholders who are strategically important because of their bridging social capital will not be as salient to managers as stakeholders who derive equal strategic importance from having high bonding social capital.

Does Embedding Restrict Awareness?

So far we have discussed the stakeholder's position in the network relative to other stakeholders. However, the stakeholder's position relative to the manager's company is also likely to be important. If we consider the manager's own position in the network then a corollary of H*2* would be that managers pay more attention than they should to the stakeholders with whom they are tightly bonded. The “bonding social capital” mentioned above is embeddedness (Granovetter 1985) in a well-connected cluster of a network that has relatively fewer connections with the rest of the network. Managers may get trapped by their own bonding social capital within a cluster of stakeholders.

We observed a case where this seemed to have limited managers' attention to of strategically important stakeholders. In this case, a mining company in Latin America had developed a close working relationship with an indigenous community through a relocation process. The community had lived in its valley for centuries but agricultural land and water were becoming scarce. When the mining company suggested to the community that they relocate, they were quite willing to take the offer.

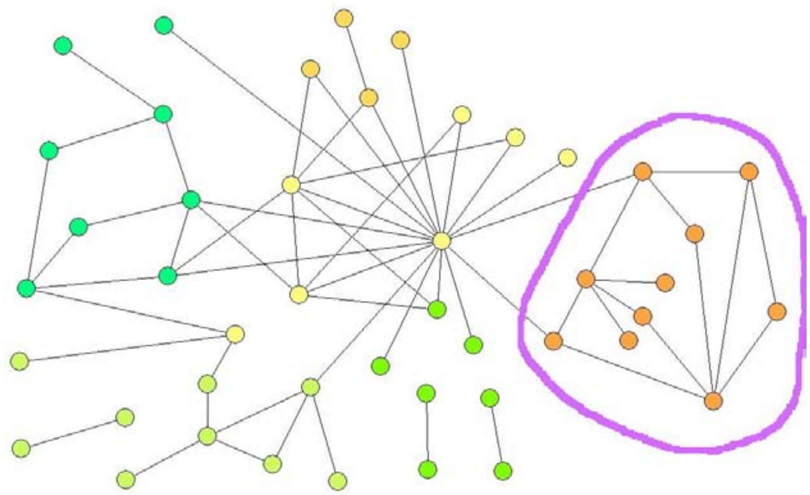
The village was relocated, the mine was constructed, and the villagers were trained to fill jobs at the mine. By the time of our study, there was a fear that the workers' high incomes might cause inflation in the surrounding region further from the mine where no one had jobs at the mine. Company managers had not engaged with those groups further away and only started hearing rumors of distant discontent. In network terms, the stakeholders who held bridging positions were transmitting information from distant parts of the network with which the company had no direct contact.

The managers contracted us to map the entire stakeholder network for the region. We discovered a fairly cohesive group of farmers' organizations that had negative opinions of the company's operations and impacts. They turned out to be strategically important because they included the local political organization that was essentially a branch of the political party of the national President. In network terms, they were bridgers to the much more powerful and legitimate stakeholder that, at the time, also had the urgency attribute because there was a national election campaign underway.

When we interviewed leaders of the most prominent farmers' group at their offices, they did not consider the company to have a completely legitimate claim to the resources it was exploiting. They actually considered the poverty reduction that had occurred around the mine to have some disadvantages for the region because of the inflation and inequality it had caused.

In this case, a serious strategic threat had been building beyond the company’s vista. The managers' local stakeholders in the immediate area were so salient to the managers that they did not notice the threat until later. Figure **3** shows the stakeholder network map. The groups with the strongest most positive relationships to the company are shown in shades of green. Those with the weakest relationships and most negative attitudes are shown in yellow and orange with orange being the most extreme. The managers had focused on the groups shown in shades of green. They represented the villages closest to the mine. Meanwhile, the strategically important farmer's groups, shown in orange and highlighted in purple, were not directly connected at all to the local clusters. The vision of the company managers seemed to have been limited by their embeddedness in the network of local stakeholders.

Figure 3: The Strongest Ties of Social Capital in the Stakeholder Network of Latin American Mining Operation



This suggests the hypothesis that:

H3: If a manager has a high level of social capital with a cluster of stakeholders that is more strongly connected internally than it is to the rest of the stakeholder network, members of the cluster will be more salient to the manager even when stakeholders outside the cluster are equally or more strategically important to the company.

Once management learned of the concerns of the more distal stakeholders, they were quite ready to initiate collaborative regional initiatives to address the farmer's concerns regarding the development of the agricultural sector of the economy. As this is different from management's reaction in the housing development case, it suggests the following hypothesis:

H4: There are individual differences among managers in how much they view corporate citizenship as including collaboration on shared societal problems. This affects the salience that problem-domain issues and stakeholders have to them.

Perceived Strategic Importance and the Manager's Mandate

Looking at all three of these cases from the perspective of how both stakeholders and their issues are connected, we propose that managers' ability to accurately assess the strategic importance of both issues and stakeholders is conditioned by how they define their own mandates. They tend to ignore both stakeholders and issues that they believe are not their primary responsibilities.

