Received: 4 January 2020 | Revised: 13 September 2020 | Accepted: 7 October 2020
DOI: 10.1002/nml.21445

RESEARCH ARTICLE

WILEY

In the name of the stakeholder: An assessment of representation surpluses and deficits by nonprofit leaders

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Abstract

Nonprofit leaders face the challenge of making decisions within a complex environment of heterogeneous and often competing stakeholder claims. In such a setting, leaders not only make judgments about the power of their organization's stakeholders but they also make conscious choices about which stakeholders they personally represent while making organizational decisions. This study uses insights from stakeholder theory and agency theory to investigate (1) how nonprofit leaders' perceptions of stakeholder power and stakeholder representation are interrelated across a wide range of stakeholder groups and organizations, and (2) how perceptions of power and representation differ between board members and executive managers. Drawing on data from 491 nonprofit leaders, we find evidence of stakeholder representation surpluses and deficits for several stakeholders, although perceptions of these deficits and surpluses differ considerably between board members and managers. Our study holds important implications for nonprofit governance, the practice of stakeholder analysis, and the use of stakeholder constructs in future empirical research.

KEYWORDS

common agency, quantitative-exploratory, stakeholder power, stakeholder representation, stakeholder theory

1 | INTRODUCTION

Nonprofit organizations typically operate in an environment populated by many different and diverse stakeholder groups (Ebrahim, 2010). These include, for example, private donors, governmental agencies, beneficiaries, competitors, volunteers, staff, and board members (Miragaia, Brito, & Ferreira, 2016). Given this wide range of stakeholders holding a certain degree of power over the organization's mission, activities, and effectiveness, a fundamental challenge for nonprofit leaders is to navigate in a setting of complex power structures. Leaders have to regularly judge their stakeholders' power to decide which interests to prioritize and also ensure that heterogeneous interests are reconciled and represented in organizational decisions (Balser & McClusky, 2005; Mitchell, Agle, & Wood, 1997; Shea & Hamilton, 2015).

But what if nonprofit leaders fail to maintain a healthy balance between meeting the demands of powerful stakeholders and, at the same time, ensure the representation of less powerful ones in organizational decisions? The nonprofit literature is full of examples of compliance with demands from powerful stakeholders giving rise to dysfunctional organizational practices that led to undesirable outcomes. For instance, powerful donors or institutional funders can pressure organizations to underinvest in infrastructure (Charles, Sloan, & Schubert, 2020; Lecy & Searing, 2015; Schubert & Boenigk, 2019), misreport financial data (Krishnan & Yetman, 2011; Parsons, Pryor, & Roberts, 2017), or incite mission drift (Bennett & Savani, 2011; Hersberger-Langloh, Stühlinger, & Schnurbein, 2020), resulting in the potential impairment of organizations' effectiveness and reputation. All such cases reflect situations in which priority is given to the power of resource providers while less powerful stakeholders, such as beneficiaries or the community at large, remain underrepresented in organizational decisions. More generally, these cases illustrate a phenomenon we call a *stakeholder representation deficit (*or *surplus)*, that occurs when leaders systematically under-represent (over-represent) a certain stakeholder on account of that stakeholder's perceived level of power. The existence of stakeholder representation deficits and surpluses poses important questions for nonprofit governance. While a mismatch between power and representation can at times create dysfunctional practices, at other times it might even be desirable to ensure that powerful stakeholder interests are effectively reflected in organizational decisions.

Given our limited understanding of the match and mismatch of stakeholder power and stakeholder representation in the minds of nonprofit leaders, there is a need to research to a much larger extent than done so far the relationship between these two constructs. We, therefore, ask the research question, "*how are stakeholder power and stakeholder representation related to one another across a wide range of stakeholder groups and organizations?*" Building on a variety of studies that have focused on power and representation of selected and singled-out stakeholder groups (Guo & Musso, 2007; Krishnan & Yetman, 2011; Leardini, Moggi, & Rossi, 2019; Manetti & Toccafondi, 2014; Parsons et al., 2017; Twersky, Buchanan, &

Threlfall, 2013), we answer our research question by compiling an exhaustive list of stakeholders derived from literature and supplemented by qualitative exploration. In a second step, through quantitative data collection, we ask 491 leaders—CEOs and board members—from 59 nonprofit organizations to evaluate the perceived power of each stakeholder and the extent to which they, as leaders, considered themselves personally responsible for the interests of those stakeholders.

Moreover, nonprofit organizations are rarely led by one person and their leaders serve in various roles. These organizations are usually led by leadership coalitions composed of board members, managers, and, at times, additional organizational members (Cornforth, 2012; Renz & Andersson, 2014; Willems, Andersson, Jegers, & Renz, 2017). The internal power relationships (Jäger & Rehli, 2012) and agency conflicts (Du Bois et al., 2009; Golensky, 1993) among the board members and executive managers have been studied extensively. These studies have shown that because of changing formal and informal responsibilities within the organization, board members and executives can have divergent ideas about organizational goals (Du Bois et al., 2009), organizational identity (Kreutzer & Jäger, 2011), and governance (Bernstein, Buse, & Bilimoria, 2016). This implies that their judgment of stakeholder power and their perceived responsibility for stakeholder representation too can differ greatly. Diversity of stakeholder perceptions can be problematic for organizations since establishing a shared mental model within a leadership team is vital for collaboration, consistent decision-making, and overall organizational effectiveness (Balser & McClusky, 2005; Lim & Klein, 2006; Rimes, Nesbit, Christensen, & Brudney, 2017; Willems, 2016). This study, therefore, elaborates on the similarities and differences in the perceptions of stakeholder power and stakeholder representation between board members and executive managers in an attempt to gain a better understanding of where mismatches exist.

