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## Neo-Mitchellian Approach to Understanding Stakeholders' Relationships in Organizations

**Abstract** *Mitchell et al. (1997) proposed that stakeholder salience is directly proportional to the number of attributes of salience—power, legitimacy and urgency—as perceived by managers. However, till date, researchers have differences about these attributes as determinants of salience. To resolve these differences and to precisely specify the attributes that make a stakeholder salient in the eyes of managers we attempted to gain deeper insights into this phenomenon. For this purpose, we employed multiple case study strategy in a purely quantitative treatment—a unique mix. Our findings suggest that the attributes as conceived by Mitchell et al. (1997) are quite broad and general. Managers identify salient stakeholders based on specific types of these and few other attributes. We found that stakeholders that possess utilitarian power, influence legitimacy, criticality and organized proximity are attended by the managers.*

**Key Words:** Stakeholders, Salience, Attributes, Managers, Multiple Case Study

### Introduction

The Mitchellian approach to stakeholder relationships posits that the degree to which the managers perceive stakeholders salient is proportional to the number of attributes of salience—power, legitimacy and urgency (Mitchell, Agle, & Wood, 1997). Extant literature is replete with differences on the question of inclusion of significant attributes of salience. [Khurram and Charreire Petit \(2017\)](#) posit that this discrepancy in stakeholder literature is due to a) failure to transcend beyond the epistemological boundaries, as originally defined by Mitchell et al. (1997), b) limited empirical examination of salience model with newly proposed attributes—e.g., proximity (Torre & Rallet, 2005) and c) no granulization of salience attributes to precisely identify the attributes of salience.

In introducing neo-Mitchellian approach, we have finely differentiated into various kinds, the attributes of salience and have analyzed their relevance with stakeholder salience. We have included the types of *power*—i.e., coercive, utilitarian, network centrality and normative power—([Parent & Deephouse, 2007](#)), *urgency*—i.e., time sensitivity and criticality—(Mitchell et al., 1997), *legitimacy*—i.e., exchange, influence, dispositional, consequential, procedural, structural, personal and cognitive—(Suchman, 1995) and *proximity*—i.e., organized and geographical—([Driscoll & Starik, 2004](#)).

To fulfil the methodological requirements of this research, we have examined the stakeholder-managers relationship in its original context by restricting the interference of the authors to ensure the validity and reliability of collected data. Exploratory multiple case study design has been used for this study (Eisenhardt, 1989; Yin, 2003). The qualitative data (words) collected through archival records and semi-structured interviews have been converted into numbers and then used to carry on quantitative analysis (Parent & Deephouse, 2007).

This paper is organized as follows. Firstly, the literature review on salience model and salience attributes has been presented. The methodology is followed by analysis and results. Finally, we conclude the study with a brief discussion of limitations and potential research avenues.

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## Literature Review

Since its genesis, stakeholder theory (Freeman, 1984) has widely been analyzed for its instrumental, descriptive and normative perspectives (Donaldson & Preston, 1995; Graves & Waddock, 1994; Hill & Jones, 1992; Jones & Wicks, 1999). Of these, the normative perspective focuses on all elements that contribute to the mutual social cooperation (Hartman, 1996). Normative perspective fails to identify salient stakeholders (Frederick, 1998; Rowley, 1997; Thompson, Wartick, & Smith, 1991). Therefore, salience framework introduces the concept of stakeholder salience (Mitchell et al., 1997). As per this model, three attributes of stakeholder—power, legitimacy, and urgency—determine the degree of salience possessed by stakeholder. More number of attributes a stakeholder has, the manager assigns the greater salience to the stakeholder (Mitchell et al., 1997). This model has been verified and supported empirically in the subsequent research as well (e.g. Agle, Mitchell & Sonnenfeld, 1999). This has also been cited profusely. Still, there exists a grave incongruity among scholars in terms of inclusion of attributes, responsible for the managerial perception of a salient stakeholder in the model.