Transportation Infrastructure Developer: Under-estimating Risk

In the case of the transportation infrastructure developer, they saw their mandate as contributing to the broader goal of regional economic development. The stakeholders who opposed them through public protests were regarded as not strategically important in that broader context. The stakeholders were concerned about only one local issue that the focal organization had no responsibility to address.

It appeared to us, however, that the managers of the focal organization underestimated the strategic risk because the stakeholders had succeeded in framing their local issue as an instance of a larger pattern affecting the whole region. They publicly portrayed regional economic development as occurring at the expense of the health of the regional ecosystem and the livability of the region’s communities. We estimated that this framing raised the legitimacy of the issue by portraying it as unfair in its single-minded focus. It also gave the issues more power in the sense of being part of a pattern that collectively had serious broad impacts. Therefore, a rival mandate had begun to emerge to regional economic development. It was the simultaneous protection of the region’s communities and ecosystem. As an issue, it had power and legitimacy. With one more local skirmish, it could suddenly gain urgency too.

Housing Developer: Underestimating Responsibility

As mentioned, the housing developer defined its mandate as being restricted to the tract of land it had to develop. Although it acknowledged broader regional issues, it believed that other agencies bore greater responsibility for them. Perhaps because it interpreted its responsibilities so narrowly, it had lower awareness of other powerful stakeholders who posed a credible threat to the continuance of the project through the legitimacy accorded to their concerns by local governments. The regional issues championed by those stakeholders were perceived by managers as powerful (concerned with broad impacts), but were not seen as within the mandate of the focal organization and were not seen as urgent at the moment.

Latin American Mine: Ignoring the Envy Factor

The Latin American mine was insufficiently attentive to regional issues that arose in a more indirect way. While mine wages had indeed caused some inflation in the area, what was equally or more important was the inequality in wealth levels they had created. Management did not give proper weight to the fact that in many cultures where equality is valued over equity, helping one group creates a deep sense of injustice among other groups who were not helped.

The resentment fueled the urgency and legitimacy of the issue of regional economic development for non-miners, most of whom were farmers. The issue always had power, but the fresh outbreak of inequality gave it the two qualities it previously lacked. Moreover, the groups championing this issue had power and legitimacy through their political connections and urgency because of the impending election.

At the above cases show, issues can be associated with matters that the manager sees as the company's mandated sphere of action or with matters seen as either too broad or too narrow for the company to be become involved with. This suggests the hypothesis that:

> *H5*: Managers' perceptions of the strategic importance of both issues and the stakeholders who champion them increases with the match of the issue to the manager's perception of the company's mandated sphere of action.

In the above cases, it made sense to think of both issues and stakeholders as having PUL attributes. The combinations of these seemed to affect the strategic importance of various stakeholders and their issues, regardless of managers' awareness of this importance. As a potential starting point for investigating these dynamics, we offer the hypothesis that:

> *H6*: Stakeholders lacking one PUL attribute can raise their capacity to impact a corporation by adopting issues that have the missing attribute, or by reframing issues so that they have more of the missing attribute.

DISCUSSION

Practical Implications

Bridgers in social networks are extremely important to the focal stakeholders' strategic understanding of the network. Bridgers who connect the focal organization to denser parts of the network can be important allies. Managers should seek to understand the perspectives and potential influence of bridgers. Managers tend to confuse their mandate with what is strategically important; a habit that leaves them vulnerable to unidentified sources of risk. The tools managers use to map and understand their stakeholders must encourage thinking beyond what managers see as their company's current mandate. The PUL characteristics of stakeholders can change quickly. One way they can be changed quickly is through reframing issues that lack much PUL into one that rivals the PUL of the mandate the company articulates for itself. Therefore, managers need to pay as much attention to changes in both how issues are framed as they do to which alliances are being formed.

Implications for Research and Theory

These cases suggest that the theory of "who and what really counts" needs to be broadened from the current corporate-centric focus to include a problem domain focus. Social network analysis is an appropriate vehicle for doing this. It shows how stakeholders connect to each other, not just to the company. When combined with network analyses of the issues (e.g., van Rekom and Wierenga 2007), it leads to a more comprehensive understanding of the broader network of stakeholders. At the same time, the focus on salience needs to be broadened in two ways. First, the salience of issues should be considered along with the salience of stakeholders. The interplay between issue attributes and salience, on the one hand, and stakeholder attributes and salience, on the other hand, is fertile ground for study. Second, the question of which issues and stakeholders *are* salient should be considered in the context of which ones *should be* salient, from a strategic risk/opportunity perspective. That way it would be possible to begin studying when and why managers make blunders in their stakeholder relations. Again, the use of social network analysis could be helpful. More work should be done on the nature of the individual differences among managers and companies that make them more or less susceptible to failures to recognize the strategic importance of stakeholders and their issues. This type of investigation should be extended to explain tendencies to recognize or ignore specific types of strategic importance such as network position, PUL attributes, mandate congruence, and so forth.

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