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Stakeholder Integration

Building Mutually Enforcing Relationships

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This study examines the central contention of instrumental stakeholder theory—namely, that firms that breed trust-based, cooperative ties with their stakeholders will have a competitive advantage over firms that do not. A case study of the introduction of genetically modified food products in the Netherlands provided the basis for the empirical analysis. The results support the instrumental stakeholder management thesis, showing that stakeholder integration, through the development of mutually enforcing relationships with external parties, may result in both organizational learning and societal legitimacy.

The view that stakeholder management and beneficial corporate performance go hand in hand has now become commonplace in the management literature (Donaldson & Preston, 1995). In the words of Freeman (1999), “If organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization’s purposes” (p. 234). Donaldson and Preston (1995) have labeled the specific branch of stakeholder literature that seeks to establish theoretical connections between such corporate practices and firm performance “instrumental stakeholder theory.” Over the past

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decade, this branch of theory has been inextricably connected to the work of Jones and his colleagues (Jones, 1995; Jones & Wicks, 1999).

Recently, a number of empirical contributions have appeared in the literature that provide a direct test of the hypothesis that corporations whose managers adopt stakeholder principles will show better financial performance than those whose managers do not (Berman, Wicks, Kotha, & Jones, 1999; Ogden & Watson, 1999). Donaldson and Preston (1995), however, have commented critically on such empirical contributions: “Whatever value the [studies examining the link between stakeholder management and market performance] may have on their own merits, most of them do not include reliable indicators of the stakeholder *management* [italics added] (i.e., the independent variable) side of the relationship” (p. 78).

In this article, we take this critique to heart and report on an in-depth case study, aimed at theory building, that specifically examines the indicators of instrumental (or strategic—cf. Berman et al., 1999) stakeholder management. We set out to chart these indicators with the help of two research questions. The first of these is as follows: What specific types of stakeholder management do firms use to increase their market performance? The second question is, What specific types of competitive benefits might firms expect when they use these stakeholder management techniques? A detailed case study of the strategic stakeholder management practices of firms in the Dutch foods industry during the recent introduction of genetically modified ingredients (covering the 1992-2000 period) provides the empirical basis for our analysis.

We develop this article in the five following sections. First, we deductively generate a typology of stakeholder integration mechanisms, based on two underlying theoretical dimensions (i.e., the locus and modus of integration). Second, we briefly discuss the methods we used for our empirical study. Third, we provide a case description in which we report data on the attempts at stakeholder integration by the firms in our sample. Fourth, we analyze this data to develop four propositions that link the various stakeholder integration types to specific forms of competitive benefits. Finally, we sum up with some brief concluding remarks.

THEORY DEVELOPMENT: A TYPOLOGY OF STAKEHOLDER INTEGRATION TYPES

Instrumental theory in general posits that certain outcomes will obtain if certain behaviors are adopted (Jones & Wicks, 1999). Instrumental stakeholder theory in particular holds that “*firms that contract (through*

their managers) with their stakeholders on the basis of mutual trust and cooperation will have a competitive advantage over firms that do not" (Jones, 1995, p. 422). This particular strategy of obtaining a competitive advantage through the development of close-knit ties with a broad range of internal and external constituencies has been labeled "stakeholder integration" in the literature (Hart, 1995; Sharma & Vredenburg, 1998). Empirically, however, the phenomenon appears in many different guises. Examples range from employee stock ownership plans (Marens, Wicks, & Huber, 1999) to stakeholder representation on corporations' boards (Luoma & Goodstein, 1999). We suggest two conceptual dimensions to distinguish between these various types: the *locus* ("where?") and the *modus* ("how?") of stakeholder integration.

Locus of Stakeholder Integration

In their task environments (Dill, 1958), organizations are confronted with a variety of sources of uncertainty and interdependence (Bazerman & Schoorman, 1983; Pfeffer & Salancik, 1978; Thompson, 1967). To handle these problems effectively, organizations are forced to forge links with the critical constituencies in their environment (Bresser & Harl, 1986; Pfeffer, 1972; Selznick, 1949). As Schoorman, Bazerman, and Atkin (1981) observed, "The management of an organization's linkages to financial institutions, suppliers, and customers may be just as crucial to the effectiveness of the total organization as its internal management" (p. 244).

Such linkages may take the form of dyadic relationships between the firm and its most important stakeholders. In Freeman's (1984) early work, for example, the stakeholder model is presented as a map in which the firm is the hub of a wheel and stakeholders are positioned at the ends of the wheel's spokes (cf. Frooman, 1999). This conceptualization suffices as long as a firm can isolate its most important stakeholders. Freeman also admitted, however, that a firm's stakeholder environment often consists of "a series of *multilateral* [italics added] contracts among stakeholders" (Freeman & Evan, 1990, p. 354). In other words, because stakeholder relationships often occur in a network of influences, firms do not always respond to each stakeholder individually but rather to the interaction of multiple influences from the stakeholder environment (Rowley, 1997). In sum, we suggest that the locus of stakeholder integration can either be the dyad (one-on-one relationships between a firm and its stakeholders) or the network (multilateral contracts between a firm and its stakeholders).