Our study makes at least two contributions to nonprofit management and leadership literature. First, we extend the recent debate on the *common agency* framework to conceptualize nonprofit leaders' discretion in prioritizing stakeholder demands (López-Arceiz & Bellostas, 2020; Mason, 2016; Romano, 2013). As argued by MacIndoe and Barman (2012), leaders' agency is oftentimes neglected in nonprofit literature because it tends to view pressure on organizations through an environmental perspective. Common agency assumes that leaders maintain agency relationships with multiple uncoordinated principals and, therefore, exercise considerable discretion in organizational decisions (Bernheim & Whinston, 1986). However, this perspective has so far neglected the difficulty of identifying the common agent in the nonprofit context. While prior studies have either focused on board members (Romano, 2013) or executive managers (Mason, 2016) as common agents, we highlight in our study that these two groups can differ considerably in their judgments about stakeholders. It follows that future studies should make a conscious choice about whom to identify as the common agent or implement a leadership coalition approach when investigating stakeholder perceptions.

Second, we introduce stakeholder representation as a new dimension of stakeholder analysis, arguing that considerations of representation should complement the traditional practices of judging the stakeholder environment through the dimensions of power, legitimacy, or urgency (Mitchell et al., 1997). Juxtaposing perceived stakeholder power with leaders' personal conceptions of stakeholder representation can help organizations in identifying representation deficits and, thereby, derive conclusions about the adequacy of their current governance structure (Leardini et al., 2019) and the sufficiency of diversity among board members (Dula, Nicholson-Crotty, & Gazley, 2020). Our research also highlights that stakeholder analysis should be implemented as a group effort given that attributes ascribed to stakeholders "*is a matter of multiple perceptions and is a constructed reality rather than an 'objective' one*" (Mitchell et al., 1997, p.868).

Our article proceeds with a theory section that illustrates how the perceptions of organizational leaders have become an increasingly important area of inquiry through connecting arguments from stakeholder theory and agency theory. We then present our methodological approach, which comprises insights from 38 interviews with organizational leaders and survey data of 491 leaders from 59 Belgian nonprofit organizations. After presenting our results, we discuss their implications, the limitations of the study, and promising areas for future scholarly inquiry.

2 | POWER AND REPRESENTATION: A STAKEHOLDER THEORY APPROACH

Stakeholder theory holds that organizational leaders are exposed to claims from various individuals and groups "who can affect or [are] affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). By acknowledging that decisions are a consequence of leaders' judgments about stakeholder claims, the theory differs from other prevalent organizational theories, such as institutional theory or population ecology, which largely discount the role of individual leaders. MacIndoe and Barman (2012) argue that many studies in the nonprofit literature rely on environmental factors to explain the implementation of new organizational practices, embracing a somewhat deterministic perspective that "minimizes the understanding and agency of organizational members in accounting for organizations decisions" (MacIndoe & Barman, 2012, p. 719). Yet, in reality, leaders play an active part in the management of stakeholder relationships and act as important mediators between stakeholders and organizational decisions (Mason, 2016).

We argue that the nonprofit context calls for particular attention to the role of leaders' judgments, given the complexity of stakeholder relationships. Typically characterized by a non-distribution constraint, nonprofit organizations do not generate monetary returns for shareholders and, therefore, lack a straightforward ownership structure, that is, they lack a natural hierarchy of stakeholder interests. As a result, they are confronted with claims from various actors calling upon the organization to serve in their interest (Miragaia et al., 2016; Van Puyvelde, Caers, Du Bois, & Jegers, 2012), so that reconciling divergent interests constitutes a key challenge of nonprofit management (Krashinsky, 1997; Steinberg, 2010; Wellens & Jegers, 2014).

One of the fundamental propositions of stakeholder theory is that leaders prioritize stakeholders based on their respective *power* (Savage, Nix, Whitehead, & Blair, 1991), defined as the extent to which a stakeholder "has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship" (Mitchell et al., 1997, p.865). In recent years, scholars have also embraced the related notion of stakeholder pressure, that is, "the ability and capacity of stakeholders to affect an organization by influencing its organizational decisions" (Helmig, Spraul, & Ingenhoff, 2016, p. 154). The nonprofit literature has strongly drawn on the concepts of stakeholder power (Abzug & Webb, 1999; Bryson, 2004; Dunn, 2010; Jackson, 2009) and stakeholder pressure (Barman & MacIndoe, 2012; Kassinis & Vafeas, 2006; Krishnan & Yetman, 2011; MacIndoe & Barman, 2012; Parsons et al., 2017) to explain organizational decisions and management practices.

However, explaining organizational decisions based solely on stakeholder power or pressure reduces the true complexity of how leaders' stakeholder perceptions transform into organizational decisions. As we argue in this study, leaders may consider themselves, to varying degrees, responsible for *representing* the stakeholders and to act as a bulwark against the interests of powerful stakeholders. In the nonprofit literature, this consideration is particularly salient in the context of the representation of beneficiaries and local communities in organizational decisions (Guo & Musso, 2007; Leardini et al., 2019; Twersky et al., 2013).

Related to our focus on stakeholder representation, proponents of stakeholder theory have for long argued that organizational leadership should focus on legitimate stakeholders (Donaldson & Preston, 1995; Mitchell et al., 1997). Stakeholder legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Against this backdrop, Mitchell et al. (1997) developed a multidimensional model of stakeholder salience, suggesting that each stakeholder holds a certain degree of power, legitimacy, and urgency and that stakeholders are particularly salient when they score high on several of these attributes. Later on, Agle, Mitchell, and Sonnenfeld (1999) confirmed this model empirically, establishing a link between the different stakeholder attributes and corporate performance. These conceptual extensions of stakeholder theory provided the basis for a comprehensive literature stream on stakeholder analysis within the context of individual organizations (Elias, Cavana, & Jackson, 2002; Miragaia et al., 2016; Walker, Bourne, & Shelley, 2008; Yang, Shen, Bourne, Ho, & Xue, 2011; Yawson & Greiman, 2014).