## Power

Unlike, power dynamics between two social actors (Pfeffer, 1981; Weber, 1947), the conception of power in salience framework has been drawn on the classification of organizational bases of power—coercive, power, normative power, and/or utilitarian power (Etzioni, 1964). Of the preliminary theoretical developments in terms of power attribute, Neville, Bell & Whitewell (2011) suggest viewing power attribute through the perspective of social network theory. Because, relative centrality of a stakeholder in the network makes stakeholder decide if to allow access to other constituents within the network or to hold them back (Rowley, 1997). The same explains the possession of network proximity power by organizations (Driscoll & Starik, 2004).

In prior literature, the significance of these attributes of power has empirically been determined (e.g. Parent & Deephouse, 2007). Extending this stream of literature, we have included network proximity as an important determinant of stakeholder salience as well. We, therefore, propose that

*Hypothesis 1a: Types of power— normative, utilitarian, coercive and network proximity—are positively related to stakeholder salience.*

*Hypothesis 1b: The cumulative number of the types of power is positively related to the stakeholder salience.*

## Legitimacy

In the salience framework, the phenomenon of legitimacy has been taken as a postulation that ensures the appropriateness of some actions making them socially acceptable and desirable (Suchman, 1995). For the lack of unanimous consensus among scholars, various categorizations of legitimacy exist in extant literature (e.g. Aldrich & Fiol, 1994; DiMaggio & Powell, 1983; Neville et al., 2011; Phillips, 2003). For example, Hunt and Aldrich, (1996) classify legitimacy into cognitive, sociopolitical regulatory and sociopolitical normative, while Scott (2001) categorizes legitimacy into regulative, normative, and cognitive depending on their sources and Suchman (1995) organizes legitimacy into cognitive, pragmatic and moral legitimacy. Cognitive legitimacy is an outcome of diffusion of knowledge and belief taken for granted, pragmatic legitimacy is a result of the instrumental or self-interested evaluation, while moral legitimacy is a consequence of favourable normative evaluation (Aldrich & Fiol, 1994). Moral legitimacy is further divided into four types—consequential, procedural, personal and structural. While pragmatic legitimacy has three sub-types—exchange, influence and dispositional. In substantiated research, Suchman (1995) has defended the three types of legitimacy and their sub-types by contesting that they are mutually exclusive and different in their content and meaning. Counting on the original conception of legitimacy from research (Mitchell et al., 1997; Suchman, 1995), we thus anticipate that types of

legitimacy—moral, pragmatic and cognitive—do affect stakeholder salience. Therefore, we propose that:

**Hypothesis 2a:** Types of moral legitimacy—consequential, procedural, personal and structural—are positively related to the salience of the stakeholder.

**Hypothesis 2b:** Types of pragmatic legitimacy— influence, dispositional, exchange are positively related to the salience of the stakeholder.

**Hypothesis 2c:** Attribute of cognitive legitimacy is positively related to the salience of the stakeholder.

**Hypothesis 2d:** Cumulative number of the types of legitimacy is directly related to the salience of the stakeholder.

## Urgency

In the salience framework, the urgency has been classified into time sensitivity and the criticality. The size of the effect of urgency as an attribute of salience has long been debated in the literature (Agle et al., 1999; Gifford, 2010; Neville et al., 2011). In adopting the neo-Mitchellian approach, we clarify the role of urgency in stakeholder salience and include both types to examine their relevance to stakeholder salience. We, therefore, propose that

**Hypothesis 3a:** Types of attribute of urgency—criticality and time sensitivity—are positively related to stakeholder salience.

**Hypothesis 3b:** The cumulative number of types of urgency is positively related to stakeholder salience.

## Proximity

In management literature, proximity has been conceptualized as a binary phenomenon—near and far, the short and the long term, and the actual and the potential (Driscoll & Starik, 2004). Proximity has been classified as institutional, organizational and geographical (Kirat & Lung, 1999). Later on, Torre and Rallet (2005) classify proximity comprehensively into two—Geographical and Organized.

