

Stakeholder Theory: Reviewing a Theory That Moves Us[†]

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This article reviews the academic stakeholder theory literature as it developed between 1984 and 2007. The authors content analyzed 179 articles that directly addressed Freeman's work on stakeholder theory and found five themes: (a) stakeholder definition and salience, (b) stakeholder actions and responses, (c) firm actions and responses, (d) firm performance, and (e) theory debates. Themes were observed in multiple research fields, suggesting broad appeal. The authors noted a substantial rise in stakeholder theory's prominence since 1995 and documented that the theory has detractors insofar as it questions shareholders' wealth maximization as the most fundamental objective of business. The authors' recommendations include urging more empirical research across a broader set of organizations apart from large publicly traded corporations, more qualitative research to document cognitive aspects of how managers respond to stakeholder expectations, and a return to the theory's emphasis on the strategic benefits of stakeholder management, albeit with a broader view of firm performance.

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Edward Freeman (2005: 433) reports feeling “amused and somewhat horrified” at being called the “father of stakeholder theory,” preferring to credit serendipity and other writers for

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the theory's broad appeal. Nonetheless, his classic book, *Strategic Management: A Stakeholder Approach* (Freeman, 1984), continues to be cited by numerous authors, as stakeholder theory continues to attract attention from management researchers. In this article, we review more than 20 years of academic responses to Freeman's seminal work and provide direction for future research related to stakeholder theory.

Freeman's (1984) initial intent was to offer a pragmatic approach to strategy that urged organizations to be cognizant of stakeholders to achieve superior performance. As Frederick notes, "The stakeholder idea fits into the mentality of strategically-minded corporate managers; in its latest phases, some companies are now justifying broader social policies and actions, not for normative reasons but for strategic purposes" (personal communication, March 17, 2008). However, later years would also see authors suggesting a moral basis for stakeholder management. At its simplest level, stakeholder theory has been proposed as an alternative to stockholder-based theories of organizations (Freeman, 1994). A fundamental thesis of stakeholder-based arguments is that organizations should be managed in the interest of all their constituents, not only in the interest of shareholders.

Stakeholder theory is timely yet adolescent, controversial yet important. It is timely because of the emergence of formal organizations as the dominant institutions of our time, increasing reports of ethical misconduct and the harmful impact of corporate negligence with regard to the natural environment. Yet it is adolescent because empirical validity is yet to be established on several of its key propositions (e.g., Jones, 1995). Stakeholder theory is also controversial because it questions the conventional assumption that pursuit of profits is the preeminent management concern, which Jensen (2002: 237) calls the "single-valued objective" of a corporation. Yet it is also important because it seeks to address the often overlooked sociological question of how organizations affect society (Hinings & Greenwood, 2003; Stern & Barley, 1995).

Margolis and Walsh (2003) argue that because stakeholder theory incites disagreements over deeply rooted values, its proponents and detractors are unlikely to converge. Despite its fair share of detractors, we believe that the rise in prominence of stakeholder theory has occurred largely because it is a theory that moves people by virtue of its emotional resonance (Weick, 1999). For instance, although proponents such as Freeman point to the "emergence of concerns with 'vision and values,' and 'a sense of purpose' in the mainstream conversations about business" (2000: 170), even detractors, such as Jensen, acknowledge that "stakeholder theory taps into the deep emotional commitment of most individuals to the family and tribe" (2002: 243).

To take stock of the theory, we present a review of academic journal articles on stakeholder theory using content analysis protocols (Krippendorff, 2004; Weber, 1990). We identify key themes, trends, and differences within different streams of the theory to facilitate paradigm development (Pfeffer, 1993). We also intend to contribute by focusing attention on promising, but less elaborated, aspects of the theory.

This review endeavors to address a gap in the literature, as existing reviews of stakeholder theory are either dated or incomplete. The last comprehensive review of the academic literature was published more than a decade ago by Donaldson and Preston (1995). This is problematic given stakeholder theory's increased prominence since 1995. Moreover, recent reviews have

focused on specific subthemes or conversations in the theory. Specific examples include Kaler's (2003, 2006) review focussing on stakeholder theory's usefulness for business ethics research, Stoney and Winstanley's (2001) review focusing on the U.K. practitioner literature, and Walsh's (2004) book review and assessment of the theory's implications for managers seeking to tackle social issues.

This is an important time to be undertaking a review because the theory appears to be at a critical junction insofar as it is still seeking to gather momentum in what might be considered mainstream management literature. For instance, attention to stakeholder theory appears to have plateaued in recent years after receiving peak attention in 1999. On one hand, stakeholder theory has often been the subject of special issues in prestigious management journals, pointing to its perceived importance. On the other hand, few articles appear in mainstream management journals apart from special issues, with published works largely confined to business ethics and business and society journals.

Our article proceeds in four sections. First, we describe the method adopted for our review. Second, we review stakeholder theory's background, significant developments, and definitional periods. Third, we devote a substantial part of the article to critically narrating the key emergent themes. Fourth, we offer suggestions—both conceptual and empirical—for future research.

Method for Literature Review

Sampling

We confined our sampling to eight leading journals in management (*Academy of Management Review*, *Academy of Management Journal*, *Administrative Science Quarterly*, *Journal of Management*, *Journal of Management Studies*, *Organization Science*, *Organization Studies*, and *Strategic Management Journal*) and three specialty journals devoted to business ethics and social issues in management (*Business & Society*, *Business Ethics Quarterly*, and *Journal of Business Ethics*). For the mainstream management journals, we searched for articles with the word *stakeholder* appearing in the title, abstract, or subject terms using the EBSCOhost search engine; this generated 178 articles. For specialty journals, we included all articles with the phrase *stakeholder theory* in the title, abstract, or subject, yielding a total of 95 relevant articles. We then repeated our searches with ProQuest using the same criteria, which yielded an additional 55 articles. To be thorough, we also cross-referenced our sample with two previous review efforts (Wolfe & Putler, 2002; Wood, 1991b), resulting in 10 additional articles that met our criteria. Finally, we narrowed the sample to those articles that referenced Freeman (1984), a necessary measure given that the term *stakeholder* is often used generically and “can mean almost anything the author desires” (Stoney & Winstanley, 2001: 605). To make our sample representative of management research yet keep the analysis feasible, we applied more stringent criteria to the specialty journals and slightly more liberal criteria to mainstream management journals. Our final sample comprises 179 articles (see Table 1). Considering his pioneering role, we also reviewed books and book chapters written by Freeman.

Table 1
Sample Being Used for Analysis

Year	Management Journals							Specialty Journals				
	AMJ	AMR	ASQ	JM	JMS	OSI	OSC	SMJ	B&S	BEQ	JBE	Total
Incubation												
1984												0
1985				1								1
1986												0
1987												0
1988												0
1989												0
Incremental growth												
1990												0
1991	1	2		1	1							5
1992					1					1		2
1993										1		1
1994	1							1	2	4		8
1995	1	3								1	1	6
1996					1				1	2	2	6
1997		2			1			1	1	1		6
1998					2				1	2	4	9
Maturity												
1999	6	6							2	5	2	21
2000		1		1			1		2	4	4	13
2001		2			1			1	1	4	4	13
2002					1		2	1	2	6	6	18
2003		1	1					1	2	3	4	12
2004	1		1	1	1		3		1	1	4	13
2005		1	1	1		1		2	1	2	7	15
2006					3			2	1	3	10	19
2007		5									6	11
Totals	10	23	3	5	12	1	6	9	16	40	54	179

Note: AMJ = Academy of Management Journal; AMR = Academy of Management Review; ASQ = Administrative Science Quarterly; JM = Journal of Management; JMS = Journal of Management Studies; OSi = Organization Studies; OSc = Organization Science; SMJ = Strategic Management Journal; B&S = Business & Society; BEQ = Business Ethics Quarterly; JBE = Journal of Business Ethics.

Coding and Analysis

Our review uses content analysis (Krippendorff, 2004; Weber, 1990), a methodology that employs structured and systematic protocols for data reduction to facilitate analysis of large quantum of textual data. It can be used both quantitatively (e.g., frequency counts, correlations, trends, and differences over time) and qualitatively (e.g., theme identification, theory elaboration). These protocols facilitate the achievement of reliability and interpretive validity. The coding was done using a formalized codebook (see the appendix), which was inductively derived. Within-theme and between-theme comparisons (e.g., Eisenhardt, 1989) were used to identify and elaborate themes. To ensure plausibility and reliability, we conducted three rounds of coding by multiple researchers. Each of these meetings was followed by discussions that led to refinement of the codebook to improve interpretive validity and interrater reliability for future coding. Areas of difference or disagreement were used as opportunities for clarifying the codebook and facilitating rater training. Random checks conducted on articles on completion of coding pointed to high coding accuracy.

Background, Significant Developments, and Definitional Periods

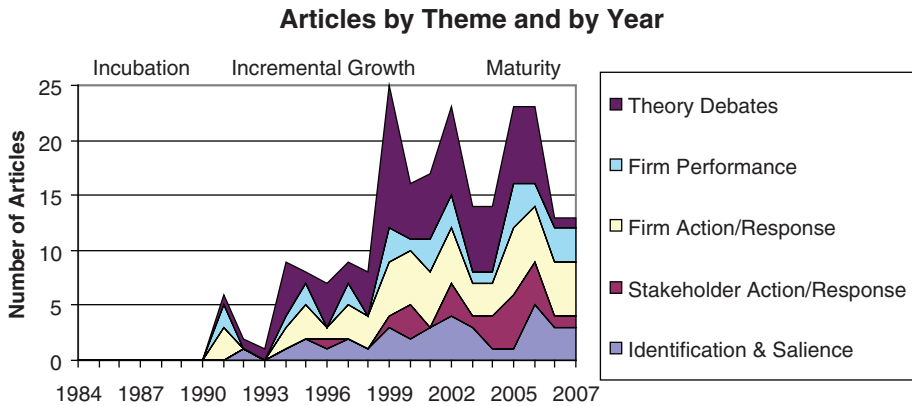
Interest in stakeholder theory took root in the field of strategic management (e.g., Clarkson, 1995; Freeman, 1984; Frooman, 1999), then grew into organization theory (e.g., Donaldson & Preston, 1995; Jones, 1995; Rowley, 1997) and business ethics (e.g., Phillips & Reichart, 2000; Starik, 1995). Stakeholder theory's social responsibility element allowed it to blend into social issues in management (e.g., Wood, 1991a, 1991b), and, more recently, it has begun to enter the conversation about sustainable development (e.g., S. Sharma & Henriques, 2005; Steurer, Langer, Konrad, & Martinuzzi, 2005). As shown in Figure 1, the theory came into prominence only in the mid-1990s, apparently owing to the attention it received in a special issue of *Academy of Management Review* in 1995, and gathered momentum in the late 90s.