While the conceptual extensions by Mitchell et al. (1997) facilitated the identification of matches and mismatches between power and legitimacy, we argue that the concept of legitimacy does not fully capture the concept of representation. Although both describe that certain stakeholders and their interests are more socially acceptable than others, representation entails more than a perception of legitimacy—it suggests that leaders actively consider themselves responsible for representing stakeholders as part of the leadership team. As a result, compared to legitimacy, representation has a stronger focus on the individual leader's sense of responsibility, which is the basis for his/her leadership decisions. For instance, while all leaders may deem beneficiary interests legitimate, it does not necessarily follow that they will personally take the agency to represent their interests in the decision process.

3 | A NEED FOR INTEGRATING STAKEHOLDER THEORY WITH AGENCY THEORY

Stakeholder theory has been criticized for lacking predictive power with regard to individual agency that goes beyond judgments of the organizational environment (Mason, 2016). To generate a better understanding of the relationship between stakeholder power and representation, we situate our study within that stream in the nonprofit literature which integrates agency theory into stakeholder theory (Jegers, 2009; Mason, 2016; Van Puyvelde et al., 2012). Assuming self-interested individuals operating in contractual relationships, agency theory seeks to understand the incentives and behavior of a principal and an agent in light of information asymmetries (Eisenhardt, 1989; Jensen & Meckling, 1976). Accordingly, nonprofit organizations can be conceptualized as entities with multiple principals (Caers et al., 2006; Jegers, 2009; Steinberg, 2010; Van Puyvelde et al., 2012; Wellens & Jegers, 2014).

An agency perspective on stakeholder relationships helps explain the phenomenon of stakeholder representation deficit (or surplus). Given a certain level of stakeholder power (as determined by the stakeholder's capability to monitor and incentivize the agent), agency theory holds that leaders only decide to actively represent a stakeholder's interests when they believe it increases their own personal utility. The fact that nonprofit leaders indeed exercise considerable discretion when prioritizing stakeholder interests has recently been discussed through the lens of *common agency* (López-Arceiz & Bellostas, 2020; Mason, 2016; Romano, 2013; Steinberg, 2010). As an extension of agency theory, the common agency framework models situations in which several independent principals seek to influence a common agent (Bernheim & Whinston, 1986), where the principals are assumed to be non-cooperative and at times in direct conflict with one another (Ali, 2014). The common agency framework holds that in situations with multiple principals, the power of each principal group decreases since principals (1) lack information on other principals' preferences and (2) may free-ride on agent monitoring due to a collective action problem (Dixit, Grossman, & Helpman, 1997; Gailmard, 2009). Hence, when certain stakeholders fail to properly coordinate their interests, nonprofit leaders may have less of an incentive to accurately represent these interests in organizational decisions.

Agency theory further helps explain why perceptions of board members and executive managers as stakeholders might differ. Although both can be conceptualized as the common agent of the organization (Mason, 2016; Romano, 2013), board members and executive managers, nevertheless, operate internally within a traditional principal-agent relationship with the board as the principal and the manager as the board's agent. As a consequence of divergent roles, goals, and interests arising from their contractual relationship (Caers et al., 2006), board members and managers have been found to prioritize organizational goals differently (Du Bois et al., 2009) and they have varying perceptions of board performance, board diversity, or organizational leadership (Bernstein et al., 2016). For instance, professional managers, when evaluated based on the financial performance of the organization, could be expected to grant a representation surplus to donors, while board members might place greater emphasis on representation of beneficiaries and community interests. Therefore, in this study, we expect that stakeholder perceptions differ systematically between these two types of organizational leaders.

4 | METHODOLOGICAL APPROACH

Our methodological approach follows the general steps undertaken in stakeholder analysis, which commonly include identification of stakeholders, assessing stakeholder prioritization, and stakeholder mapping (Elias et al., 2002; Miragaia et al., 2016; Walker et al., 2008; Yang et al., 2011; Yawson & Greiman, 2014). Our approach complements this procedure in two ways: First, since stakeholder representation is not yet an established construct in the literature, we include an intermediate step comparing the dimensions of power and representation using principal component analysis. Second, we assess potential differences in stakeholder perceptions between board members and executive managers. Figure 1 shows a graphical representation of our methodological approach. In the following section, we describe in detail each of the steps.

Step 1: Stakeholder identification through qualitative interviews.

Stakeholder analysis begins with generating a comprehensive list of stakeholders, typically through workshops or interviews by asking the individuals who are familiar with the