In stakeholder literature, geographical proximity is not distance in miles, but it signifies how managers perceive the nature of geographical distance from the stakeholder (Driscoll & Starik, 2004; Torre & Rallet, 2005). In the same context, we are also interested in examining the effect of advancement in communication and transportation technologies on the correlation between geographical distances and stakeholder salience. While, organized proximity enable their members to interact through membership social logics (Torre & Rallet, 2005). Higher shared membership and social logics result in higher organized proximity. Besides the organizational level, the term organized proximity has also been extended to intra-organizational level. Organized proximity ensures the general unanimous understanding of the regulations to minimize conflicts (Torre & Rallet, 2005). A managers-stakeholders dyad based on more set of belief system may ensure their positive correspondence and interaction. Therefore, we posit that organized proximity can equally be applied to the managerial perception of the salience of stakeholder. Thus, we propose,

**Hypothesis 4a:** Types of the attribute of proximity—geographical and organized—are directly related to stakeholder salience.

**Hypothesis 4b:** Cumulative number of types of proximity is positively related to stakeholder salience.

## Methodology

Depending on the nature of research subject as well as the magnitude of command over interactive behavioural events, an exploratory multiple case study design has been employed in this research (Eisenhardt, 1989; Yin, 2003). This method ensures better external generalizability while giving

robust analytical results (Yin, 2003). In this study, four case studies (microfinance organizations) have been chosen to analyze the contribution of attributes and their types to stakeholder salience. They are Development Action for Mobilization and Emancipation (DAMEN), Agha Khan Rural Support Program (AKRSP), Rural Community Development Society (RCDS) and National Rural Support Program (NRSP). Each case allows peculiar context in which replication logic has been applied to achieve a higher level of certainty about the results.

These cases are representative of the microfinance sector and carry a sizeable share (Pakistan Microfinance Review, 2012). These cases are polar studies showing the largest and smallest sector (e.g NRSP with 22 per cent, while RCDS with only 1per cent of the overall portfolio of the Microfinance sector). The staff at various hierarchies of these cases was approachable to conduct interviews. The interviewees were consulted to identify the salient stakeholders, which helped in determining the set of stakeholders. These organizations were primarily NGOs that transformed either into scheduled commercial banks (AKRSP and NRSP) or commercial microfinance institutions (DAMEN and RCDS). This research has also empirically examined salient stakeholders of AKRSP and NRSP in their precedent phase.

These case study organizations are intermediaries to collect funds from national and international lenders and to provide loan providers to small and medium entrepreneurs, livestock and capacity building, and to support them in savings etc. These organizations charge for their operational and financial expenses. Their departments are developed as per the regulatory framework of national laws. These organizations deal with various stakeholders like Government, Microfinance Networks, commercial banks, donors, advocacy groups, vendors, etc.

## **Data**

In stakeholder literature, three methods—surveys, interviews and archival records—have been used extensively to collect data (Agle et al., 1999; Driscoll & Starik, 2004; Friedman & Mason, 2004; Harvey & Schaefer, 2001; Jiang & Bansal, 2003; Khurram & Charreire Petit, 2017; Parent & Deephouse, 2007; Ryan & Schneider, 2003; Winn & Keller, 2001, etc.).

In our work data have been collected through archival materials and open-ended structured interviews. Firstly, archival material comprising 2400 pages from several sources like newspaper, websites, review and annual appraisals of these firms, periodicals of Pakistan Microfinance Network, Pakistan's central bank reports etc have been collected to identify stakeholders of case study organizations. Then 33 open-ended standardized interviews with managers, their stakeholders, significant government officeholders and analysts have been conducted that have resulted into memos of 31,900 words. As per preference of the interviewees, the medium of the interview was either English, Urdu (national language) or both. These tape-recorded interviews have been translated and transcribed by one of the well-versed authors in both languages. An expert has later on reviewed transcripts in both media to ascertain the quality of evidence.