Freeman's Stakeholder Legacy

The stakeholder concept is implied in the works of Rhenman and Stymne (1965) in Sweden and of the Stanford Research Institute (1982) and Ansoff (1965) in the United States (Carroll & Näsi, 1997). An example illustrates this:

The legitimacy which in the past was granted on the basis of ownership and managerial expertise is being attacked. Consumers, environmentalists, civil-rights groups, and modern feminists are placing new requirements on business for social responsibility. Workers are demanding . . . a voice in the policy-making and decision processes hitherto reserved for management. . . . The emergence of huge multinational corporations with economic powers comparable to those of nations has brought awareness that these private-sector institutions have impacts on human lives comparable to the impacts of political governments, and hence should . . . assume responsibility for the welfare of those over whom they wield power. (Stanford Research Institute, 1982: 58)

Figure 1
Theme Frequencies by Years—Theoretical and Empirical



Nonetheless, Freeman (1984) was the first author to fully articulate the stakeholder framework in his seminal book, *Stakeholder Management: A Stakeholder Approach*. Freeman drew on various literatures including corporate planning, systems theory, and corporate social responsibility to develop a stakeholder approach. He argued that existing management theories were not equipped to address “the quantity and kinds of change which are occurring in the business environment” (Freeman, 1984: 5); these included increasing takeovers, activism, foreign competition, new industrial relations, a worldwide resource market, government reform, supranational agencies, a rising consumer movement, increasing environmental concerns, and changes in communication technology. In support of his claims, he pointed to General Motors’s failure to compete effectively with high-quality and fuel-efficient Japanese imports in the wake of the Clean Air Act of 1970, the price hikes driven by the Organization of Petroleum Exporting Countries (OPEC), and the increasing activism by pressure groups, such as Ralph Nader’s proxy fight for more socially responsible corporate behavior.

Freeman (1984) argued that these environmental “shifts” were occurring among both internal stakeholders (owners, customers, employees, and suppliers) and external stakeholders (governments, competitors, consumer advocates, environmentalists, special interest groups, and the media). Hence, he cautioned that managers need to “take into account all of those groups and individuals that can affect, or are affected by, the accomplishment of the business enterprise” (Freeman, 1984: 25). He further proposed that the segmentation techniques of marketing should be used to categorize stakeholders, better understand their interests, and predict their behaviors. He detailed four generic stakeholder management strategies—exploit, defend, swing, reinforce—that could complement Porter’s (1980) list of generic business strategies. Moreover, he argued that stakeholder analysis techniques should be used on shareholders and corporate boards and proposed changes in the law that would

give managers fiduciary duties toward *all* stakeholders, not *just* shareholders, a proposal that generated considerable debate in later years (e.g., Jensen, 2002; Sundaram & Inkpen, 2004). Overall, Freeman's stakeholder approach was unabashedly strategic in content because consideration of stakeholder interests was seen as playing an instrumental role in enhancing firm performance.

Freeman later collaborated with Evan to write "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism" (Evan & Freeman, 1988) and with Gilbert to write *Corporate Strategy and the Search for Ethics* (Freeman & Gilbert, 1988). Both works intermingle stakeholder management with moral philosophies—a departure from the original strategic focus of his work—paving the way for what has ultimately become known as normative stakeholder theory (Donaldson & Preston, 1995). This led to one of the first substantive criticisms of the paradoxical nature of the theory in that it treats stakeholders as both means to ends and ends in themselves (Goodpaster, 1991). In response, Freeman (1994) contended that what is most troublesome for stakeholder theory—or, rather, for those who fail to grasp its value—is that it mixes business and morality. His basic argument is that the plurality of moral narratives espoused by various philosophers should not be expected to converge, and neither should stakeholder management be pinned down to any one of these narratives. Consequently, he suggested that the seeds of the solution to the separation problem lie with "managerial" stakeholder theory (Freeman, 2000). He explained this embedded flaw further, stating that:

We need to see stakeholder theory as managerial, as intimately connected with the practice of business, of value creation and trade. That was its original impetus, in the sense of re-describing the practice of value creation and trade to ensure that those with a "stake" in this practice had attention paid to them. (2000: 173)

More recently, Freeman has worked with collaborators to refine and defend the theory. Together, they have sought to reorient stakeholder theory toward its libertarian roots, partly to rebuke the contention that the "stakeholder approach comes from a socialist worldview" (Freeman & Phillips, 2002: 334). They have addressed friendly misinterpretations, such as beliefs that stakeholder theory requires changes to law or that it is a comprehensive moral doctrine, and critical distortions, including assertions that stakeholder theory is an excuse for management opportunism (Phillips, Freeman, & Wicks, 2003). They have also defended stakeholder theory against criticisms by Sundaram and Inkpen (2004) that stakeholder theory impedes entrepreneurial risk taking and complicates corporate governance (Freeman, Wicks, & Parmar, 2004). Having written several dozen articles, books, and book chapters on the subject, over the course of more than two decades, Freeman continues to act as stakeholder theory's senior trustee.

Significant Developments and Definitional Periods

Our content analysis of the extant literature reveals that the theory has gone through three major periods (see Table 1 and Figure 1). Period 1, which we term *incubation*, lasted from 1984 until 1991. During this period, the emerging stakeholder literature was largely confined

to conference proceedings, dissertations, practitioner journals, and book chapters, as evidenced by Wood's (1991b) review of the then-existing literature and list of citations regarding stakeholder theory. Notably, Carroll (1989) released an influential business and society textbook with stakeholder theory at its core. Our sample contains only one article for this period; thus, it did not factor into our analysis scheme.

Period 2, 1991 to 1998, which we term *incremental growth*, boosted the theory's development. This period witnessed the publication of several seminal works in leading academic management journals. For instance, stakeholder theory was featured in a special issue of *Academy of Management Review* in 1995 that included Donaldson and Preston's (1995) article, which distinguished among three branches of stakeholder theory: the descriptive (how firms behave), the normative (how firms *should* behave), and the instrumental (how behavior *affects* performance). All but 36 articles in our sample conformed well to this typology (53 descriptive, 63 normative, and 27 instrumental). In the same issue, Clarkson's (1995) summary of 70 field studies lent credence to the proposition that focusing on stakeholder issues is better for firm performance than focusing on social issues in general. This period was also bolstered by three academic conferences dedicated to stakeholder theory: two in Toronto, Canada, and one in Jyväskylä, Finland. These conferences sought to accelerate stakeholder theory's "emergence as a widely accepted paradigm for the [business and society] field" (Clarkson, Starik, Cochran, & Jones, 1994: 82). Published reports, created in the wake of these conferences, suggested that stakeholder theory research had come a long way but "has much still to do in order to become a more sophisticated and crystal-clear theory" (Carroll & Näsi, 1997: 51). During this period, Tony Blair famously used the language of stakeholder theory in interviews and public addresses (Stoney & Winstanley, 2001), offering practitioner validation for what had remained until then an academic construct.

Period 3, which we term *maturity*, started around 1999 and continues to the present. This period saw a significant increase in attention to the theory, especially in social issues in management circles, prompting remarks such as "it is not too far fetched to say that stakeholder theory has swept the field in some sense" (Buchholz & Rosenthal, 2004: 144). The extensive literature produced during this period prompted three review articles. For instance, Stoney and Winstanley (2001) reviewed stakeholder theory as described in U.K.-based practitioner journals, examining ideological, implementation, and competitiveness issues. Also, Walsh reviewed three prominent books on stakeholder theory, concluding that it provides very little "counsel to our business leaders when they are asked to make [social] investments" (2004: 2). Finally, Kaler (2003, 2006) conducted an on-going multi-installment review of *normative* stakeholder theories "directed at understanding and assessing stakeholder theory for the purposes of business ethics" (Kaler, 2006: 249).

Possibly as a result of stakeholder theory's increasing prominence in the managerial discourse, it has come under attack from advocates of shareholder primacy. Jensen characterized stakeholder theory as an affront to 200 years of economic theory and research and argued that "stakeholder theory plays into the hands of special interests who wish to use the resources of firms for their own ends" (2002: 243). Conversely, *Academy of Management Review*'s July 2007 issue contained a special topic forum on corporations as social agents that included five articles fueled by organizing precepts of stakeholder theory.

Table 2
Theme Frequencies by Period—Theoretical and Empirical Articles

Year	Theme											
	Definition and Salience		Firm Actions and Response		Stakeholder Actions and Response		Firm Performance		Theory Debates		Total	
	T	E	T	E	T	E	T	E	T	E	T	E
Period 2												
1991 to 1994	1	1	2	3	0	0	1	2	6	0	10	6
1995 to 1998	3	3	4	6	0	1	1	3	8	2	16	15
Period 3												
1999 to 2002	6	6	10	8	4	3	3	7	17	2	40	26
2003 to 2007	9	3	11	11	5	9	5	6	19	1	49	30
Total	19	13	27	28	9	13	10	18	50	5	115	77

Note: T = theoretical; E = empirical. Some articles include more than one theme. Period 1 was excluded for lack of articles.

Major Themes in Stakeholder Theory

Our content analysis revealed that work on the theory clustered around five broad themes, each with distinct questions and preferred empirical approaches (see Figure 1). The themes are (a) definition and salience, (b) stakeholder actions and responses, (c) firm actions and responses, (d) firm performance, and (e) theory debates. Each theme is presented and elaborated in turn in this section. Table 2 summarizes the number of conceptual and empirical articles published by year for each identified theme.