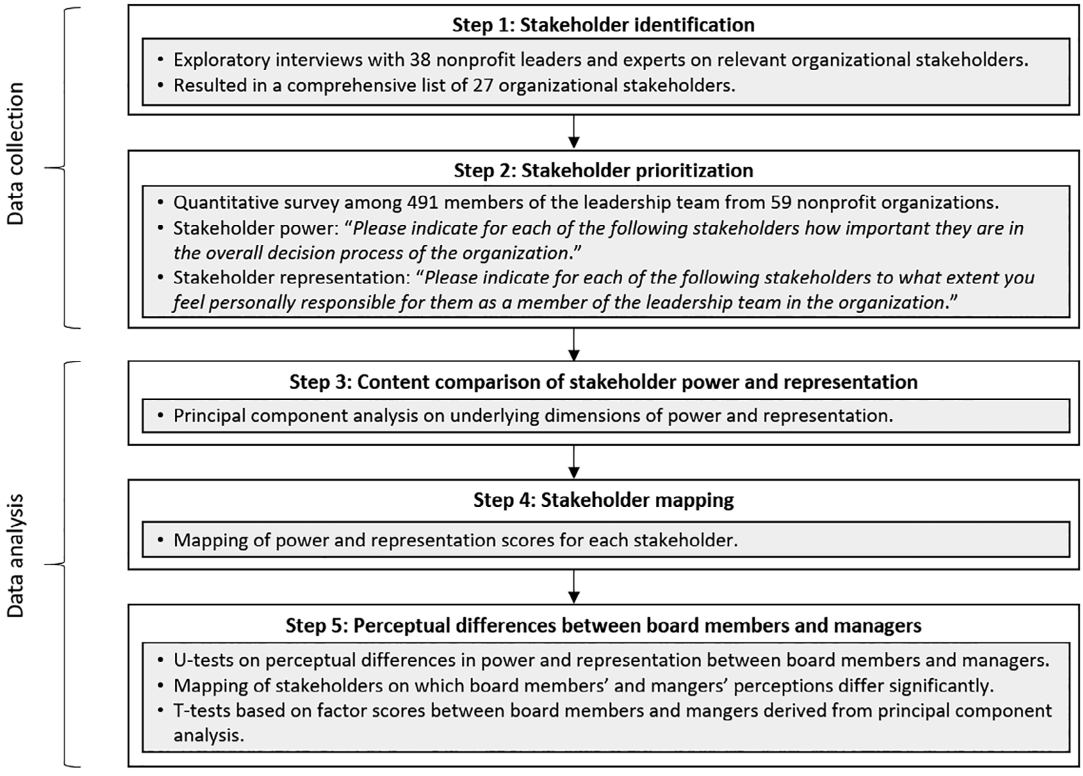

FIGURE 1 Methodological approach

organization to say who they consider as stakeholders of the organization (Miragaia et al., 2016; Walker et al., 2008). The purpose here was to take a deliberately open, exploratory approach to generate a comprehensive list of stakeholders.

To implement this exploratory approach, 38 interviews were conducted with nonprofit experts and/or leaders in nonprofit organizations in Belgium. Interview partners were identified through different channels. In one contact channel, executive managers and board members of various small and large nonprofits were identified from organizational websites and they were requested to participate in an interview. Nonprofits were purposefully chosen to represent very different types of organizations, and the nonprofit leaders were chosen for their broad experience and different background (e.g., they had served on several boards before or had been an executive manager in one organization and a board member in at least one other organization). In a second contact channel, representatives of umbrella organizations were directly addressed and interviewed because they have good birds-eye perspectives of various types of organizations and their practices of stakeholder management. In the third contact channel, persons recommended by the specialists and earlier interviewees for interviews were followed up (snowball sampling). By combining these different channels, we aimed to obtain a diverse and exhaustive inventory of relevant stakeholder types from various nonprofit leaders.

Individual, semi-structured interviews were conducted, focusing on a range of questions relevant to studying nonprofit leadership and governance challenges. Two main questions focused on (1) directly identifying stakeholders relevant for the organization, and (2) indicating the formal and informal relatedness of each of these stakeholder types with the organization.

Transcribed interviews were analyzed afterward, and all different stakeholder types were directly identified. When the need for following different approaches for several classes of stakeholders was expressed by the interviewees, we distributed the stakeholders into sub-classes, for example, when the government was a stakeholder, it was classified as federal, provincial/regional and town/city level, etc. This resulted in a list of 27 stakeholders (see Appendix A and Appendix B).

Step 2: Assessing stakeholder prioritization through quantitative survey.

The next step in stakeholder analysis is typically to assess stakeholder prioritization along various dimensions (Walker et al., 2008). We realized this step through a quantitative online survey. The survey data used in this study were collected as part of a larger and ongoing research project (Willems, 2016; Willems et al., 2012).

The following sampling procedure was implemented: First, about 200 Belgian nonprofit organizations were contacted and invited to participate in the study. At the organizational level, convenience sampling was applied as access to data and willingness to participate were crucial for the success of this study. Similar channels for selection and steps as in the qualitative interviews were followed. While some of the 38 interviewees in the previous step were relevant for identifying potential organizations to include and/or to identify key persons within those organizations (snowball sampling), those 38 interviewees were not, as such, included in this step of organizational sampling. Special attention was paid to including a broad range of organizations without a particular focus on any industry, mission, or types of activities.

As a result, purposefully different channels were relied on to reach a broad range of organizations of which both management and board leaders could answer the online questionnaire. The goal was to have a sample at the organizational level of at least 50 different organizations, which is the thumb rule suggested by Maas and Hox (2005) for two-level sampling. Organizations were approached until the number was reached. As there was a time lag between the first invitation and receipt of responses from the invited organizations (e.g., due to the need for follow-up emails and the internal decision procedures of the organizations), in the end, 59 organizations participated.

Once an organization consented to participate, all members of the organization who were involved in the governance and leadership processes were invited via e-mail to participate in the online survey which resulted in participation by 491 respondents from 59 organizations (see Table 1). Response rates per organization varied between 23 and 100%. Hence, the data has a nested structure with a varying number of participants per organization.

Although the sampling procedure would not justify any claim to the representativeness of the sample, it was ensured that the selected organizations represented various subsectors of a very heterogeneous Belgian nonprofit sector, such as sports, advocacy, community development, environment, culture, health care, international development, elderly care, and education.