Modus of Stakeholder Integration

Edelman (1992) noted that when faced with pressure from external sources, top managers seek to comply in a way that safeguards their own autonomy. One particularly effective way of dealing with outside pressures is the establishment of boundary-spanning structures to signal commitment to institutionalized beliefs and represent the organization favorably to valued stakeholders (Aldrich, 1979; Edelman, 1992; Rao & Sivakumar, 1999; Thompson, 1967). As Meyer and Rowan (1991) remarked, adherence to such institutionally prescribed structures conveys the message that an organization “is acting on collectively valued purposes in a proper and adequate manner” (p. 50). External stakeholders who observe these structures may consequently see the organization as valuable and worthy of support (Suchman, 1995).

Not all strategies for managing outside dependence rely on structural adaptations, however (Oliver, 1991; Pfeffer, 1972). Organizations may also respond on a more informal basis to the pressure of specific centers of power within a community (Selznick, 1949). External stakeholders may, for example, be offered the opportunity to informally influence a corporation’s policy as a recognition of the resources they command (Frooman, 1999; Pfeffer & Salancik, 1978). In particular, collaboration is often mentioned as an effective process for managing external dependencies and for producing solutions to boundary-spanning problems that none of the parties involved could achieve working independently (Gray, 1989). In this modus of stakeholder integration, the emphasis is not on a particular structural adaptation but on interaction processes with external stakeholders. Following Pettigrew and Whipp (1991), we label the latter approach *processual*. In sum, the modus (or modus operandi) of stakeholder integration can either be structural (the creation of boundary-spanning structures) or processual (the development of informal means for managing outside pressure).

Using the locus and modus dimensions, one can construct a straightforward two-by-two typology of stakeholder integration forms (see Figure 1). Effectively, this typology provides a tentative conceptual answer to our first research question.

Four Types of Stakeholder Integration

Buffering. Organizations in general are motivated to secure enough stability and determinateness to preserve the efficiency and effectiveness of their primary transformation processes (W. R. Scott, 1998). The need for certainty induces many organizations to adopt buffering strategies, aimed

Locus dimension	Dyad	Network
Modus dimension		
Structural	Co-optation	Buffering
Processual	Mutual learning	Meta-problem solving

Figure 1. Typology of Stakeholder Integration Mechanisms

at sealing off these core transformation processes from environmental influences (Thompson, 1967). As a stakeholder integration mechanism, buffering comes down to forging close links with representative organizations to avoid having to deal with many dispersed, anonymous, and therefore less controllable individual stakeholders. Rowley (1997) showed that organizations facing many of these so-called indirect stakeholders are in a vulnerable position because they are unable to influence the information exchange processes in the stakeholder network. By developing boundary-spanning structures with representatives of these indirect stakeholders, they are able to buffer themselves from these network-level influences. These structures enable them to preserve some autonomy regarding their operational structure (Meyer & Rowan, 1991).

Co-optation. Organizations must also deal with direct stakeholders (Rowley, 1997), who differ in their degree of perceived salience (Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997). With respect to the most salient of a firm's stakeholders, buffering is often not an option, if only because some stakeholders actually contribute to a firm's technical core directly through investments in co-specialized assets (Dyer & Singh, 1998; Teece, 1987). Organizations may manage the uncertainty that results from such interdependencies through co-optation, which has been defined by Selznick (1949) as "*the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence*" (p. 13). According to Pfeffer (1972), co-optation is a partial absorption

technique that is likely to be used when total absorption is forbidden by law, impossible due to resource constraints, or when partial inclusion is a sufficient condition for resolving the organization's problems. Co-optation is therefore a dyadic stakeholder integration technique, which takes the form of adaptations to a firm's leadership structure to obtain the consent of external stakeholders or to use them as messengers that transmit information of mutual interest (Galaskiewicz, 1985; Pennings, 1981).

Mutual learning. Not all interdependencies between organizations and their stakeholders need to be managed by means of structural adaptations such as buffering or co-optation (Pfeffer & Nowak, 1976). Organizations often face symbiotic interdependencies with other organizations—*symbiosis* being defined by Hawley (1950) as “a mutual dependence between unlike organizations” (p. 36)—that are best managed through processual adaptations. In particular, mutual learning is often noted as an especially appropriate capitalization strategy (March & Simon, 1958; Powell, Koput, & Smith-Doerr, 1996). Central to the mutual learning process is the notion of reframing or redefining the symbiotic interdependence between organization and stakeholder (Gray, 1989). Individual organizations are likely to bring their own feasibility preoccupations to the table, which unnecessarily limits the range of cooperative options to a restricted set. Through dyadic collaborative processes, however, symbiotically interdependent parties may discover each other's feasibility preoccupations and find a solution that incorporates at least some of the interests of each of the stakeholders involved (Wood & Gray, 1991).