Prior consent has been sought from each interviewee, after informing them about the scope and purpose of research. Three standardized and structured protocols (for managers, their stakeholders and independent analysts) have been used to conduct interviews. Interviews resulted in 108,827 words. Archival material has reassured the triangulation and results of the interviews.

## **Analysis**

To empirically examine the relevance of Types of Attributes (TOAs) to stakeholder salience, the manager-stakeholder relationship dyad has been taken as the unit of analysis in line with previous research (Agle et al., 1999; Khurram & Charreire Petit, 2017; Parent & Deephouse, 2007). To statistically relate stakeholder salience with TOAs, qualitative data (words) from transcripts of interviews, archival material and memos have been transformed into numbers. Total of *160 dyads (observations)* for 17 different variables has been analyzed.

In line with the practice by Parent and Deephouse (2007), information from respondents to class-rank the stakeholders in the order of their relative importance have enabled us to create a variable termed *Salience Rank* (e.g. one (1) showing the most important stakeholder, two (2) showing the second most important stakeholder and so on). Similarly, interviews have facilitated us creating four variables, *number of types of power* (0 to 4), *number of types of legitimacy* (0 to 8), *number of types of urgency* (0 to 2) and *number of types of proximity* (0 to 2). For example, Manager Products at AKRSP perceived Donors to possess 3 types of power; 5 types of legitimacy; 1 type of urgency and 1 type of proximity.

To ascertain research design quality, the measures reflecting salience attributes, TOAs and stakeholder salience have been selected. The conformity of protocols of interviews and coding process with theoretical concepts has also been ensured (Etzioni, 1964; Mitchell et al., 1997; Driscoll & Starik, 2004; Torre & Rallet, 2005). External and construct validity have been ensured by using replication logic and multiple sources of information. Likewise, the reliability of qualitative retrospective data has been built through carrying on uniform field procedures and constant use of protocols to interview managers who themselves experienced the phenomenon being examined here (Golden, 1992). Hence, respondents with substantial field experience have been preferred for the interview.

## Results

**Table 1.** Spearman Rank Correlations

		<b>Salience Rank</b>	
Spearman's Rho N=160	Types of Power	Correlation Coefficient	-0.444489
		Probability	0.0000
	Types of Legitimacy	Correlation Coefficient	-0.633242
		Probability	0.0000
	Types of Urgency	Correlation Coefficient	-0.422150
		Probability	0.0000
	Types of Proximity	Correlation Coefficient	-0.450020
		Probability	0.0000

Results of statistical tests are given in Table 1 to 4. The results presented in Table 1 support hypotheses 1b, 3b, 4b and 2d. The Spearman correlation shows that the statistically significant correlation ( $r_s = -0.44$ ,  $n=160$ ,  $p < 0.01$ ) that shows that when a stakeholder has more number of power types it is perceived more salient by managers. Similarly, salience rank is also significantly related to the cumulative number of types of legitimacy ( $r_s = -0.63$ ,  $n=160$ ,  $p < 0.01$ ); number of types of urgency ( $r_s = -0.42$ ,  $n=160$ ,  $p < 0.01$ ) and number of types of proximity ( $r_s = -0.45$ ,  $n=160$ ,  $p < 0.01$ ).

**Table 2.** Rank wise effect of Attributes and Types on Salience

<b>Figures in percentages</b>		<b>Most Salient</b>	<b>2<sup>nd</sup> most Salient</b>	<b>3<sup>rd</sup> "</b>	<b>4<sup>th</sup> "</b>	<b>5<sup>th</sup> "</b>	<b>6<sup>th</sup> "</b>	<b>7<sup>th</sup> "</b>	<b>8<sup>th</sup> "</b>	<b>9<sup>th</sup> "</b>
Power	Utilitarian	71	80	52	26	27	27	14	0	0
	Coercive	0	3	3	22	13	0	14	0	0
	Normative	74	73	62	26	47	45	29	10 0	100
	Network Proximity	76	70	52	37	47	45	14	0	0