As shown in Table 2, we observed a total of 192 instances of the five themes within our sample of 179 articles. "Firm actions and responses" and "theory debates" were the most frequently discussed themes but appear to have peaked in recent years. Meanwhile, "stakeholder actions and responses" was the least discussed theme overall but was found to be receiving increasing attention in more recent years. Most themes appeared to have a similar balance between theoretical and empirical works, whereas "theory debates" was mostly limited to theoretical articles, although we did find five qualitative studies that addressed the substantive questions of this theme.

Stakeholder Definition and Salience

Stakeholder definition and salience was addressed by 18% of the articles (see Table 2). The gestalt of this theme can be traced to Freeman's classical definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984: 46). A close read of the book suggests that Freeman was mostly interested in the "is affected" category to the extent that they could potentially affect the

firm. "To be an effective strategist," Freeman wrote, "you must deal with those groups that can affect you, while to be responsive (and effective in the long run) you must deal with those groups that you can affect" (1984: 47). The original definition may have attracted the attention of researchers looking for a more socially responsive management theory but has also been criticized on the basis that the "can affect" criterion causes the term *stakeholder* to lose much practical significance. Such criticisms are evidenced in statements such as the following: "Why should we espouse a theory of stakeholder management if all living entities, inasmuch as they can affect the firm, must fall under the obligatory umbrella of managerial consideration?" (Phillips & Reichart, 2000: 190). Possibly, this definitional ambiguity has led ethicists and business and society researchers to take a special interest in the normative question, Which stakeholders should managers then pay attention to? Meanwhile, social scientists have sought to clarify a related empirical question, Which stakeholders do managers really care about? Table 3 summarizes this theme.

The normative question has generated a spectrum of answers, ranging from a narrow or restrictive view of stakeholders, that is, only those that yield power over firms (Frooman, 1999; Pajunen, 2006) or take on risk (Clarkson, 1995; Cragg & Greenbaum, 2002), to an expansive or broad view of stakeholders that includes the powerless (Argandona, 1998; Phillips, 1997a; Phillips et al., 2003; Reed, 1999) and even nonhuman entities such as tress (Starik, 1995) and deities (Schwartz, 2006). Of those articles that identified their view of stakeholders, only 10 were highly restrictive whereas 94 were broad. Also, 31 articles focused exclusively on marginalized stakeholders.

Regarding the second question, Mitchell, Agle, and Wood (1997) synthesized approximately 20 different studies on stakeholder identification, concluding that managers pay attention to stakeholders who have power in relation to the firm (i.e., possess valued resources), are deemed legitimate (i.e., are socially accepted and expected), and can muster urgency (i.e., have time-sensitive or critical claims). These attributes have received reasonable empirical support by subsequent research (Agle, Mitchell, & Sonnenfeld, 1999; Eesley & Lenox, 2006; Knox & Gruar, 2007; Parent & Deephouse, 2007; Winn, 2001). For instance, Parent and Deephouse (2007) found that power has the most effect on salience, followed by urgency and legitimacy. However, Driscoll and Starik challenged the comprehensiveness of Mitchell et al.'s dimensions by arguing that they are "inadequate for incorporating the near and the far, the short- and the long-term, and the actual and the potential" (2004: 61) and suggest adding the dimension of "proximity" to incorporate eco-sustainability into stakeholder theory. Others have argued that stakeholder saliency is a function of organizational culture and commitments (Buysse & Verbeke, 2003; Henriques & Sadorsky, 1999; Jones, Felps, & Bigley, 2007), varies by organizational lifecycle stage (Jawahar & McLaughlin, 2001), and depends on the politicizing frame of industries (Fineman & Clarke, 1996).

A number of competing typologies have been proposed for categorizing stakeholders (e.g., Clarkson, 1995; A. L. Friedman & Miles, 2002; Frooman, 1999; Mitchell et al., 1997). For instance, A. L. Friedman and Miles caution that "extremely negative and highly conflicting relations between organizations and stakeholders have been ignored or under-analysed" (2002: 3) and look to social change theories to build their typology. Post, Preston, and Sachs (2002) propose a typology to address resource-based, industry structure-based, and sociopolitical-based stakeholders separately.

Table 3
Definition and Salience

Key Questions	Summary $n = 33$ (Theory $n = 19$, Empirical $n = 13$, Other* $n = 1$)
1. Which stakeholders should managers pay attention to?	Internal and external stakeholders, cooperative and competitive stakeholders (Freeman, 1984) Primary stakeholders above secondary stakeholders (Clarkson, 1995) Derivative and normative stakeholders (Phillips, Freeman, & Wicks, 2003) Anyone with a material interest in the firm (Cragg & Greenbaum, 2002) The natural environment (Driscoll & Starik, 2004; Phillips & Reichart, 2000; Starik, 1995) Institutional investors (Ryan & Schneider, 2003) God (Schwartz, 2006) Advocacy groups and communities of practice (Dunham, Freeman, & Liedtka, 2006) Groups with resources and network power (Pajunen, 2006) Depends on the moral vision of the decision-maker and context (Buchholz & Rosenthal, 2005) Definition is problematic because stakeholder groups can be heterogeneous or ambiguous (Phillips & Reichart, 2000; Ryan & Schneider, 2003; Winn, 2001; Wolfe & Putler, 2002)
2. Which stakeholders do managers really care about?	Powerful, legitimate, urgent stakeholders (Agle, Mitchell, & Sonnenfeld, 1999; Eesley & Lenox, 2006; Mitchell, Agle, & Wood, 1997; Winn, 2001) Varies by stakeholder culture (Jones, Felps, & Bigley, 2007) Varies by industry's politicized framing (Fineman & Clarke, 1996) Varies by organizational life cycle stage (Jawahar & McLaughlin, 2001) Environmentally proactive managers perceive more stakeholders (Buysse & Verbeke, 2003; Henriques & Sadosky, 1999)

Note: "Other" refers to "Review, Reply, or Debate"; see Appendix.

Stakeholder Actions and Responses

The second major theme, stakeholder actions and responses, received attention from just over 12% of articles (see Table 2) and was relatively evenly distributed across mainstream and specialty journals. If managers want to proactively manage their stakeholders, this theme asserts, they must go beyond understanding stakeholder interests and attempt to predict which influence strategies stakeholders are likely to employ. This theme is driven by three subquestions: (a) How do stakeholders influence firms? (b) When will stakeholder groups mobilize? and (c) When will stakeholders support firms? Table 4 summarizes this theme.

Regarding the first question, Froomean (1999) develops a typology of stakeholder influence strategies by applying resource dependence theory to the relationship between firms and stakeholders. He argues that stakeholders use direct strategies when the firm depends on them for resources, and indirect strategies, such as working through an ally, when it does not. Moreover, stakeholders withhold resources when they are not dependent on the firm and make use of firm resources conditional when they are. S. Sharma and Henriques (2005) find that stakeholders used both withholding and directed usage strategies to influence the environmental practices of Canadian forestry companies. O'Connell, Stephens, Betz, Shepard, and Hendry describe specific direct and indirect mechanisms used by stakeholders to rationalize

Table 4
Stakeholder Actions and Responses

Key Questions	Summary <i>n</i> = 22 (Theory <i>n</i> = 9, Empirical <i>n</i> = 13)
1. How do stakeholders influence firms?	With direct and indirect withholding and conditional usage strategies (Frooman, 1999; O'Connell, Stephens, Betz, Shepard, & Hendry, 2005; S. Sharma & Henriques, 2005) Influence is determined by the power and legitimacy of a stakeholder (Eesley & Lenox, 2006; Welcomer, 2002) By forming coalitions and networks (Kochan & Rubenstein, 2000; Neville & Menguc, 2006; S. G. Scott & Lane, 2000) Influence depends on relationship structure, contractual forms, and institutional supports (A. L. Friedman & Miles, 2002)
2. When will stakeholder groups mobilize?	When they are aware, willing, and capable (Rowley & Berman, 2000) Attitudes vary between individuals and between stakeholder groups (Cordano, Frieze, & Ellis, 2004) When they perceive responsiveness of the target organization and meet the prerequisites of collaboration (Butterfield, Reed, & Lemak, 2004) When there's a desire to express an identity and protect interests (Rowley & Moldoveanu, 2003; Winn, 2001; Wolfe & Putler, 2002)
3. When will stakeholders support firms?	When firms are not a source of significant environmental impact (Hendry, 2006) When firms are older, cognitively legitimate, affectively congruent, reliable, accountable, and strategically flexible (Choi & Shepard, 2005) When they believe that they have been fairly rewarded, fairly considered, and fairly treated (Hosmer & Kiewitz, 2005)

relations with firms, including "internal subunits, legislated stakeholder participation, legislated access to information, and direct stakeholder activism" (2005: 93). Stakeholder influence is determined by the power and legitimacy of the stakeholder (Eesley & Lenox, 2006; Welcomer, 2002). Therefore, indirect strategies, such as coalitions formed between stakeholder groups (Kochan & Rubenstein, 2000; Neville & Menguc, 2006; S. G. Scott & Lane, 2000), may allow stakeholders to combine their power and legitimacy in a way that enhances their bargaining position vis-à-vis firms. Finally, A. L. Friedman and Miles (2002) argue that influence depends on relational structures, contractual forms, and institutional support.

Concerning the second question, related to the mobilization of stakeholder groups, Rowley and Berman (2000) suggest that stakeholders must be aware, willing, and capable to effectively mobilize against firms. However, Wolfe and Putler (2002) produce evidence that stakeholder group members often have heterogeneous interests, impeding their ability to set actionable priorities and mobilize for collective action (also see Winn, 2001). Similarly, Cordano, Frieze, and Ellis (2004) find considerable variability between individual attitudes both between and within stakeholder groups. This stream of research suggests that managers need to carefully profile stakeholder groups that have broadly diffused interests to better understand them.