Meta-problem solving. Symbiotic interdependencies are not necessarily restricted to the dyadic level but may extend to the network level (Westley & Vredenburg, 1991, 1997). This happens, for example, when a number of organizations face a joint problem domain that is ill-defined, a problem domain in which relevant stakeholders are not defined a priori, or a problem domain in which there are clear disparities in terms of power or expertise among the parties involved (Gray, 1989). Such problem domains have been labeled *meta-problems* in the literature (Chevalier, 1966). Because meta-problems transcend the boundaries of many individual organizations, they must be addressed cooperatively by combining multiple perspectives and resources for their resolution (Emery & Trist, 1965). Alternatives such as incremental or unilateral efforts to deal with such boundary-spanning problems typically produce less than satisfactory solutions (Gray, 1989). Effective meta-problem solving, therefore, consists of collaborative processes operative at the network level that help to integrate organizations “that may be widely disparate in wealth, power,

culture, language, values, interests, and structural characteristics” (Westley & Vredenburg, 1991, p. 67).

METHOD

To develop an instrumental theory of stakeholder integration that is potentially testable, we conducted an in-depth case study of the dynamics in the Dutch food industry during the recent introduction of genetically modified ingredients. We selected this case because of the issue’s increasing societal relevance and topicality. The level of controversy surrounding the issue (Jardine, 1999; A. Scott, 1998) ensures that it meets the criteria for an “extreme case” (Eisenhardt, 1989), one in which the process of stakeholder integration is more urgent and transparent than in most other cases.

After selecting genetic modification as our object of study, we were left with an important question: What is our case (Miles & Huberman, 1994)? We used four cumulative demarcation criteria to draw a boundary between what we would and would not study. First, the social unit we focused on was the Dutch food industry and its stakeholders. It is important to note that we analyzed both organization-level and industry-level dynamics, reflecting an embedded case study methodology (Yin, 1994). Second, our phenomenon of interest within this unit was the stakeholder integration attempts of the firms represented in the industry. Third, the spatial boundaries we set for this study were the geographical borders of the Netherlands. In other words, we focused only on the local activities of the many multinational enterprises in the area. Fourth and finally, we selected the years 1992 and 2000 as our lower and upper temporal boundaries, respectively.

Data Collection and Sampling

To gather firsthand knowledge of the stakeholder management practices of the Dutch food sector, we conducted so-called focused interviews (Merton, Fiske, & Kendall, 1956) with a broad range of participants in the genfoods issue. To obtain data that captured the greatest possible variation in stakeholder management experiences, we selected a group of 23 key players in the issue, following Glaser and Strauss’s (1967) notion of theoretical sampling in terms of theoretical relevance. More specifically, we sought variation with respect to the roles the various participants played in the issue, as indicated both by the nature of the organizations that employed them and by their job titles. A full listing of our interviewees is presented in Table 1.

Table 1
Listing of Interviewees

<i>Number</i>	<i>Organization</i>	<i>Job Title</i>
1	Product Board for Margarine, Fats, & Oils	Secretary
2	Product Board for Margarine, Fats, & Oils	Policy director
3	Product Board for Margarine, Fats, & Oils	Head of communications
4	Product Board for Margarine, Fats, & Oils	Editor biotechnology newsletter
5	Product Board for Grains, Seeds, & Legumes	Policy director
6	Product Board for Animal Feed	Policy director
7	Ministry of Economic Affairs	Coordinator biotechnology
8	Ministry of Agriculture	Coordinator biotechnology
9	Dutch Standardization Institute	Standardization consultant food and agriculture
10	Consumer & Biotechnology	Policy director
11	Consumer's League	Policy director
12	Unilever	Issues manager
13	Unilever	Purchasing officer
14	Unilever	Public affairs manager
15	Numico	Director corporate affairs
16	Shell	Public affairs manager
17	Gist-Brocades	Director of public affairs
18	Gist-Brocades	Senior external communications
19	Ahold	Public affairs manager
20	Het Financieele Dagblad	Editor
21	De Volkskrant	Science editor
22	Schuttelaar & Partners	Communication advisor
23	Wageningen Agricultural University	Professor of mass communications

The average interview lasted an hour and a half, whereas the researchers asked questions and took notes simultaneously. Most of our interviewees preferred us not to tape-record the conversations, so we decided not to transcribe the interviews. Instead, we made detailed interview reports, usually within 2 days after the data collection. In all, the interview reports amounted to some 150 pages of double-spaced text.