In the survey, we measured perceived *stakeholder power* following a common approach in the stakeholder literature (Agle et al., 1999; Darnall, Henriques, & Sadorsky, 2010; Murillo-Luna, Garcés-Ayerbe, & Rivera-Torres, 2008). Participants were asked to indicate on a 7-point Likert scale from 1 “not at all important” to 7 “extremely important” to “*please indicate for each of the following stakeholders how important they are in the overall decision process of the organization*.” The second measure was *stakeholder representation* and was measured on an adjusted 7-point Likert scale and the same list of 27 stakeholders, asking participants to “*please indicate for each of the following stakeholders to what extent you feel personally responsible for them as a member of the leadership team in the organization*”, with answer options ranging from 1 “not at

TABLE 1 Characteristics of study sample ($N = 491$)

Variable		Number of responses	Frequency
Gender	Female	143	29.1%
	Male	314	64.0%
	Missing	34	6.9%
Education	No high school degree	2	0.4%
	High school degree	21	4.3%
	Higher education (3 years)	126	25.7%
	Higher education (4 or 5 years)	198	40.3%
	Higher education (6 or more years)	107	21.8%
	Not applicable	3	0.6%
	Missing	34	6.9%
Role with the organization (multiple answers allowed)	Board of directors	260	53%
	Chairman of the board	34	6.9%
	Representative of another organization on the board	28	5.7%
	Executive manager	56	11.4%
	Day to day management team	129	26.3%
	Member of an advisory committee	29	5.9%
	Other	84	17.1%
Age		Mean = 41.14 *SD* = 12.33	

all important for me" to 7 "extremely important for me". The 27 stakeholder categories were presented in random order per respondent—based on Qualtrics randomization functionality. Appendix A presents the descriptive statistics for the two measures and Appendix B shows the survey instrument.

Step 3: Content-comparison of power and representation (principal component analysis).

As the first stage of our data analysis, we assessed the dimensionality of the two constructs using principal component analysis. The purpose of this analysis was to assess whether perceived stakeholder power and representation of the 27 listed stakeholders could be reduced to common underlying factors for both constructs, that is, to the same underlying groups of stakeholders. Given our theoretical reasoning that these constructs are distinct from one another, we would also expect that they do not fall within the same structure of underlying factors.

In our principal component analysis, we opted for oblique (promax) rotation that allows for correlations between the different factors because we believe this better reflects reality than uncorrelated factors (Costello & Osborne, 2005; DiStefano, Zhu & Mîndrilă, 2009). As a robustness check of the resulting factor structure, we also ran the analysis with orthogonal rotation, but we did not find any noteworthy changes to the resulting factor structures. For each of the two stakeholder measures, we evaluated the number of factors based on the screen criterion (Cattell, 1966) and based on parallel analysis (Horn, 1965). For stakeholder power, these tests suggested either a five-factor or a four-factor solution, while for stakeholder representation both evaluation methods suggested a four-factor solution. We compared the four- and five-factor solutions for stakeholder power and concluded that the four-factor solution was more suitable given that it produced a better loading matrix.

In the process, we successively deleted items that loaded with less than .50 on any of the factors. Of the initial 27 items, 10 items were thus omitted in the final four-factor solution for stakeholder power, and six items were dropped in the case of stakeholder representation[1]. The four stakeholder power factors explained a total variance of 55%, and the four stakeholder representation factors accounted for a total variance of 58%. We used Bartlett's test of sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy for assessing the adequacy of principal component analysis. Bartlett's test of sphericity measured for both stakeholder power ($X^2_{(df\ =\ 136)} = 2{,}341.60$, $p < .001$) and stakeholder representation ($X^2_{(df\ =\ 210)} = 4{,}422.53$, $p < .001$) as highly significant. The Kaiser-Meyer-Olkin measure of sampling adequacy for stakeholder power (KMO = .811) and stakeholder representation (KMO = .894) indicated strong relationships between the variables. Both test results were important prerequisites for us to proceed with the principal component analysis.

Step 4: Stakeholder mapping.

Following conventional stakeholder analysis (Walker et al., 2008), the next step in our analysis was to map stakeholders on various dimensions. The purpose of this step was to assess the relatedness of power and representation for each stakeholder with the ultimate aim of identifying representation deficits and surpluses. We executed this step by mapping mean scores of stakeholder power and stakeholder representation for each stakeholder across the entire study sample with a scatter plot.

Step 5: Perceptual differences between board members and executive managers.

The final step in our analysis was to assess the extent to which stakeholder perceptions differ between board members and executive managers. For this analysis, we considered as board members all respondents who indicated their role in the leadership by statements such as “I am a member of the board of directors”, “I am the chairman of the board” or “I represent another organization in this board.” which resulted in the identification of 276 persons in the sample as board members (56% of the total sample). There were 56 executive managers in the sample (11.4% of the total). Other participants (day-to-day management team, advisory committees, and others) were excluded from this part of the analysis.

Using insights from Steps 3 and 4 of the analysis, we analyzed potential differences in stakeholder perceptions in two ways. First, we assessed the differences in perceived stakeholder power and representation between board members and executive managers *by individual stakeholders*. For each stakeholder, we ran the Mann–Whitney U test to detect significant differences in perceived power and representation by respondents' role (board member vs. executive manager). We then plotted in a scatter plot (similar to Step 3) all stakeholders for whom the results showed significant differences for at least one of the two dimensions.

Next, we assessed the differences between the two groups *by factor scores*. Based on the principal component analysis, we computed a score for each factor through a least-square-regression approach that uses standardized item values as independent variables to predict each individual's location on the factor. Resulting factor scores resemble z-scores, with a mean of 0 and a standard deviation of 1 (DiStefano, Zhu, & Mindrila, 2009). We then used these factor scores to investigate group differences by participants' roles through independent t-tests.

5 | RESULTS AND DISCUSSION

5.1 | Content comparison of power and representation

We begin the presentation of our results by assessing the dimensionality of our two focal constructs through principal component analysis. Table 2 shows the factor structures for stakeholder power and stakeholder representation that resulted from the procedure detailed in the methodology section under Step 3.

A first key insight from this analysis is that the two constructs yield different dimensions, that is, different groups of stakeholders underlying the data structure. Two differences are particularly noteworthy. First, for stakeholder power, professionals (including executive managers and the management team) emerge as a dimension (Factor 4) that is separate from internal constituents (Factor 3). However, this distinction does not hold up when it comes to stakeholder representation, where all decision-makers are subsumed into one dimension (Factor 2). Second, similar to the first difference, beneficiaries emerge as a distinct dimension when it comes to stakeholder representation (Factor 4), which is not the case for stakeholder power (Factor 1).