Rowley and Moldoveanu (2003) propose that a particular stakeholder group is more likely to mobilize or act as part of a collective if it has (a) acted collectively in the past, (b) more internal network density (i.e., group members communicate effectively), (c) members

who value the common identity conferred through their association with the group, and (d) few members who belong to overlapping groups with conflicting interests. Moreover, Butterfield, Reed, and Lemak (2004) argue that stakeholders must perceive that the target organization will be responsive to pressure in order to mobilize. They also find that goal commonality, shared economic interests, a common threat or enemy, a shared vision, and common legal concerns or mandates all motivated stakeholder groups to come together and collaborate.

Other researchers have focused on the third question, that is, attempting to illuminate the antecedents of stakeholder support for firms. Hendry (2006) finds that environmental NGOs are more likely to target firms that are the source of significant environmental impact. More generally, Choi and Shepard (2005) demonstrate that stakeholders are more likely to support firms that they perceive as older, more cognitively legitimate, well liked, reliable, accountable, and strategically flexible. Consequently, they suggest that "entrepreneurs might be well advised to invest disproportional emphasis on the cognitive legitimacy problem of newness . . . [and monitor] how key stakeholders perceive the values and goals of the new venture and attempt to improve the affective congruence with them" (2005: 591). Finally, Hosmer and Kiewitz (2005) argue that the organizational justice literature can be applied to stakeholders and propose that stakeholder support is most likely when stakeholders believe they have been fairly considered, fairly treated, and fairly rewarded. This research suggests that firms need to employ stakeholder management strategies with caution so as not to erode their credibility or, worse, alienate stakeholders.

Firm Actions and Responses

Our third theme is firm actions and responses, which was addressed by 32% of the articles in our sample. Freeman (1984) dedicates two chapters of his book to stakeholder management strategies. He views stakeholders as cooperative (opportunities) or competitive (threats) and proposes four generic strategies to deal with them. Although Freeman is optimistic about the potential for win-win relationships, he nevertheless views conceding to stakeholder demands as, at best, a last resort (Walsh, 2004). Research related to this theme has sought to answer the following questions: (a) How do firms gain stakeholder support? (b) How do/should firms manage stakeholders? and (c) How do/should firms balance stakeholder interests? Table 5 summarizes this theme.

Regarding the first question, Jones (1995) argues firms can achieve stakeholder support by building trust and avoiding treating stakeholders opportunistically. Several others have echoed and expanded on this basic idea (Calton & Lad, 1995; Heugens, van den Bosch, & van Riel, 2002; Hosmer & Kiewitz, 2005; Husted, 1998). Still others have argued that firms can gain stakeholder support through charitable contributions (Adams & Hardwick, 1998; Brammer & Millington, 2004; Godfrey, 1995; Haley, 1991), employee stock option programs (Marens & Wicks, 1999), reputation management, impression management, rhetoric, and images (Carter, 2006; Snider, Hill, & Martin, 2003; Ulmer & Sellnow, 2000). S. G. Scott and Lane (2000) propose that managers use three specific tactics to increase the "organizational identification" of stakeholders that in turn produces stakeholder support: (a) organizational

Table 5
Firm Actions and Responses

Key Questions	<i>n</i> = 57 (Theory <i>n</i> = 27, Empirical <i>n</i> = 28, Other* <i>n</i> = 2)
1. How do firms gain stakeholder support?	By building stakeholder trust and avoiding opportunistic relationships (Calton & Lad, 1995; Heugens, van den Bosch, & van Riel, 2002; Hosmer & Kiewitz, 2005; Husted, 1998; Jones, 1995) With charitable contribution (Adams & Hardwick, 1998; Brammer & Millington, 2004; Godfrey, 1995; Haley, 1991) Through reputation management, impression management, rhetoric, and images (Carter, 2006; S. G. Scott & Lane, 2000; Snider, Hill, & Martin, 2003; Ulmer & Sellnow, 2000) With employee stock option programs (Marens & Wicks, 1999) Through board representation (Luoma & Goodstein, 1999)
2. How do/should firms manage stakeholders?	Exploit, defend, swing, or reinforce (Freeman, 1984) Through network positioning (Rowley, 1997) By circumventing the control powers of stakeholders and using unethical tactics (Huse & Eide, 1996) Strategies will vary by organizational identity orientation (Brickson, 2005, 2007) and by organizational life-cycle stage (Jawahar & McLaughlin, 2001)
3. How do/should firms balance stakeholder interests?	By maximizing the long-run value of the firm (Jensen, 2002) Muslims can look to Islamic texts (Beekun & Badawi, 2005) Using analytical techniques (Hosseini & Brenner, 1992) By taking the perspective of multiple stakeholders (Schwarzkopf, 2006) Best practice differs within and between industries (Bendheim, Waddock, & Graves, 1998) Through direct stakeholder participation and use of mediation (Burton & Dunn, 1996; Lampe, 2001) Balancing interests between decisions is more ethical than within decisions (Reynolds, Shultz, & Hekman, 2006)

Note: "Other" refers to "Review, Reply, or Debate"; see Appendix.

communications, (b) enhancing the visibility of stakeholders' organizational affiliations, and (c) embedding stakeholders within the organizational community. Despite a great deal of conceptual work, the instrumental efficacy of these strategies remains largely untested.

Notably, Luoma and Goodstein find that "in larger corporations in particular, stakeholder representation on corporate boards has assumed a degree of legitimacy as a means of responding to stakeholder interests" (1999: 559) and gaining their support. Their finding also indicates that stakeholder board representation is greatest in jurisdictions that have passed legislation (e.g., other-constituency statutes) supporting the consideration of stakeholder interests in board decision making.

Regarding the second question, about how to manage stakeholders, Rowley (1997) applies the burgeoning social networks literature, emanating from Granovetter's (1973) seminal work on weak ties, to stakeholder management. He argues that a firm is more able to resist stakeholder pressures when it is a central player in its stakeholder networks and when its stakeholder networks are less densely interconnected. Similarly, Huse and Eide (1996) find that insurance company managers in Norway used networks of friends to circumvent

stakeholder powers. They find that such networks enhance management's ability to use three specific tactics against stakeholders: (a) movement (ignoring legal obstacles by believing they would change), (b) ultimatum (requesting approval after the point of no return), and (c) manipulation (playing one party off against the other). This study highlights the darker side of stakeholder management and the important role of ethics in defining stakeholder theory.

Brickson (2007) proposes that a firm's identity orientation (i.e., individualist, relational, or collectivist) determines the nature of its stakeholder relationships. Although individualistic firms tend to maintain weak (instrumental) ties, relational firms tend to maintain strong (trust-based) ties, and collectivist firms tend to have cliquish (ideological) ties. By contrast, Jawahar and McLaughlin (2001) argue that life-cycle stage pressures influence firm's stakeholder management strategies.

With respect to the last question, whereas Freeman (1984) suggests that the role of management is to balance the interests of stakeholders over time, critics argue that the theory provides no basis for deciding between competing stakeholder interests (Kaler, 2006). Jensen proposes that managers look to "maximization of the long-run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders" (2002: 235). By contrast, Schwartz (2006) and Beekun and Badawi (2005) argue that the devout can look to holy books for guidance on how to balance stakeholder interests. Some have proposed using sophisticated analytical techniques to calculate a consistent weighting scheme to balance these decisions (Hosseini & Brenner, 1992). Schwarzkopf (2006) argues that management needs to appreciate how others perceive the risks posed by their decisions, whereas Bendheim, Waddock, and Graves (1998) find that "best practices" for balancing and trading off between stakeholder interests differ substantially among industries. Yet others argue that stakeholder representatives should be directly included in the managerial decision process to garner consensus (Burton & Dunn, 1996) or included in mediation to more effectively resolve disputes (Lampe, 2001). Notably, Reynolds, Shultz, and Hekman (2006) demonstrate that unequal stakeholder saliency and imperfect resource divisibility are important constraints. They conclude from their study that balancing interests *across* decisions (instead of *within* decisions) tends to generate more instrumental value and is also seen as more ethical.

Firm Performance

A fourth major theme deals with firm performance as an outcome of stakeholder management, with nearly 16% of articles addressing this topic. Researchers pay attention to the following key questions: (a) What is the relationship between stakeholder management and firm financial performance? (b) What is the relationship between stakeholder management and corporate social performance? and (c) What other organizational outcomes are affected by stakeholder management? Table 6 provides a summary of this theme.

Regarding the first question, Freeman (1984) proposes using stakeholder analysis techniques to improve a firm's prospects for survival by helping anticipate and/or prevent unforeseen problems and also improve access to vital resources. One of the first published tests of an instrumental stakeholder theory came a decade later, with Mezner, Nigh, and Kwok's

Table 6
Firm Performance

Key Questions	Summary $n = 28$ (Theory $n = 10$, Empirical $n = 18$)
1. What is the relationship between stakeholder management and firm financial performance?	The relationship is positive (Berrone, Surroca, & Tribo, 2007; Godfrey, 2005; Hillman & Keim, 2001; Moore, 2001; Ogden & Watson, 1999; Ruf, Muralidhar, Brown, Janney, & Paul, 2001; Waddock & Graves, 1997) The relationship is negative (Meznar, Nigh, & Kwok, 1994) The relationship is neutral or mixed (Berman, Wicks, Kotha, & Jones, 1999; Bird, Hall, Momentè, & Reggiani, 2007) It is moderated by environmental factors (Greenley & Foxall, 1997)
2. What is the relationship between stakeholder management and corporate social performance?	Stakeholder action provides the underlying logic connecting corporate social performance and financial performance (Barnett, 2007; Bouckaert & Vandenove, 1998; Carroll, 1999; Rowley & Berman, 2000; Waddock & Graves, 1997; Wood, 1991a, 1991b) Stakeholder satisfaction moderates the relationship between ethics and firm performance (Berrone et al., 2007) Stakeholder pressures are a weak deterrent of poor environmental performance (Kassinis & Vafeas, 2002)
3. What other organizational outcomes are affected by stakeholder management?	Societal legitimacy (Heugens, van den Bosch, & van Riel, 2002) Organizational learning (Heugens et al., 2002; Roome & Wijen, 2005) Innovation (Harting, Harmeling, & Venkataraman, 2006) Reduction in hostile takeover frequency (Schneper & Guillen, 2004) Practice of leadership (Schneider, 2002) Stakeholder management reduces CEO salaries and the rewards CEOs may get for increasing levels of financial performance (Coombs & Gilley, 2005)

(1994) event study of transnational firms operating in South Africa during the Apartheid regime. Firms that left the country in response to stakeholder pressures were punished on the stock market, striking an early blow to instrumental stakeholder theory by demonstrating that doing the right thing has, at times, a negative effect on financial performance. However, a year later, Clarkson (1995) helped to clarify this dynamic with his finding that focusing on issues related to primary stakeholders created more value for firms than a less specific orientation toward general social issues.