We also used three additional data sources to “triangulate” (Denzin, 1989; Jick, 1979; Patton, 1987) our interview findings. First of all, we were allowed to use the archives of the Product Board for Margarine, Fats, and Oils, which contained personal correspondence (letters, faxes) between members of the Product Board and industry representatives, as well as brochures, scientific reports, minutes of meetings, and so forth. Second, we were able to organize and participate in three roundtable discussions involving high-placed representatives from the Dutch food industry. Third, we were able to use data from various publicly available

Table 2
Interview Protocol

	<i>Illustrative Questions</i>
Position on biotechnology	What is your official position on the use of biotechnology? Under what conditions do you approve of the use of modern biotechnology?
Involvement with biotechnology	When did you become involved with biotechnology? How are you involved with modern biotechnology?
Corporate communication	How do you communicate with your stakeholders about the issue? Are you satisfied with the outcomes of your corporate communication strategy?
Stakeholder relations	In what formal or informal collaborative platforms do you participate? Are you still a member of these platforms?
Stakeholder attitudes	Would you call your stakeholders cooperative? Can you discuss every topic with your stakeholders without immediately politicizing the discussion?
International dimensions	What factors determine the level of public attention for the issue in the Netherlands? What are the most influential institutions in other European countries with respect to this issue?

sources, such as articles from newspapers and magazines as well as a number of audio- and videotapes containing recorded interviews with Product Board members and industry representatives.

Reliability and Validity

Reliability. In the present study, we have attempted to establish a minimum degree of reliability by carefully documenting our data collection and analysis procedures (Kidder & Judd, 1986; Yin, 1994). We have also used an interview protocol with a minimal set of theoretically relevant questions (analogous to Dutton & Dukerich, 1991), even though the interviews we conducted were typically open-ended and assumed a conversational manner. The use of this protocol, of which a short version is presented in Table 2, established at least a minimum degree of comparability across the different interview reports.

Communicative validity. We tried to establish communicative validity—correspondence between a respondent's lived experience of the world and the researchers' interpretation of that experience (Kvale, 1996; Sandberg, 2000)—by creating what Apel (1972) called a community of interpretation. Apel stressed that the production of valid knowledge presupposes an understanding between the researchers and their respondents about what the latter are actually doing. We sought to establish a community of interpretation by means of the roundtable discussions. These occasions allowed us repeatedly to enter into a discussion with a panel of industry experts about the meaning and implications of our research findings.

Construct validity. To establish construct validity—the formulation of correct operational measures for the concepts being studied (Kidder & Judd, 1986)—we used two tactics. First, as noted above, we aimed at establishing convergent lines of inquiry by using multiple sources of evidence (Yin, 1994). Second, we had several versions of the case study report reviewed by a number of key informants ($N = 5$). The rationale behind this tactic is that informants and participants may disagree with the researchers' conclusions and interpretations, but they may as a rule not disagree over the actual facts of the case (Yin, 1994). The reviewers that we used to verify our findings are numbered 1, 2, 5, 13, and 22 in Table 1.

CASE DESCRIPTION: STAKEHOLDER INTEGRATION IN THE DUTCH FOOD INDUSTRY

During the period we investigated (1992-2000), the Dutch food industry tried to deal with the issue of genetic modification collectively by establishing three consecutive interorganizational platforms that were intended to forge close relationships with their most salient stakeholders. In order of initiation, these platforms were labeled *Informal Consultations on Biotechnology* (1992-1995), *Task Force of the Product Board for Margarine, Fats, and Oils* (1995-1998), and *Project Team Biotechnology Product Boards* (1998-2000). Following the example of Dutton and Dukerich (1991), we construct an event history of how these three platforms evolved. We describe them in terms of key events, attributes of the arrangement, and major responses adopted by the participating organizations.

Phase 1: Informal Consultations on Biotechnology

Key events. In response to the rapid scientific advancements in the field of biotechnology, the European Union adopted two major directives about

biotechnology in 1990 (90/220/EEC and 90/221/EEC). The first of these focussed on the deliberate release of transgenics into the natural environment, and the second focused on their use in contained environments such as laboratories and factories. These two directives created additional constraints for European companies working in the biotechnology field. In contrast, U.S.-based companies such as Monsanto and DuPont were less hampered by regulations, because the U.S. Food and Drug Administration (FDA) decided in 1992 that altered foods had to meet the same standards as all other foods but no new ones.

Attributes of the arrangement. In response to the new EU regulations, a number of the key food- and ingredients-producing companies in the Netherlands (e.g., Gist-Brocades, Numico, Unilever, and Sara Lee) initiated a collaborative platform called “Informal Consultations on Biotechnology” in 1992. This collective effort emerged out of the awareness that this particular issue permeated and transcended the boundaries of each individual firm in the industry. A quote taken from a speech on the impact of biotechnology by Morris Tabaksblat, at the time the chairperson of Unilever, illustrates this awareness:

Whether you are buyers, traders, crushers, regulators, or [working] in another sector of the foods business, you represent an enormous range of products and sectors. It’s impressive to see how diverse and yet how closely interdependent these different areas are. At the end of the day, however, we all share the same ultimate goal—serving the consumer better. (Archives of the Product Board for Margarine, Fats, and Oils)

The membership of this informal platform was not restricted to business firms. The initiating organizations invited a number of nongovernmental organizations (NGOs) to participate in the consultations. Organizations such as the Consumer’s League and Nature & Environment accepted the invitation.