Table 3 shows the factor correlation matrix, that is, it shows how the dimensions of stakeholder power correlate with the dimensions of stakeholder representation. In almost all instances, these correlations are positive. For instance, the community network factor of stakeholder power correlates positively with each of the four stakeholder representation factors. However, we also find a negative correlation, such that leaders who perceive higher power of professionals (executives, management team) tend to consider themselves less personally responsible for supporters (volunteers, members, other organizations, etc.). In two additional instances, correlations are non-significant (see bottom left quadrant in Table 3).

In sum, our content-comparison of power and representation establishes that the two constructs are indeed distinct from one another in leaders' cognition. The variation in stakeholder groups that emerge from the principal component analysis calls for further reflection upon the use of predefined stakeholder classifications as they might not necessarily be reflected in the actual cognition of nonprofit leaders. Neither of the two measures closely matched stakeholder categorizations that can be found in the conceptual literature (Van Puyvelde et al., 2012; Wellens & Jegers, 2014). For instance, Van Puyvelde et al. (2012) distinguish between internal stakeholders, interface stakeholders, and external stakeholders; MacIndoe and Barman (2012) distinguish resource providers, networks, and internal stakeholders. Our study shows that the classification of stakeholders may, in fact, depend on the precise construct employed.

5.2 | Relatedness of power and representation by each stakeholder

Having established that the two constructs are conceptually distinct, we now turn to a closer examination of their relatedness by individual stakeholders. Figure 2 shows a scatter plot based on the full sample of 491 leaders, displaying mean values for perceived power and representation across all 27 stakeholders.

TABLE 2 Principal component analysis

	Factor			
Stakeholder power	**1**	**2**	**3**	**4**
Factor 1: Community network				
Umbrella organization(s)	.788			
Federation(s)	.783			
Customers	.592			
Government (provincial or regional)	.589			
Government (federal)	.585			
Other organizations in the field	.574			
Beneficiaries	.559			
Disadvantaged group of people on which the organization focuses	.526			
Factor 2: Individual supporters				
Sponsors		.894		
Donors		.815		
Volunteers		.720	(.348)	
Factor 3: Internal constituents				
Board of directors			.719	
General assembly			.712	
Chairman of the board of directors			.655	
Members of the organization			.603	
Factor 4: Professionals				
Executive manager				.786
Management team				.697
Stakeholder representation	**1**	**2**	**3**	**4**
Factor 1: Resource providers				
Government (federal)	.850			
Government (provincial or regional)	.821			
Government (town and/or city)	.801			
Donors	.662			
Federation(s)	.650			
Sponsors	.638			
Suppliers	.630			
External auditors	.540			
Factor 2: Decision makers				
Board of directors		.836		
Chairman of the board of directors		.784		
Executive manager		.748		
Management team		.700		

TABLE 2 (Continued)

Stakeholder representation	1	2	3	4
General assembly		.612	(.358)	
Factor 3: Supporters				
Volunteers			.685	
Members of the organization			.667	
Other organizations in the field			.596	
Society as a whole			.569	
Partner organizations			.541	
Factor 4: Beneficiaries				
Beneficiaries				.751
Disadvantaged group of people on which the organization focuses				.746
Customers				.715

Note: We report in brackets items with cross-loadings higher than .3.

Figure 2 yields three important findings. First, it shows overall that mean scores of the two constructs for individual stakeholders are strongly positively correlated ($r = .858$; $p < .001$), such that leaders who perceive a stakeholder to be more powerful also consider themselves more responsible for them as a part of the leadership team. Second, among the stakeholders, scores vary widely. Specifically, internal stakeholders (including board members, managers, and members) rank highest on the spectrum while several external stakeholders (local neighborhoods, donors, and suppliers) receive the lowest scores. Third, Figure 2 provides initial support for the existence of *representation deficits*. As you can infer from the graph, government stakeholders, in particular, deviate clearly from an even balance between power and representation. The only stakeholder with a conceivable representation surplus across the full sample is the disadvantaged groups on which the organization focuses. More commonly, however, stakeholders score lower on representation than on power, which applies to both internal stakeholders (such as managers and board members) and also external stakeholders (such as donors and sponsors).

From the findings from Figure 2 emerged several interesting follow-up questions. The high correlation between the two constructs calls for a normative reflection upon its desirability from a governance perspective. On the one hand, the high correlation could be viewed positively as a sign that leaders effectively fulfill their role as mediators of transforming interests of powerful stakeholders into organizational decisions. From a more critical perspective, however, the high correlation calls into question the agency of leaders to act as a bulwark against powerful stakeholder demands.

Also, what stands out in Figure 2 is the high priority given to internal stakeholders, although extant nonprofit literature has strongly focused on the influence of private donors and institutional funders as powerful stakeholders driving organizational behavior (Bennett & Savani, 2011; Dunn, 2010; Krishnan & Yetman, 2011; Parsons et al., 2017). This calls for further reflection on whether powerful internal stakeholders articulate their own independent demands or whether they serve as powerful agents of external stakeholders' demands. To illustrate our point, it is conceivable that organizations report low overhead expenses, not because of donor pressure per se, as noted by Parsons et al. (2017), but because executives or board members pressure financial managers to do so.

TABLE 3 Factor correlation matrix

		Stakeholder power				Stakeholder representation			
		Factor 1: Community network	Factor 2: Individual supporters	Factor 3: Internal constituents	Factor 4: Professionals	Factor 1: Resource providers	Factor 2: Decision makers	Factor 3: Supporters	Factor 4: Beneficiaries
Stakeholder power	Factor 1: Community network								
	Factor 2: Individual supporters	.354**							
	Factor 3: Internal constituents	.272**	.189**						
	Factor 4: Professionals	.112**	.088	.041					
Stakeholder representation	Factor 1: Resource providers	.471**	.454**	.154**	.097*				
	Factor 2: Decision makers	.186**	.062	.403**	.300**	.407**			
	Factor 3: Supporters	.269**	.444**	.457**	−.138**	.426**	.369**		
	Factor 4: Beneficiaries	.391**	.330**	.033	.314**	.373**	.229**	.186**	

*$p(t) < .05$.**$p(t) < .01$ (two-tailed).