In total, our analysis identified 12 empirical studies that directly tested instrumental stakeholder theory; of these, 9 were supportive (Berrone, Surroca, & Tribo, 2007; Clarkson, 1995; Godfrey, 1995; Greenley & Foxall, 1997; Hillman & Keim, 2001; Moore, 2001; Ogden & Watson, 1999; Ruf, Muralidhar, Brown, Janney, & Paul, 2001; Waddock & Graves, 1997), with 3 providing mixed or no support (Berman, Wicks, Kotha, & Jones, 1999; Bird, Hall, Momentè, & Reggiani, 2007; Meznar et al., 1994). Interestingly, Berman et al. (1999) found support for an instrumental stakeholder management but not for normative stakeholder management.

The most popular operationalization of stakeholder management is a multifaceted measure derived from the Kinder, Lydenberg, Domini, and Company index, which includes

(a) community relations, (b) workplace diversity, (c) labor relations, (d) environmental impact, and (e) product safety (e.g., Berman et al., 1999; Hillman & Keim, 2001; Waddock & Graves, 1997). However, this approach has been criticized because it assumes that all five variables are equally valid indicators of stakeholder management (the latent variable) and implicitly presupposes no trade-offs between stakeholder interests (Barnett, 2007), thus ignoring what Walsh (2004: 10) calls the “calculating side” of legitimacy building.

On a somewhat related note on the value of stakeholder management, Margolis and Walsh (2003) review 127 empirical studies on the relationship between social initiatives and firm financial performance, concluding that there is a positive association and very little evidence of a negative association. However, it is important to clarify that their sample differs substantially from ours, mostly consisting of articles that do not operationalize stakeholder management but rather use measures of corporate social responsibility and corporate social performance. Nonetheless, their study does include several articles reviewed here, further corroborating the proposition that stakeholder management is positively related to financial performance.

Concerning the second question, Freeman suggests that stakeholder theory makes the idea of corporate social responsibility “superfluous” because “stakeholders are defined widely and their concerns are integrated in to the business processes” (Freeman, 2005: 425). This view has been supported by several other researchers (Barnett, 2007; Bouckaert & Vandenhoove, 1998; Carroll, 1999; Rowley & Berman, 2000; Waddock & Graves, 1997). Wood (1991a, 1991b) builds on this idea by suggesting stakeholder theory could help bring the abstract idea of “society” closer to home for managers and scholars and provides a good starting point from which scholars can better understand how society grants or takes away corporate legitimacy. Waddock and Graves also weigh in, stating even more explicitly that “a company’s interactions with a range of stakeholders arguably comprise its overall corporate social performance record” (1997: 303). Rowley and Berman (2000) argue that studying stakeholder actions could replace the construct of “corporate social performance,” which they deem untenable and warranting outright abolition.

Although Heugens et al. (2002) demonstrate that stakeholder management promotes organizational legitimacy, we found no studies that explicitly test the relationship between stakeholder management and corporate social performance. Also, Kassinis and Vafeas (2002) conclude that stakeholder management does not deter polluters from harming the environment, which casts additional doubt on the existence of this relationship. Recently, Barnett (2007) developed a new construct called “stakeholder influence capacity,” based on Freeman’s (1984) idea that stakeholder management is a capability that firms must develop over time. Barnett proposes that a firm’s stakeholder influence capacity may constitute the missing link between corporate social responsibility and financial performance.

Finally, some recent research has begun to examine the third question: What other organizational outcomes are affected by stakeholder management? Research in this vein has examined organizational learning (Heugens et al., 2002; Roome & Wijen, 2005), innovation (Harting, Harmeling, & Venkataraman, 2006), and the practice of leadership (Schneider, 2002). Notably, Schnepfer and Guillen compare hostile takeover incidences in 37 countries, demonstrating an “increase in frequency with the extent to which shareholder rights are protected and decrease with the degree to which workers’ and banks’ rights are protected”

(2004: 263). Coombs and Gilley (2005) find that stakeholder management is associated with lower CEO compensation and that it reduces the rewards CEOs may get for increasing levels of financial performance. In sharp contrast, Schneider develops a stakeholder model of organizational leadership where leader effectiveness is defined as “the collective sense of the leader’s efficacy, based on the perceptions of multiple stakeholders” (2002: 212). These articles demonstrate the wide breadth of stakeholder research; however, it appears too early to draw definitive conclusions from these sub-streams.

Theory Debates

Our final theme is theory debates, which has been addressed by the largest number (44%) of articles (see Table 2). Some questions that have received considerable attention are the following: (a) What are the normative foundations of stakeholder theory? (b) What are the problems of stakeholder theory? and (c) Which theories does stakeholder theory compete with? Table 7 provides a summary of the results for this theme.

Regarding the first question, Freeman states that “the stakeholder approach offers no concrete, unarguable prescriptions for what a corporation should stand for . . . it is not normative in the sense that it prescribes particular positions of moral worth to the actions of managers” (1984: 210). The seminal work’s rather agnostic tone has prompted researchers to seek to justify stakeholder theory by grounding it in various philosophical traditions. As previously mentioned, Freeman coauthored a book chapter with Evan on this topic (Evan & Freeman, 1988), which sought to justify treating stakeholders as ends and not just as means to ends. Donaldson and Preston distinguish normative stakeholder theories from descriptive and instrumental stakeholder theories, asserting that “the *normative* base serves as the critical underpinning for the theory in all its forms” (1995: 66). They go on to argue that “contemporary pluralistic theory of property rights” (1995: 85) provides the normative foundations for stakeholder theory.

The remaining articles addressing normative foundations were restricted to *Journal of Business Ethics* and *Business Ethics Quarterly*. The two most frequently applied normative frameworks include feminist ethics (Burton & Dunn, 1996; Lampe, 2001; Wicks, 1996; Wicks, Gilbert, & Freeman, 1994) and principles of “fair play” (Cludts, 1999; Etzioni, 1998; Phillips, 1997b; Van Buren, 2001). However, many other normative frameworks have also been used, including the common good (Argandona, 1998), critical theory (Reed, 1999), deontology (Gibson, 2000; Palmer, 1999), Aristotelian ethics (Wijnberg, 2000), libertarianism (Freeman & Phillips, 2002), Kantian ethics (Lea, 2004), organizational justice (Hosmer & Kiewitz, 2005), Islam (Beekun & Badawi, 2005), and pragmatism (Buchholz & Rosenthal, 2005). The flurry of articles emphasizing an ethical rationale for stakeholder theory has been generally well received, although it has also met some criticism. For instance, Frederick notes that

[a] less desirable reason for scholarly unawareness of the original emphasis on strategic orientation of Freeman’s 1984 version is that it has encouraged business ethics philosophers who possess little or no knowledge of corporate strategy and what it requires, to pile on theory after theory, most of which are irrelevant to the needs at hand, i.e., to developing perspectives useful for the stakeholder-company relationship. (W. Frederick, personal communication, March 17, 2008)

Table 7
Theory Debates

Key Questions	Summary $n = 78$ (Theory $n = 50$, Empirical $n = 5$, Other* $n = 23$)
1. What are the normative foundations of stakeholder theory?	Property rights (Donaldson & Preston, 1995) Feminist ethics (Burton & Dunn, 1996; Lampe, 2001; Wicks, 1996; Wicks, Gilbert, & Freeman, 1994) Principles of "fair play" (Cludts, 1999; Etzioni, 1998; Phillips, 1997b; Van Buren, 2001) The "common good" (Argandona, 1998), critical theory (Reed, 1999), deontology (Gibson, 2000; Palmer, 1999) Aristotelian ethics (Wijnberg, 2000), libertarianism (Freeman & Phillips, 2002) Kantian ethics (Lea, 2004), organizational justice (Hosmer & Kiewitz, 2005) Islam (Beekun & Badawi, 2005), pragmatism (Buchholz & Rosenthal, 2005)
2. What are the problems of stakeholder theory?	Stakeholder theory exacerbates agency problems (Heath & Norman, 2004; Jensen, 2002; Sundaram & Inkpen, 2004) Stakeholder theory is not well grounded and fails as a normative theory (Child & Marcoux, 1999; Cragg, 2002; Hasnas, 1998; Humber, 2002; Orts & Strudler, 2002) It needs a constraint that requires executives to respect the professional obligations of employees (Carson, 2003) It is undertheorized or underresearched (Stoney & Winstanley, 2001; Sundaram & Inkpen, 2004) Its domain may be too broad (Kline, 2006; Phillips, Freeman, & Wicks, 2003; Trevino & Weaver, 1999) It does not recognize the effects of incentives (Elms, Berman, & Wicks, 2002) It is difficult to implement (Gioia, 1999; Kaler, 2006; Kochan & Rubenstein, 2000) Normative and instrumental stakeholder theory diverge (Donaldson, 1999; Donaldson & Preston, 1995; Gioia, 1999; Margolis & Walsh, 2003) It does not apply to small or medium enterprises (Perrini, 2006) It is based on false assumptions (Balmer, Fukukawa, & Gray, 2007; Buchholz & Rosenthal, 2005; Heugens & van Oosterhout, 2002)
3. Which theories does stakeholder theory compete with?	Stockholder theory (Freeman, Wicks, & Parmar, 2004; Hasnas, 1998; Langtry, 1994; Palmer, 1999; Sundaram & Inkpen, 2004; Velamuri & Venkataraman, 2005; Wagner-Tsukamoto, 2006) Agency theory (Hill & Jones, 1992; Shankman, 1999) Integrated social contract theory (Bishop, 2000) Corporate social performance (Rowley & Berman, 2000) Corporate citizenship (Scherer, Palazzo, & Baumann, 2006) Institutional theory (Luoma & Goodstein, 1999)

Note: "Other" refers to "Review, Reply, or Debate"; see Appendix.