Major responses. The purpose of the consultations was twofold. First, the participants wanted to collect and share information of mutual interest. Second, the meetings were intended to initiate an open dialogue between industry representatives and members of NGOs. Because the meetings started well over 4 years before the actual introduction of genetically modified ingredients in the Netherlands occurred, they allowed for the development of communicative relationships between the parties long before the public debate about biotechnology got heated.

Phase 2: Task Force of the Product Board for Margarine, Fats, and Oils

Key events. Monsanto's Roundup Ready soybeans (the first genetically modified ingredient to be exported to Europe) received FDA and U.S. Department of Agriculture (USDA) nonregulatory status in 1994. This implied that the new variety could be grown and sold like any other bean. Monsanto spent 1995 on producing seeds for commercialization, and in 1996, the first seeds found their way to U.S. farmers. Approximately 2% of that year's crop consisted of the new beans.

Attributes of the arrangement. Industry members realized that the informal consultations were no longer the appropriate vehicle for managing the issue because the platform lacked staff, budget, and a clear mandate. To fill the void, they appointed the Product Board for Margarine, Fats, and Oils (a semipublic organization representing the interests of the food industry) as their official spokesperson in the fall of 1995. The board employs a permanent staff of around 30 people and is endowed with sufficient budget (mostly through the compulsory contributions of industry members). It was decided that the board would initiate a task force to maintain close relationships with salient stakeholders during the introduction period. When we asked one of Unilever's managers why the company conceded part of its autonomy in biotechnology affairs to the board, he provided the following statement:¹

We: Why did the industry appoint the Product Board as the central actor in this issue?

R12: If you are serious about providing customer service, you need to use a central information point. A worried mother does not want to dial twenty different telephone numbers. From a consumer's point of view, centralization of responsibilities is the best alternative.

Major responses. The task force used a threefold strategy. First, it recognized the salience of the media in this issue and started organizing press workshops to provide the journalists that reported on the topic with factually correct information. Second, it initiated a national information campaign aimed at the general public featuring toll-free telephone lines and brochures with background information. Third, it arranged a number of informal meetings for industry representatives and NGOs in which the parties could nurture the ties that they developed in the informal consultations.

Phase 3: Project Team Biotechnology Product Boards

Key events. Novartis' Bt-corn, a second modified crop after soy, was introduced on the Dutch market in 1998.

Attributes of the arrangement. Corn does not belong to the jurisdiction of the Product Board for Margarine, Fats, and Oils, because the crop is primarily used for animal feed and for the production of starch, not for the extrusion of corn oil (which is only a marginal product). When we asked the secretary of the board what impact the new introduction would have on the board itself, he provided us with the following insight:

We: What does [the introduction of Bt-corn] imply for this organization?

R01: Currently, the newly introduced crops transcend the level of responsibility of the individual Product Boards. At the same time, consumers do not distinguish between the various introductions. This is why we intend to coordinate more of our efforts with the other Boards.

Soon thereafter, the board established more formal linkages with the boards that are responsible for the introduction of Bt-corn, namely, the Product Board for Animal Feed and the Product Board for Grains, Seeds, and Legumes. Jointly they established the Project Team Biotechnology Product Boards.

Major responses. The Project Team "absorbed" all the capabilities, resources, and contacts of the Task Force and added additional funds and staff. It is therefore not surprising that the methods of the project team for dealing with the issue reflect those of the Task Force. The team composes "fact packs" of every new introduction, which are distributed among the affected stakeholders, and this contributes to an open dialogue between scientists, the national government, and NGOs. Also, the initiative of press workshops has been continued, and the Project Team has started a public information campaign about Bt-corn, featuring a toll-free telephone line and free brochures.

*CASE ANALYSIS: STAKEHOLDER INTEGRATION
AND COMPETITIVE BENEFITS*

The three platforms described above can be understood as stakeholder integration attempts, ranging from highly process-oriented initiatives (the Informal Consultations on Biotechnology) to very formal structural solutions (the Project Team Biotechnology Product Boards). Furthermore,

some of these integration efforts are aimed at specific actors (such as the attempts to involve the Consumer's League in the informal consultations), whereas others are oriented toward a network of influences (e.g., the attempts of the industry to inform consumers indirectly through Consumer & Biotechnology). In this section, we will link these various forms to competitive benefits that firms in the Dutch food industry experienced as a result of their stakeholder integration attempts.