Legitimacy	Moral	Consequential	66	53	28	19	20	9	14	0	0
		Procedural	66	53	28	19	20	9	14	0	0
		Structural	61	53	41	22	33	18	0	0	0
		Personal	26	23	17	11	13	9	0	0	0
	Pragmatic	Exchange	55	43	17	4	7	0	0	0	0
		Influence	84	70	34	56	20	18	29	0	0
		Dispositional	3	3	3	0	0	0	0	0	0
		Cognitive	18	23	14	4	13	9	14	0	0
Urgency	Criticality	66	47	28	11	27	9	0	0	0	
	Time										
	Sensitivity	8	0	0	0	7	0	0	0	0	
Proximity	Geographical	0	0	0	0	0	0	0	0	0	
	Organized	79	50	41	22	20	18	0	0	0	

**Note.** Contribution or Impact of attributes to salience has been measured as a ratio of 'frequency of an attribute type in one salience-rank category' and 'number of stakeholders identified in that category'.

Table 2 indicates that a utilitarian type of power has the highest influence on salience followed by normative and network proximity power. It suggests that managers assign first and second highest salience ranks to stakeholders possessing utilitarian, network proximity and normative power.

Correlations among TOAs and stakeholder salience (Table 3) show that all types of powers and moral legitimacy are directly related to salience, except coercive power. Among types of moral legitimacy, consequential and procedural legitimacy have high correlations (Table 3). In short, the overall pattern of correlations shows support for hypotheses 1a, 2a, 2b and 4a.

**Table 3.** Correlation of Salience & Types of Stakeholder Attributes

Variables		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Salience Rank	R	1	0.428	0.182	0.268	0.338	0.422	0.422	0.343	0.189	0.481	0.438	0.086	0.130	0.437	0.114			0.450
	Sig		0.000	0.021	0.001	0.000	0.000	0.000	0.000	0.017	0.000	0.000	0.279	0.102	0.000	0.150			0.000
Utilitarian	Phi		0.179	0.233	0.207	0.129	0.116	0.472	0.090	0.578	0.093			0.296	0.555				0.162
	Sig		0.024	0.003	0.009	0.103	0.142	0.000	0.255	0.000	0.240			0.000	0.000				0.041
Coercive	F												1.000						
	Phi											0.193							
Normative	Sig											0.015							
	F				0.054	0.542	1.000	1.000	0.051	0.215	0.067		1.000	0.368	0.009				0.003
Normative	Phi				0.054	0.155	0.144	0.337	0.261	0.387	0.046			0.011	0.272				0.197
	Sig				0.000	0.000	0.000	0.000	0.000	0.000	0.058			0.088	0.001				0.013
	F												0.202						

		64									
Network Proximity	Phi	0.245	0.234	0.531	0.282	0.385	-0.001	-	0.098	0.281	0.239
	Sig	0.002	0.003	0.000	0.000	0.000	0.989	0.216	0.000		0.003
	F							0.254			
Consequential	Phi		0.987	0.166	0.055	0.321	0.325	-0.057	0.263	0.204	
	Sig		0.000	0.036	0.488	0.000	0.000	0.474	0.001	0.010	
	F							0.049			
Procedural	Phi			0.151	0.027	0.300	0.314	-0.052	0.245	0.190	
	Sig			0.058	0.734	0.000	0.000	0.515	0.002	0.017	
	F							0.047			
Structural	Phi				0.227	0.448	-0.005	0.000	0.482	0.301	
	Sig				0.000	0.000	0.000	0.906	0.000	0.000	
	F							0.565			
Personal	Phi				0.180	0.034	0.006		0.184	0.168	
	Sig				0.023	0.667			0.020	0.034	
	F						1.000	0.768			
Exchange	Phi					0.175	0.000	0.185	0.020	0.033	
	Sig					0.027		0.286	0.000	0.000	
	F						0.163				
Influence	Phi							0.097	0.175	0.297	
	Sig							0.222	0.027	0.000	
	F							0.598			
Dispositio	Phi										
	Sig										
	F							0.376	0.275	0.076	
Cognitive	Phi									0.037	
	Sig									0.000	
	F									0.000	

Note. R represents Rho and F represents Fisher.