Regarding the second question, about problems with stakeholder theory, some critics say that stakeholder theory is not well grounded (Child & Marcoux, 1999; Cragg, 2002; Hasnas, 1998) and fails to provide managers with credible ethical principles with respect to treatment of the natural environment and obeying the law (Humber, 2002; Orts & Strudler, 2002). Orts and Strudler (2002: 215) take the position that "the theory is limited by its focus on the interests of human participants in the business enterprise." By contrast, Humber (2002: 207)

contends that “the attempt to develop a ‘special’ moral theory for use by business is impractical and should be abandoned.”

Others argue that stakeholder theory exacerbates agency problems (Heath & Norman, 2004; Jensen, 2002; Sundaram & Inkpen, 2004). For instance, Jensen asserts that “stakeholder theory plays into the hands of special interests who wish to use the resources of firms for their own ends” (2002: 242). Carson (2003) proposes that stakeholder theory needs a constraint that requires executives to respect their professional obligations to employees, whereas Elms, Berman, and Wicks (2002) think it also needs to recognize the effects of incentives. Because of its focus on multiple stakeholder interests, stakeholder management is also considered inherently difficult to implement (Gioia, 1999; Kaler, 2006; Kochan & Rubenstein, 2000) and may be inappropriate for owner-managed small or medium enterprises, which might be better guided by the theory of social capital (Perrini, 2006).

Frederick’s beliefs that stakeholder theory has been “mined out theoretically” and “now produces few new theoretically significant insights” (1998: 48) contrast starkly with critics who dismiss it for being undertheorized and underresearched (Stoney & Winstanley, 2001; Sundaram & Inkpen, 2004). Critics also berate the theory for covering a domain that is too broad (Kline, 2006; Phillips et al., 2003; Trevino & Weaver, 1999) and for making false assumptions about the nature of the firm and stakeholder groups (Balmer, Fukukawa, & Gray, 2007; Buchholz & Rosenthal, 2005; Heugens & van Oosterhout, 2002). Finally, because the normative and instrumental branches of stakeholder theory have diverged substantially, it may not be possible to reunite the two streams (Donaldson & Preston, 1995; Margolis & Walsh, 2003), a feat that Jones and Wicks (1999) attempted but that was judged untenable (Donaldson, 1999; Freeman, 1999; Gioia, 1999; Trevino & Weaver, 1999).

Relating to the third question, which concerns competing theories, Freeman (1999) suggests that the word *stakeholder* was intended to contrast with *stockholder* and that stakeholder theory is an alternative to stockholder theory. Freeman confidently asserts “that the stockholder theory is or at least should be intellectually dead” (1994: 13). This statement has been widely debated in the literature (Freeman et al., 2004; Hasnas, 1998; Langtry, 1994; Palmer, 1999; Sundaram & Inkpen, 2004; Velamuri & Venkataraman, 2005; Wagner-Tsukamoto, 2006).

Building on Milton Friedman’s longstanding dictum that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits” (1982: 133), Jensen (2002) insists that stakeholder theory conflicts with 200 years of economic theory and research, which espouses the doctrine that social well-being is maximized when shareholder wealth is maximized. On the other hand, Marens and Wicks (1999) review several decades of U.S. jurisprudence regarding the fiduciary duties of directors, concluding that there are no legal obstacles to implementing stakeholder management. Yet others argue that stakeholder theory amounts to a generalized form of agency theory (Hill & Jones, 1992; Shankman, 1999). Shankman observes that “stakeholder theory is in fact the necessary outcome of agency theory and is thus a more appropriate way to conceptualize theories of the firm” and that “agency theory, when properly modified, is at best a narrow form of stakeholder theory” (1999: 320).

As might be expected, given that the theory has been used to conceptualize corporate social responsibility and corporate social performance, similar concepts have also emerged in the business and society research domain. For instance, Bishop (2000) proposes that

integrated social contract theory may be more appropriate, whereas Scherer, Palazzo, and Baumann (2006) suggest that the emerging corporate citizenship (Matten & Crane, 2005) literature is more comprehensive and useful in our increasingly globalized world (T. L. Friedman, 2007). Finally, Luoma and Goodstein explain that "stakeholder theory can . . . be meaningfully integrated into institutional theory" (1999: 559). In sum, stakeholder theory has attracted attention from researchers sympathizing with a myriad of different theories, both complementary and competitive.

Recommendations

In this section, we reflect on extant contribution and offer several recommendations for future conceptual, empirical, and methodological research in stakeholder theory. We begin with some generic recommendations that apply across all five themes and then proceed by offering theme-specific recommendations (see Table 8).

Generic Recommendations

At the broadest level, one surprising finding concerned a disproportionate amount of research focusing on large publicly traded corporations. For instance, in our sample we found 49 empirical studies on large for-profit firms and only 3 on nonprofit firms. This appears to follow a larger pattern in strategic management research noted by Chen and Smith, who find that "82% of strategic management research is focused on 0.5% of the population of firms" (1987: 10). We see this as problematic and propose that future studies look at other types of organizations including nonprofits and small businesses (Berman et al., 1999; Buysse & Verbeke, 2003; Coombs & Gilley, 2005; Henriques & Sadorsky, 1999). For example, the *Nonprofit Almanac* estimates that there are currently 1.4 million nonprofit organizations in the United States, accounting for 5.2% of gross domestic product and 8.3% of wages and salaries paid in that country (Urban Institute, 2007), whereas the U.S. Small Business Administration estimates that small businesses currently make up more than 99% of all U.S. businesses and employ more than one half of the U.S. workforce. It is therefore rather surprising that stakeholder challenges faced by such organizations are being overlooked.

Because large publicly traded corporations are not representative of the population of organizations, results from studies of these firms should not be generalized to other organizational contexts that are characterized by differing resource endowments and environmental constraints. For instance, small firms have fewer resources to devote to noncore activities related to stakeholder demands (Welsh & White, 1981). Work by Chen and Hambrick (1995) on the differences in competitive tactics of large and small firms provides a helpful guide for further research on the special challenges of the small firm and can be extended to the stakeholder domain. Also, some research has found that differences in the organizational status of firms may lead to differences in level of compliance to external stakeholder expectations (Phillips & Zuckerman, 2001). All these factors point to differences in the way organizational forms other than large publicly traded companies interact with stakeholders.

Table 8
Representative Questions for Future Research

Themes	Questions
General	How do stakeholder management practices differ for small firms, family businesses, and non-profit organizations as compared with large, publicly-owned corporations (Berman, Wicks, Kotha, & Jones, 1999; Coombs & Gilley, 2005; Henriques & Sadosky, 1999)?
Definition and salience	How do potential stakeholder claims (sticks) become legitimated claims (stakes) (Jeurissen & Keijzers, 2004)? How do managers' mental models influence the scope of stakeholder perception (Bettis & Prahalad, 1995; Ocasio, 1997)? How can managers and firms transcend "self-regarding" logics and embrace "other-regarding" logics, such as those embodied in servant leadership (Greenleaf, 1977; Sendjaya, Sarros, & Santora, 2008)?
Stakeholder actions and responses	How do stakeholder groups emerge and how do different leadership structures relate to formation processes (Rowley & Moldoveanu, 2003)? How do stakeholders compensate for, or acquire, one or more missing salience attributes (Mitchell et al., 1997)? To what extent, and under what conditions, does trust spillover from one stakeholder relationship to another (Jones, 1995)?
Firm actions and responses	Why might managers' stated intentions toward stakeholders not necessarily match their actions (Berman et al., 1999)? Might "wisdom" be a useful metaframework for balancing stakeholder interests (Baltes & Staudinger, 2000)? Which form of stakeholder management implementation is most effective (Nutt, 1986)?
Firm performance	How might an expanded conception of firm performance inform instrumental stakeholder theory (Harrison & Freeman, 1999)? Is symbolic stakeholder management sufficient for firm performance, or are concrete actions also necessary (Luoma & Goodstein, 1999)? Does stakeholder management generate positive emotions for stakeholders (Côté & Miner, 2006)?
Theoretical debates	Does a stakeholder approach lead to mismanagement (Jensen, 2002; Sundaram & Inkpen, 2004)? What is good managerial behavior, and what is the conception of human nature and social reality implied and embedded in modern management theories (Djelic & Vranceanu, 2006)? Can/should stakeholder theory be integrated with stewardship theory (Davis, Schoorman, & Donaldson, 1997)? What are the mechanisms whereby stakeholder management constitutes a valuable resource or capability (McEvily & Zaheer, 1999)?

We should point out that this gap in empirical research on smaller firms might have been affected by our sampling of mainstream and specialty management journals. We acknowledge that stakeholder theory has received reasonable attention in nonmanagement fields and specialty niches, such as sport and recreation (Mason & Slack, 1997; Parent & Foreman, 2007) and urban affairs (e.g., M. T. Friedman & Mason, 2004), where researchers have tested and extended some stakeholder arguments.

We also note a conspicuous absence of scholarship on stakeholder management of family firms (P. Sharma, 2003), regulated industries (Odgen & Watson, 1999), and government organizations (Phillips et al., 2003). Family firms offer a particularly interesting research context given the overlap between firm and family values (Freeman, Dodd, & Pierce, 2000; Litz, 1997; Miller & LeBreton, 2005; Schulze, Lubatkin, & Dino, 2003). Consequently, "Family owners . . . are broader in their definitions of success and more patient in their desire for returns. 'Returns' to them are counted in the form of substantive social or technological accomplishments and the long-term health of the enterprise" (Miller & LeBreton, 2005: 20). If family-owned firms tend to be more socially and geographically embedded, then they may follow different stakeholder practices. For instance, Meek, Woodworth, and Gibb (1988) argue that family firms have closer ties with local communities and employees, whereas nonfamily professional managers are typically more distant psychologically, socially, technically, and geographically. Stated simply, family businesses may be apt to consider the long-term sustainability of their firms as a consequence for the greater proximity of owner-managers to stakeholders.