Cognitive Legitimacy

We previously asserted that buffering entails the establishment of tight linkages with representative organizations to avoid having to deal with widely dispersed individual stakeholders. These linkages shield the organization from environmental uncertainty by stabilizing external influences and making them more predictable. In essence, buffering mechanisms raise the organizational boundaries higher to shut out unwanted influences on corporate policy and operations (Harrison & St. John, 1996). The companies in the Dutch food industry have attempted to raise the boundaries between themselves and critical third parties in the 1992-1995 period by developing relationships with their representative organizations through the informal consultations. One of our interviewees reflected on these buffering attempts as follows:

We: What has your company learned from its cooperative relationships with the organizations representing third parties in the informal consultations?
 R14: What we have learned . . . is that it is important not to create a new platform for every new issue. Consumers do not distinguish between introductions. They are not interested in the differences between modified soy and modified corn, so it is better if they receive their information regarding the entire "menu" of [modified] agricultural products from a single organization. You must respect existing channels, so to speak.

Perhaps the most influential representative organization in the Netherlands is the official Consumer's League. With its 640,000 members, it is the largest consumer's league in Europe, and in relative terms, it is even the largest league in the world (www.consumentenbond.nl). Because of its sheer size and its influence on consumers, the league plays a critical role in the production of stability in the food industry's task environment. It is therefore not a surprise that many of the industry's stakeholder integration attempts have been oriented toward this consumer representative organization. Consumer & Biotechnology, a subsidiary of the official Consumer's League, at one point decided to join the Informal

Consultations. When we asked one of their policy directors why, he gave the following explanation:

We: By participating in the informal consultations, Consumer & Biotechnology strongly signals its commitment to biotechnology to the public at large. Why has your organization chosen to join the platform?

R10: Because we do not think that informing the public is a task for the national government. And also because we think that the parties in the private sector are a little too eager to provide only that information that suits their interests best. Therefore, we have decided, in conjunction with the food industry, to inform the public at large for them. In return, we receive early access to new information.

The endorsement of such influential third parties is critical, because affirmative backing may transform the organization's position into an intersubjective "given" that is no longer open for discussion (Suchman, 1995). The organization then acquires a state of "taken-for-grantedness" (Jepperson, 1991; Zucker, 1983) that Aldrich and Fiol (1994) describe as "cognitive legitimacy." As Aldrich (1999) explained, "The highest form of cognitive legitimacy exists when a product, process, or service is accepted as part of the sociocultural and organizational landscape" (p. 230). Therefore, we put forward the following proposition:

Proposition 1: The creation of stakeholder integration structures at the network level (i.e., buffering) leads to the establishment of cognitive legitimacy on behalf of the organization as perceived by its stakeholders.

Sociopolitical Legitimacy

Another way of improving upon the predictability of changes in the external environment is to engage in direct, bilateral relationships with external stakeholders (Harrison & St. John, 1996). Organizations may seek to establish linkages with stakeholders that they cannot or should not buffer from their technical cores. To this end, managers invest considerable amounts of time and resources in organizational actions that serve no other purpose than to get acquainted with such critical outside parties. When we asked one of our interviewees (working for the largest Dutch retailing organization) for his experiences with such activities, the conversation went as follows:

We: What types of activities does your company pursue in order to inform itself about the parties involved with the genfoods issue?

R19: As a retailer, we are very close to the final consumer. They visit our shops frequently, and they are our most important external constituency. We

therefore invest a lot of time and money in consumer research. We just completed a major consumer research project in the United States, for example, but we also monitor the European situation on a daily basis.

Furthermore, the Dutch food industry as a whole tried to establish structural linkages with the national government proactively, in an attempt to preserve its autonomy in biotechnology-related affairs. When we asked a high-placed official working for the Ministry of Economic Affairs for his opinion with respect to these matters, he provided the following account:

We: The industry has clearly opted for self-regulation in this issue. Why hasn't the national government demanded to receive a larger say?

R07: We have decided not to intervene in the process because the industry informs us well. We often meet one another in a range of different settings, such as the Communicative Consultations on Biotechnology and the Regular Consultations of the Food and Drug Administration. That is how we keep a finger on the pulse.

By allowing government officials to exert (some) informal influence over their biotechnology policies, the Dutch food producing organizations displayed their "willingness to relinquish some measure of authority to the affected audience" (Suchman, 1995, p. 578). Such co-optation practices turn audiences into constituencies (Wood, 1991), providing the co-opting organizations with what Aldrich and Fiol (1994) called "sociopolitical legitimacy." Aldrich (1999) has defined this form of legitimacy as "the acceptance by key stakeholders . . . of a [technology] as appropriate and right" (p. 230). Therefore, we put forward a second proposition:

Proposition 2: The creation of stakeholder integration structures at the dyadic level (i.e., co-optation) leads to the establishment of sociopolitical legitimacy on behalf of the organization as perceived by its stakeholders.

Symbiotic Learning Effects

Not just structural forms of stakeholder integration can lead to competitive benefits. More informal collaborative processes may yield equally valuable results. One beneficial outcome could be a higher percentage of successful innovations resulting from the involvement of stakeholders in product/service design teams (Harrison & St. John, 1996). Another example is the improvement of a company's media relations by incorporating the needs and preferences of journalists in its media policies. Unilever, for instance, was one of the companies that recognized early in the intro-

duction process of modern biotechnology that the press would turn out to be a critical constituency. The company fine-tuned its press relations by listening to critical journalists and changing its media policy accordingly. We discovered this when we spoke to a journalist from one of the leading Dutch newspapers:

We: Why do you have such high regards for the people at Unilever?