Level of significance is 5%. Spearman's Rho, Phi Coefficient and Fisher exact tests have been calculated. Pearson Chi-square tests the significance of Phi. Time sensitivity and Geographical Proximity are found constant. When test values with expected frequencies are < 5 in a cell, Fisher test has been applied

Regressing cumulative number of TOAs against salience rank reveals that significant variation ( $R^2 = 0.41$ ) in stakeholder salience is explained by the predictor variable—i.e., the cumulative number of TOAs. The predictor variable is statistically significant and its coefficient suggests that the salience of stakeholder improves by 0.39 on the ranking for every additional attribute possessed by the stakeholder (Table 4).

**Table 4.** Regressing Cumulative Number of Attributes' Types against Stakeholder Salience (Cumulative Number of Attributes' Types)

Model Summary							
Stakeholder Salience	ANOVA			Coefficients			
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	Sig	Unstandardized Coefficient	Standardized Coefficient	Sig
	0.411	0.407	110.18	0.000	-0.390	-0.641	0.000

### Discussion

This empirical study primarily aims to resolve the differences among scholars over the inclusion of TOAs in salience model. This study, therefore, categorizes salience attributes into different types and investigates their relevance and significance in the extended salience framework. The results come from the analysis of data collected through archival material and standardized open-ended interviews. Study results are valid as they originate from an exploratory multiple case study design involving four microfinance institutions in Pakistan. This study shows that with few exceptions, various TOAs are positively related to stakeholder salience. A manager perceives a stakeholder more salient who possesses more number of attributes (Mitchell et al., 1997). *Results revealed that managers assign first and second highest salience slots to stakeholders who are perceived to possess utilitarian, network proximity and normative power.* Utilitarian power has the most effect on salience followed by normative and network proximity power. Surprisingly, coercive power is negatively related to salience rank. Post hoc analysis shows that though the government possesses coercive power, managers consider it least salient because of its insignificant role in the microfinance sector. While in the banking sector, it is among salient stakeholders for its strict enforcement of financial regulations. Admittedly, this post hoc interpretation needs a deeper future investigation to understand sector-wise variability in its salience. Consequential and procedural legitimacy among types of moral legitimacy, and criticality and organized proximity amongst the types of urgency and proximity respectively have the most effect on salience of the stakeholders. Similarly, all kinds of pragmatic legitimacy (*except* dispositional type) are in strong direct relationship with stakeholder salience.

### Limitations and Avenues for Future Research

Certain limitations ail this research. This research has been conducted by assuming that stakeholders in groups are homogenous. For future research, the inclusion of more subgroups can extend the scope of salience framework. Similarly, incongruities among researchers over the inclusion and effect of TOAs in salience model (e.g. Harvey & Schaefer, 2001; Parent & Deephouse, 2007) can be alleviated by conducting future research focusing only on one particular constituent and then examining its salience profile in different industries. The contextual factor of a country must also be considered for institutional change process (Khavul, Chavez, & Bruton, 2013) to establish a dynamic understanding of the salience model.



## **Conclusion**

An exploratory multiple case study design has been used in this article to categorize salience attributes into different types to empirically investigate salience-TOAs dyad. Results have been obtained from the analysis of data collected through archival records and open-ended standardized interviews. Results suggest that of all types of attributes, utilitarian power, criticality (part of urgency), influence legitimacy and organized proximity are best determinants of stakeholder salience among other types of attributes. The neo-Mitchellian approach adopted in this research indicates that considerable unrealized research potential exists in this field of study.

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