To summarize our first generic recommendation, we agree with Phillips et al. that "for stakeholder theory to truly come into its own as a theory of strategic management and organizational ethics, it will need to be applied to more than just the large, publicly held corporation" (2003: 495). Such endeavors would go a long way toward exploiting what Evan identified as the "particular promise [of] comparative research on the organization-sets of economic, political, religious, educational, and cultural organizations [and the] consequences of variations in organization-sets for the internal structure and for the decision-making process of different types of organizations" (1966: 188).

Our second generic recommendation is to encourage more fine-grained qualitative narratives (Choi & Shepard, 2005; Dunham, Freeman, & Liedtka, 2006; Freeman & McVea, 2001; Harrison & Freeman, 1999). As shared in an earlier section, our sampling design generated only 16 qualitative studies and 6 studies using mixed methods. Harrison and Freeman propose that we need more theory building to "create rich and rigorous cases that could lead us to see the overall stakeholder relationship as a multifaceted, multiobjective, complex phenomenon" (1999: 484). We believe that qualitative studies, such as those of Winn (2001), Parent and Deephouse (2007), and Kochan and Rubenstein (2000), which utilize interviews, direct observation of stakeholder gatherings, and secondary sources, offer organizing templates for further qualitative inquiry.

Pursuing qualitative research has several advantages. First, it offers the ability to offer a richer understanding of cognition and discourse through analyses of text and respondent viewpoints, aspects generally less accessible through quantitative methodologies. Next, qualitative research can facilitate the understanding of the motivating rationales behind behaviors and actions instead of projecting researcher interpretations that may not correspond with what actually motivated the observed behavior. For instance, Kochan and Rubenstein's (2000) qualitative study of the Saturn organization suggests stakeholder management may be resisted by nonshareholding stakeholders, such as unions. Also, secondary data of textual nature, specifically formal corporate communications such as annual reports and business plans, offer access to longitudinal insights published by multiple agencies at periodic intervals. These documents are accessible through an organization's archives, and

they offer a level of textual detail otherwise unavailable (Ventresca & Mohr, 2002). Secondary data can help to facilitate the understanding of processes, that is, how things happen between actors and over time (Golden, 1992), and given that these reports contain discourse, they offer insights into the motivations and justifications of certain actions and inactions. Another advantage of qualitative research lies in its ability to ask for clarifications and confirm evidence by cross-validating data from multiple stakeholders. Finally, qualitative research is interesting and can provide memorable examples of important management issues and concepts that enrich the field (Allison, 1971; Gephart, 2004; Ross & Staw, 1993).

Stakeholder Definition and Saliency

As can be seen in Table 2, this theme has been developed conceptually ($n = 19$) more than empirical work ($n = 13$) for this theme. Although several typologies have been offered to aid with stakeholder definition and identification (e.g., Phillips et al., 2003), more is needed to characterize stakeholders to better explain underlying heterogeneity (Choi & Shepard, 2005). Despite agreement that power is a key attribute of stakeholder saliency, illuminating the similarities between marginalized or powerless stakeholders in the minds of managers, including future generations (Freeman et al., 2000; Jeurissen & Keijzers, 2004), developing countries (Driscoll & Starik, 2004), and the natural environment (Starik, 1995), appears warranted.

Reasoning analogically (Hunt & Menon, 1995), the field's central challenge appears to center on understanding how "sticks" become "stakes," that is, how potential claims (sticks) become actualized and legitimated claims (stakes), the former being largely overlooked, the latter being sustainably institutionalized in the organization's landscape. One pressing question concerns how those parties lacking sufficient strength to drive their sticks deep enough might withstand the increasingly turbulent winds of global capitalism (T. L. Friedman, 2007). One priority for the community of stakeholding researchers could be to identify and develop fresh and innovative stakeholding management strategies that transcend the tyranny of the quarterly dividend in the interest of future generations (Freeman et al., 2000; Jeurissen & Keijzers, 2004).

Evidence also points to the moderating role of organizational culture and managerial orientation in saliency assessments (e.g., Buysse & Verbeke; Jones et al., 2007). Thus, we see the explicit integration of managerial cognition into future stakeholder frameworks as potentially fruitful. Researchers should seek to discover the causes of narrow and broad perceptions of stakeholder saliency in the upper echelons of firms (Hambrick & Mason, 1984) and also contemplate the possibility of managerial self-deception (Becker, 1998; Litz, 1998). Three literatures that might be helpful for developing this theme are strategic issue diagnosis (e.g., Dutton & Jackson, 1987), attention-based theories of organizations (e.g., Ocasio, 1997), and dominant logic (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986). To this end, we specifically support testing Jones et al.'s (2007) propositions concerning the role of organization culture in identifying and assessing saliency. Also, more conceptual work is needed to clarify how managers and firms can transcend "self-regarding" logics and embrace "other-regarding" logics, such as those embodied in servant leadership (Greenleaf, 1977; Sendjaya, Sarros, & Santora, 2008).

Stakeholder Actions and Responses

As highlighted in Table 2, there has been a paucity of conceptual development ($n = 9$) and relatively little empirical work ($n = 13$) addressing this theme. Currently, most research implicitly assumes an *established* stakeholder–firm relationship, leading us to believe that more work is needed to understand stakeholder group emergence and whether different leadership structures are related to formation processes (Rowley & Moldoveanu, 2003). There is need for research that seeks to understand how stakeholders overcome one or more gaps relating to undeveloped or underdeveloped salience attributes (Mitchell et al., 1997). Looking at what motivates stakeholder groups to form alliances (Butterfield et al., 2004) might help to resolve this question. Examining the most effective sequencing of stakeholder actions (Eesley & Lenox, 2006) might also be instructive.

Although there is empirical support for the contention that improving stakeholder relations creates firm performance (Clarkson, 1995; Hillman & Keim, 2001; Waddock & Graves, 1997), there is also a need to examine when and how trust spills over from one stakeholder relationship to another (Jones, 1995). Although the literature points to interest and identity (Wolfe & Putler, 2002) as key variables for stakeholder mobilization, little is known about how these variables interact to affect attitudes, intentions, and actions (Rowley & Moldoveanu, 2003). It would be instructive to examine how an organization's strategies, internal politics, and founding conditions affect stakeholders' perceptions and decisions (Choi & Shepard, 2005; Harting et al., 2006; Jawahar & McLaughlin, 2001).

Firm Actions and Responses

As shown in Table 2, there has been a balance between conceptual development ($n = 27$) and empirical work ($n = 28$) for this theme. Yet we see a need for research that examines the extent to which managers' stated intentions toward stakeholders match their actions (Berman et al., 1999). Discursive or rhetorical approaches (e.g., Green, 2004; M. B. Scott & Lymann, 1968) are appropriate for disentangling rhetoric from reality. This might help to uncover when stakeholder management falls short, resulting in an intentional but nonetheless amoral, and at times outright immoral, pragmatism (Walsh, 2004). Again, an explicit focus on top managerial cognition and discourse is essential to ascertain the empirical validity of the theory.

Stakeholder theory's ability to influence management practice appears largely dependant on the extent of its diffusion (Rogers, 1995; Tolbert & Zucker, 1983). If the proposition that management theories become self-fulfilling prophecies (Ferraro, Pfeffer, & Sutton, 2005; Ghosal, 2005) is correct, then we might expect stakeholder ideas to influence management–stakeholder relations by virtue of their inclusion in pedagogy, consulting programs, and both trade books and textbooks (exemplified by Carroll, 1989; Freeman, Harrison, & Wicks, 2007). Diffusion may best be examined at the organization field level (W. R. Scott, 2007, respectively), which contains institutional actors, such as professions, trade associations, and regulators, which are known to influence the evolution of practice.

There is also opportunity for scholars to engage with managers who are explicitly trying to implement the ideals of stakeholder management. Short of Pfeffer's (2007) suggestion

that management researchers should strive to occupy formal policy roles in organizations, qualitative research that focuses on top management teams is particularly well suited to the task of practitioner engagement because it can create the opportunity for a two-way information transfer between managers and researchers.

Although much research has addressed the question of balancing stakeholder interests, the lack of practicable heuristics remains problematic (see Kaler, 2006). We suggest there is need for a new metaframework for balancing stakeholder interests. One promising organizing heuristic is that of “wisdom” (Baltes & Staudinger, 2000), insofar as the exercise of wisdom centers on the “fundamental practices [of life] . . . knowledge and judgment about the essence of the human condition and the ways and means of planning, managing and understanding a good life” (Baltes & Staudinger, 2000: 124). We see potential in wisdom’s application for understanding not only the human but also the corporate condition and, by analogical extension, the nature of the wise corporation (Sternberg, 2001, 2004).

Finally, we see a need for studies that evaluate the effectiveness of various forms of implementation. For instance, is it more effective to have stakeholders on the board of directors instead of formally involved in the managerial decision-making process? Given the breadth of implementation options available, more systematic study of the effectiveness of the various options would go a long way toward improving the theory’s practicability. Research goals should include providing convincing justifications that can be promoted by key executives and workable formulas for creating new norms to judge performance, as these are both associated with the success of implementation initiatives (Nutt, 1986).

Firm Performance

As evidenced in Table 2, there has been considerably less conceptual development ($n = 10$) than empirical work ($n = 18$) for this theme. Thus, we echo previous calls for construct development that increases the scope of firm performance measures beyond simple financial performance variables (Berman et al., 1999; Harrison & Freeman, 1999; Hillman & Keim, 2001; Luoma & Goodstein, 1999). For instance, stakeholder management’s greatest contribution may lie not with efficiency but with effectiveness through enhanced legitimacy (Heugens et al., 2002; Meyer & Rowan, 1977). Legitimacy is known to produce stakeholder support and create environmental stability (Suchman, 1995), which benefits firms over the long run. Put simply, by focusing on short-term financial performance as the supreme criterion, we run the risk of repeating Kerr’s (1975) folly of rewarding A, or in this case stock flipping, while hoping for B, that is long-term stockholder–stakeholder engagement and firm sustainability. The emerging stream of research on stock flipping suggests that this phenomenon, and the related phenomenon of stake flipping, may be occurring more frequently than previously thought (Aggarwal, 2003).