R21: They [have learned to] understand my profession. What matters to me is that I have a personal contact person inside the organization. I don't want to speak to some kind of Public Relations official, because they are only a burden. Unilever lets me speak to people that are of interest to me.

This example illustrates an important characteristic of collaborative relationships, notably that groups that have differing interests at the start of a collaborative venture may redefine and potentially align their interests as the collaboration proceeds (Gray, 1989; Wood & Gray, 1991). We label this process *symbiotic learning*, the discovery of mutual feasibility preoccupations by interdependent but unlike organizations (cf. Hawley, 1950). Organizations do not have an equal capacity to learn from all other organizations, however, because they are inclined to learn more from parties that have comparable knowledge bases and dominant logics (Lane & Lubatkin, 1998). The following quote, derived from an interview with the coordinator of biotechnology-related matters of the Dutch Ministry of Agriculture, illustrates this particular phenomenon:

We: How would you describe your relationship with the other ministries with a stake in modern biotechnology as compared to your relationship with industry members?

R08: There is definitely a difference. The Ministries of Agriculture, Economic Affairs, and Housing, Spatial Planning and the Environment are often on the same wavelength. The heterogeneity within the industry is much greater than that between the ministries. It is much easier for us to share our experiences with other ministries than to disseminate them amongst private parties.

This quote illustrates that symbiotic learning is most likely to occur between organizations that are sufficiently dissimilar as to have relevant differences in terms of their respective knowledge stocks but that are at the same time sufficiently similar to stimulate a smooth transfer of information. Verify with the following proposition:

Proposition 3: Stakeholder integration processes at the dyadic level (i.e., mutual learning) result in symbiotic learning effects between organizations and their stakeholders.

Collective Learning Effects

Furthermore, the present study shows that firms can capitalize on network-level interdependencies by combining multiple perspectives that are not found readily under a single roof (Powell, 1998). Such partnering activities allow firms to build bridges with their stakeholders in pursuit of common goals, whereas traditional company-centered stakeholder management techniques only facilitate the satisfaction of stakeholder needs (Harrison & St. John, 1996). When we asked the secretary of the Product Board for Margarine, Fats, and Oils what the firms his organization represents had actually gained from their involvement with the issue, the discussion went as follows:

We: What has the industry as a whole learned from the introduction of modern biotechnology?

R01: That we can only succeed in keeping this issue at manageable proportions if we, on the one hand, maintain our good relationships with what we call "bridgeable partners." On the other, we must continue to inform the "unbridgeables," those stakeholders that are against biotechnology and that do not want to compromise. Maintaining our dialogue with them, and supplying them with information, are key.

Insights such as these result from what is sometimes called "the constructive management of differences" (Gray, 1989; Pasquero, 1991). Gray (1989) noted that there can be no positive symbiosis between parties in the absence of differences in terms of interest and insight between them. The director of Public Affairs of Gist Brocades (currently DSM) provided another illustration of such learning in the face of different perceptions. During the interview, he explained to us that product development at Gist is mainly an interdisciplinary activity. The conversation proceeded as follows:

We: But can you tell me why your company develops new products in interdisciplinary teams?

R17: For years, we have regarded ourselves as a research and development organization that happened to sell products on the side. As you know, we are mainly operative in business-to-business markets, that's why. Our involvement with modern biotechnology was a big eye-opener for us, however. The level of controversy that we met when we introduced a number of genetic engineering-based products was unprecedented for us. Since then, we have started to integrate our research and development center more with our marketing and public affairs departments.

It is precisely the collective learning that results from the exploration of different viewpoints that has led this organization to improve upon its

Locus dimension	Dyad	Network
Modus dimension		
Structural	Sociopolitical Legitimacy	Cognitive Legitimacy
Processual	Symbiotic Learning Effects	Collective Learning Effects

Figure 2. Benefits of Stakeholder Integration

product development process and that enables collaborating organizations in general “to achieve desired ends that no single organization can achieve acting unilaterally” (Wood & Gray, 1991, p. 140). We therefore posit the following proposition:

Proposition 4: Stakeholder integration processes at the network level (i.e., meta-problem solving) result in collective learning effects between organizations and their stakeholders.

This fourth proposition completes our efforts at linking the four conceptual types of stakeholder integration to an equal number of distinct, empirically observable competitive benefits that may potentially enhance the market performance of commercial organizations. The identification of these four benefits effectively answers our second research question. These benefits are once again linked to the modus and locus dimensions of stakeholder integration in Figure 2.