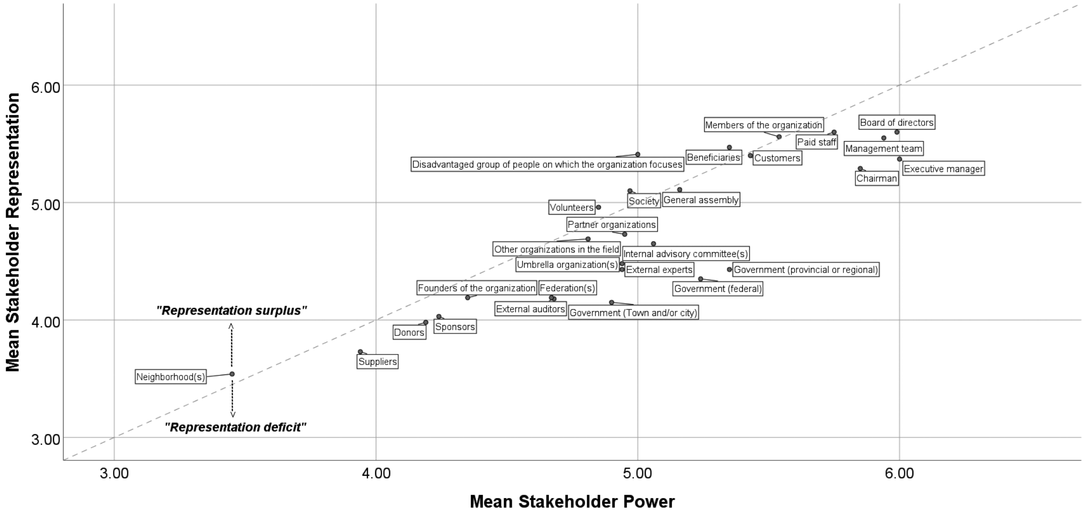

FIGURE 2 Correlation between stakeholder power and stakeholder representation, mean values across all respondents ($n = 491$) and all organizations ($n = 59$)

5.3 | Perceptual differences between board members and executive managers

The third step of our analysis was to examine the extent to which perceptions of stakeholder power and representation differ between board members and executive managers. We began this analysis by running Mann–Whitney U tests (see Appendix 1) to identify stakeholders who differ significantly in the perception of their power or representation by the two groups. The results showed significant differences in the perceptions of the groups on 13 of the 27 stakeholders. Interestingly, for none of the 13 stakeholders, the leaders' perceptions diverged significantly on both constructs at the same time but in all cases only on one construct of the two. As with our prior approach of mapping stakeholders across the full sample (see Figure 2), the mean values for power and representations for these 13 stakeholders are shown separately for board members and executive managers (Figure 3).

Figure 3 shows that executive managers consider themselves significantly more responsible than the board members for internal stakeholders (management team, executive managers, chairman, paid staff). This finding seems intuitive in that executive managers, charged with daily operations of the organization, give voice to the demands of internal stakeholders, especially the paid employees. While managers and board members attribute similar levels of power to these internal stakeholders, the mismatch in their representation indicates that managers view compensating for representation deficits as part of their responsibility.

By contrast, our data reveals the opposite pattern with regard to several external stakeholders (neighborhoods, suppliers, donors, sponsors). Here executive managers and board members consider themselves responsible to a similar degree, but board members perceive these stakeholders to be significantly more powerful. While it seems intuitive that board members perceive community stakeholders to be more influential, as board members are frequently themselves part of the community, it is counterintuitive that this higher-perceived power does not equally translate into higher representation. Following our definition of a stakeholder representation deficit (surplus), these external stakeholders enjoy a surplus in the eyes of executive

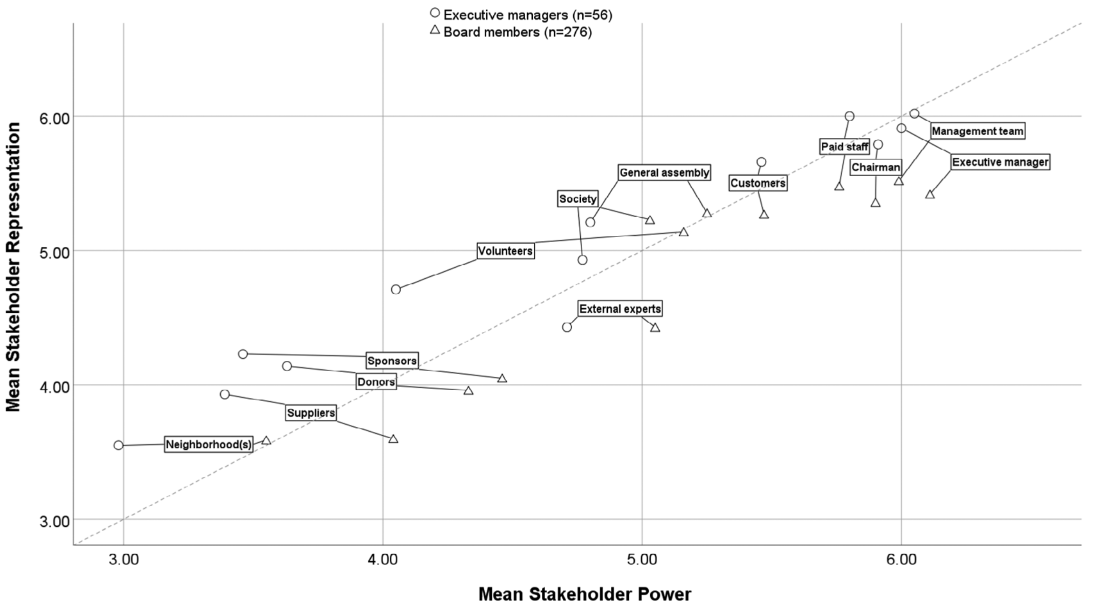

FIGURE 3 Correlation between stakeholder constructs by role within the organization

managers, while there is a deficit from the perspective of the board (except for neighborhoods). The stark mismatch in perceived power is also evident when it comes to volunteers, who are considered significantly more powerful by board members. More generally, however, board members and executive managers unanimously ascribe a lower level of power and representation to external resource providers than they ascribe to the internal stakeholders.