With regard to independent variable measurement, researchers might look to the nature of firm–stakeholder contracts to derive measures of corporate social responsiveness (Agle et al., 1999; Jones, 1995; Waddock & Graves, 1997). Alternatively, stakeholder board representation might make an appropriate proxy, but there remains the ongoing challenge of distinguishing rubberstamp membership (Mace, 1971) from true representation (Coombs &

Gilley, 2005; Kassinis & Vafeas, 2002; Luoma & Goodstein, 1999; Wood, 1991b). More generally, researchers might seek to study whether symbolic management is sufficient for firm performance or, conversely, whether concrete actions through resource and budgetary commitments are necessary to improve performance.

Another interesting and underdeveloped possibility for stakeholder theory research is to elaborate the dimension of stakeholder emotion. As this article's title attests, there is anecdotal evidence that stakeholder theory has emotional resonance for managers and scholars alike, and positive emotions are an emerging area organization theory (Côté & Miner, 2006). Previous research suggests that positive emotions build individuals' personal resources (Fredrickson, 1998) and expand their cognitive thought processes (Fredrickson, 2003). When individuals feel that they can trust each other, they are more willing to take risks in relationships (Edmondson, 1999). Thus, emotional resonance is a potential source of positive outcomes for firms and deserves future research attention.

For instance, it appears reasonable to argue that employees may be more energized working for firms that have a purpose that goes beyond maximizing shareholder wealth. Likewise, it might be particularly useful to create win-win situations with marginalized stakeholders that permit and encourage positive deviance; that is, "intentional behaviors that depart from the norms of a referent group in honorable ways" (Spreitzer & Sonenshein, 2004: 828). Spreitzer and Sonenshein (2004) suggest some possible outcomes of positive deviance that include subjective well-being, long-term effectiveness, and the evolution of organizational and common business norms. We see this linkage potentially extending to firm sustainability. For instance, efforts to increase the breadth of relevant stakeholders (e.g., Starik, 1995) largely appear to be implicit or explicit efforts to get managers to consider the interests of a larger proportion of society, so that they might reduce the world's "misery" (Margolis & Walsh, 2003). We suggest that rather than arguing for why more stakes ought to be included, researchers might look to the positive outcomes concomitant with greater inclusion. For instance, researchers could study positive spirals emanating from cases where management has acted in a positively deviant manner to ensure that marginalized stakeholder groups have been included in decision making or that their interests have been taken into account.

Given that organizational identification is a mechanism that aligns individual interests and behaviors with interests and behaviors that benefit the organization (Dutton, Dukerich, & Harquail, 1994), it may be particularly useful for the study of emotions. Members are more likely to identify with an organization when their values converge with those of the focal organization (Hogg & Terry, 2000). Thus, firm actions toward stakeholders are likely to affect member perceptions of value congruence to the extent that members empathize with the position of stakeholders. For instance, opportunistic behavior toward marginalized groups could compromise member identification if it is perceived as unjust or callous. Consequently, we encourage further research linking identity, values, and emotions to stakeholder management outcomes.

Theory Debates

As seen in Table 2, there has been considerable conceptual activity ($n = 50$) but very few empirical tests ($n = 5$) for this theme, suggesting a lack of substantiating evidence for many

of the claims made thus far. Perhaps the most substantive criticism of the theory, and one that deserves attention, is the claim by some economists that stakeholder management promotes mismanagement because it gives managers too much power to distribute shareholder wealth in questionable ways (Jensen, 2002; Sundaram and Inkpen, 2004). Conversely, Freeman believes that:

The key insight of stakeholder theory is that capitalism works because there is a *jointness* [emphasis added] to the interests of at least customers, suppliers, employees, communities, and financiers. The role of the manager or entrepreneur is to capture the nature of that joint interest and create value for each and all. Where there is conflict, innovation kicks in and more value gets created. (R. E. Freeman, personal communication, March 12, 2008)

If stakeholder management really “plays into the hands of special interests” (Jensen, 2002: 242), then we might support Phillips et al.’s (2003) call for new tools that help to align the interests of practicing stakeholder managers with those of their stakeholders. One tactic could include incorporating managerial incentives developed under the guise of agency theory, but in ways that transcend immediate stock performance. Such research could go a long way to resolving some of the problems with stakeholder theory, namely, that it ignores the role of incentives (Elms et al., 2002) and does not guarantee that managers will respect obligations to employees (Carson, 2003).

Next, we argue that stakeholder theory may benefit from recent conversations in some selected European journals. It is interesting that the broad acceptance of stakeholder theory across continents is evidenced in our review, which found that more than 40 articles were first authored by European researchers. We would specifically like to draw the attention of researchers to focus on a couple of important normative questions—both theoretically and empirically—related to the role of organizations in society. For instance, researchers could focus on the question posed by Djelic and Vranceanu in the 2006 *Business Ethics* forum, “What is good managerial behavior?” (2006: 4). The forum drew attention to a question that gets to the very core of how business is taught in universities: “What is the conception of human nature and social reality implied and embedded in modern management theories?” (2006: 4). We believe that an in-depth focus on these two questions is worthwhile in light of recent attention to stakeholder issues and rising discourse on the appropriate role of organizations in society.

We also believe that the contraposition of agency theory with stakeholder theory has not been particularly productive because of incompatible assumptions concerning the nature of managers’ motives (i.e., whether they are self-serving). By contrast, stewardship theory’s positive assumptions about managers’ motives (i.e., that managers are stewards who identify with their organizations; Davis, Schoorman, & Donaldson, 1997) complement stakeholder theory’s basic assumption that the role of the manager is to balance stakeholder interests in the best interest of the firm. Thus, future research might investigate the potential for the integration of stakeholder theory and stewardship theory.

More attention should also be given to the development of stakeholder management as a capability that produces performance, legitimacy, and a good reputation. We therefore assert that a return to Freeman’s (1984) original thesis on the strategic value of stakeholder management

is in order. In particular, more research is needed to uncover the mechanism by which stakeholder management constitutes valuable, rare, and immobile resource manifesting in competitive advantage for firms. For instance, research might explore the potential for stakeholder inclusion in decision making as a mechanism for managers to establish bridges into stakeholder social networks (McEvily & Zaheer, 1999) and for the possibility of innovation, ideas, and opportunities that are often derived from the meeting of minds from disparate groups.

Finally, the combination of a wide diffusion of the stakeholder concept in both managerial and academic discourse, the limited ongoing attention to the theory in mainstream management journals, and the dearth of empirical studies raises some questions concerning its status as a major management theory. Given that attention to the theory has essentially plateaued in recent years, stakeholder theory may have reached a critical juncture in theory development, which we identified as an important motivation for undertaking our review at this time. We extrapolate that the way forward will not be easy considering the cognitive space of management researchers is already largely "staked out" by several well-entrenched incumbents (Smith & Hitt, 2005). We do, however, believe that integrating stakeholder theory with other prominent organization theories, such as institutional theory and the literatures on managerial cognition, and with the emerging movement toward positive organization scholarship may help invigorate future research.

Conclusion

The ubiquitous appearance of the term *stakeholder* in the current organization literature suggests that stakeholder theory has already transformed the conversation in fields such as strategic management, where entities such as consumer groups, environmental groups, and communities had previously been ignored. Our review of stakeholder theory points to its growing acceptance in light of the lack of discourse on issues related to ethics and morality in the field of organization studies. Also, the concomitant increase in corporate scandals, media reports on unethical behavior of organizations, and consumer demands for socially responsible organizations have made scholars and practitioners alike rethink whether current frames of reference are sufficient to address substantive ethical and moral problems in the world of business.

Stakeholder theory's rise in prominence is evidenced by the growing acceptance of the theory across functional disciplines and explained by its relevance in addressing practical concerns of unethical and irresponsible behavior of some organizations. Although Planck may have observed that science progresses funeral by funeral, stakeholder theory shows signs of having birthed a dynamic and emerging community of management scholarship.

In spite of the disdain expressed by policy makers such as Alan Greenspan, who stated that the "notion of enlisting representatives of a corporation's various stakeholders on the board . . . is ill-advised" (2007: 432), we find an emerging consensus on the need to be cognizant of stakeholders, for both strategic and moral reasons. Yet several areas remain underinvestigated. In particular, we find a dearth of qualitative studies, specifically on nonprofits, small businesses, and family firms. We also notice the social construction of ethics

and a normative core in the theory, something that transcends Freeman's seminal work. We see a place for both normative and strategic dimensions in the theory but notice that the strategic emphasis of the theory has been underemphasized in recent years.

In conclusion, we believe that stakeholder theory has generated much excitement because it is a theory that resembles Weick's (1999) description of a "moving theory" by virtue of its emotional resonance. Yet the theory's key challenges remain its limited empirical validity and a certain lack of order in advancing theoretical claims for paradigm development. Although empirical validity is only one of many criteria for evaluating a theory, it is an important one. To that extent, we believe that stakeholder theory may benefit from focused empirical research on central questions and assumptions.

APPENDIX

Codebook for Content Analysis

Code	Definition
Quantitative Variables Coded	
Year	Year of publication
Authors	List of authors
Article title	Title of the article
Journal	Publication in which the article was published
Institution	Institution of the first author
Type	Theoretical, empirical, review, reply or debate
Theories used	Theories used (other than stakeholder theory)
Propulsion type	Sternberg's model of creative contributions (7 types)
Category	Normative, instrumental, descriptive, combinations
Concern	Primary or secondary stakeholders or both
Empirical type	Quantitative, qualitative, mixed methods
Data source	Survey, secondary data, experiment, interview, other
Industry	Industry from which the data were collected
Country	Country from which the data were collected
Organization type	Type of organization (profit or nonprofit)
Dependant variables	Dependant variable(s) used in the study
Independent variables	Independent variable(s) used in the study
Qualitative Variables Coded	
Stated questions	Research questions explicitly stated in the article
Stated contributions	Contributions explicitly stated in the article
Key findings	Key findings explicitly stated in the article

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