The quotations presented in this article are mainly meant as empirical illustrations of the propositions we forwarded. As a rule, such illustrations cannot be regarded as empirical evidence that could lead to the acceptance or rejection of such propositions as true knowledge claims, because they fail to indicate the extent to which these relationships are supported by the data. Nevertheless, to demonstrate some of the patterns in our findings, we have included some additional information on the frequencies with which certain key constructs (i.e., stakeholder integration types and competitive benefits) have been observed empirically (see Table 3).

Table 3
Frequency of Observations

<i>Stakeholder Integration Type</i>	<i>Buffering</i>	<i>Co-optation</i>	<i>Mutual Learning</i>	<i>Meta-Problem Solving</i>
Number of respondents (percentages in parentheses)	9 (39)	11 (48)	15 (65)	7 (30)
<i>Competitive Benefit Type</i>	<i>Cognitive Legitimacy</i>	<i>Sociopolitical Legitimacy</i>	<i>Symbiotic Learning Effects</i>	<i>Collective Learning Effects</i>
Number of respondents (percentages in parentheses)	11 (48)	8 (35)	10 (43)	5 (22)

CONCLUDING REMARKS

This article has examined the central contention of instrumental stakeholder theory, namely, that firms that develop trust-based, cooperative ties with their stakeholders will experience competitive advantage over firms that do not (Donaldson & Preston, 1995; Freeman, 1984, 1999; Jones, 1995; Jones & Wicks, 1999). We explored this contention with the help of two more detailed research questions. The first was, What specific types of stakeholder management do firms use to increase their market performance? The second was, What specific types of competitive benefits might firms expect when they use these stakeholder management techniques?

We addressed the first question in three steps. First, after a brief examination of the stakeholder literature, we concluded that the development of mutually enforcing relationships with external constituencies is broadly seen as the dominant pathway toward excellent market performance (Freeman, 1984, 1999; Hart, 1995; Jones, 1995; Sharma & Vredenburg, 1998). Second, we suggested a typology of stakeholder integration based on two dimensions—locus (dyad versus network) and modus (structural versus processual)—to distinguish between the various empirical guises of the phenomenon (see Figure 1). We labeled these *buffering* (network/structural), *co-optation* (dyad/structural), *mutual learning* (dyad/processual), and *meta-problem solving* (network/processual). Third, we juxtaposed this typology with empirical observations derived from a detailed case study of the Dutch food industry's stakeholder management practices during the introduction of genetically modified ingredients.

We answered the second question in the Case Analysis section by searching our data for specific competitive benefits that firms derived from stakeholder integration. We found four, each of which corresponded closely to a specific integration type (see Figure 2). First, buffering allows organizations to reach widely dispersed stakeholders through their representative organizations. The affirmative backing of these representatives bestows cognitive legitimacy, or taken-for-grantedness (Jepperson, 1991; Zucker, 1983), upon the buffering organization. Second, co-optation allows for the neutralization of key external constituents by including them in policy-determining structures (Emerson, 1962; Selznick, 1949; Zald, 1969). This provides the co-opting organization with sociopolitical legitimacy (Aldrich & Fiol, 1994). Third, engaging in collaborative processes at the dyadic level can allow parties to discover their mutual feasibility preoccupations (Gray, 1989; Turcotte, 1997; Wood & Gray, 1991). Drawing on Hawley's (1950) concept of symbiosis, we labeled this effect *symbiotic learning*. Finally, firms can capitalize on network-level interdependencies by combining perspectives not readily found under a single roof (Powell, 1998; Powell et al., 1996). We have labeled the outcomes that result from this constructive management of differences (Gray, 1989; Pasquero, 1991) *collective learning*.

It is important to note that the competitive benefits that have accrued to the Dutch food producing companies have not necessarily generated a competitive advantage for some firms in the food industry over all the others. The processes of institutionalization and societal acceptance of modern biotechnology benefit all firms involved with this new method of production. Furthermore, symbiotic and collective learning processes are likely to benefit all of the collaborating parties, not just a selected number of them. Schelling's (1960) concept of nonzero-sum games is insightful in this respect. Because the benefits of legitimization and learning potentially accrue to all firms in the Dutch food industry, they do not result in a redistribution of the pie in the sense that they help some firms outperform others. Instead, they effectively enlarge the pie, leading to an enhanced situation for all of the parties involved.

In sum, the present research has identified some stakeholder integration mechanisms that could become important "indicators of stakeholder management" (Donaldson & Preston, 1995, p. 78). We believe that further theoretical development in the instrumental stakeholder field relies at least in part on the identification of indicators of this kind as well as on their inclusion in credible theory-testing research. We also believe that organizations that want to manage their external relations efficaciously should pay attention to such stakeholder integration mechanisms because they can offer them the leverage required to achieve their purposes

(Freeman, 1999). Hence, the message that practicing managers may derive from this article is that their companies may derive very concrete competitive benefits from building mutually enforcing relationships with their external stakeholders.

NOTE

1. In the quotations, the number following "R" indicates the particular respondent who was speaking. The numbers correspond with Table 1.

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