In the second step of the analysis, we investigated group differences between board members and executive managers based on the factor structure that emerged from the principal component analysis. In Table 4, we present independent t-tests between the two groups for each of the derived factors.

Results show that board members perceive significantly higher power of individual supporters (sponsors, donors, volunteers) and represent the decision-makers to a significantly lower degree. Both results are largely consistent with the findings from Figure 3.

Taken together, these findings again call for a critical assessment of the desirability of these divergent perceptions. On the one hand, divergent stakeholder perceptions may be considered as a reflection of effective role sharing with the leadership team with the aim of being responsive to different stakeholder groups. On the other hand, divergent stakeholder perceptions could indicate different cognitions about organizational identity or goals, and this could prove harmful to organizational effectiveness (Kreutzer & Jäger, 2011; Willems, 2016).

6 | IMPLICATIONS FOR RESEARCH

Two findings in particular from our quantitative-exploratory study hold important implications for nonprofit stakeholder management literature. First are the conceptual differences that we have noted between power and representation (as revealed by the principal component analysis). These indicate that predefined stakeholder classifications in the conceptual literature might not necessarily be reflected in the actual cognition of nonprofit leaders. More broadly, our

TABLE 4 Differences in stakeholder pressure perceptions between board members and executive managers

Stakeholder power	Factor 1: Community network		Factor 2: Individual supporters		Factor 3: Internal constituents		Factor 4: Professionals	
	Mean	*SD*	Mean	*SD*	Mean	*SD*	Mean	*SD*
Board members ($n = 276$)	.06	.95	.14	.98	.10	.93	.08	1.01
Executive managers ($n = 56$)	−.13	1.15	−.49	1.02	−.18	.95	.20	0.71
Unpaired *t*-test	$t = 1.36$ ($p = .175$)		$t = 4.35$ ($p < .001$)		$t = 2.03$ ($p = .043$)		$t = -1.13$ ($p = .260$)	

Stakeholder representation	Factor 1: Resource providers		Factor 2: Decision makers		Factor 3: Supporters		Factor 4: Beneficiaries	
	Mean	*SD*	Mean	*SD*	Mean	*SD*	Mean	*SD*
Board members ($n = 276$)	−.05	1.06	.07	.93	.09	.97	−.10	1.05
Executive managers ($n = 56$)	.16	.93	.47	.84	−.03	.85	.22	.85
Unpaired *t*-test	$t = -1.38$ ($p = .168$)		$t = -3.02$ ($p = .003$)		$t = 0.90$ ($p = .371$)		$t = -2.12$ ($p = .034$)	

findings call for careful reflection upon operationalizing stakeholder perceptions in empirical research that seeks to explain organizational outcomes based on stakeholder configurations. To date, most empirical studies that link stakeholder perceptions with organizational decisions and outcomes use individual dimensions only (MacIndoe & Barman, 2012; Parsons et al., 2017), although stakeholder literature indicates the need for multi-dimensional assessments of stakeholder influence. In addition to established constructs that include power, pressure, legitimacy, or urgency, we have argued in this study that such an analysis should also be complemented with an examination of stakeholder representation. Our focus on representation echoes the critique by MacIndoe and Barman (2012) that the predominant theoretical framing through institutional theory to investigate stakeholder influence (Krishnan & Yetman, 2011; Striebing, 2017) has come at the expense of closely studying agency of individual leaders. Representation is likely to become an increasingly relevant topic in the literature in times of the increasing number of voices calling for ensuring board diversity (Dula et al., 2020; Harris, 2014) and beneficiary engagement (Leardini et al., 2019).

Second, the notable differences that we found between board members and executive managers in stakeholder perceptions call for further research on team-level characteristics. While in a for-profit context, scholars regularly survey professional managers on perceived stakeholder influences (Agle et al., 1999; Helmig et al., 2016), leadership structures are often more complex in a nonprofit setting (Cornforth, 2012; Renz & Andersson, 2014; Willems et al., 2017). This calls on future surveys to consider the use of multiple-rater sampling, that is, surveying several respondents within one organization. In fact, the scarcity of multiple-rater studies has already been identified as an issue in several management domains, such as in operations research (Boyer & Verma, 2000) or public management (Vogel & Kroll, 2019). Only tentatively, nonprofit management scholars have started investigating differences in governance perceptions between board members and executives (Bernstein et al., 2016; Du Bois et al., 2009). A closer analysis of interrater reliability in stakeholder perceptions can provide a novel perspective on team cohesion (Willems, 2016). This implies that future studies could employ multiple-rater sampling approaches and multi-level data analyses that first assess within-organization homogeneity before making between-organization comparisons.

More broadly, an agency perspective would allow future research to investigate important follow-up questions, such as: To what extent do external stakeholder claims depend on the compatibility with internal stakeholder interests? Do internal stakeholder claims, in fact, mediate or moderate the demands of external stakeholders? How effectively are the governance structures designed to a) adequately represent powerful stakeholders, and b) at the same time incorporate checks and balances against underrepresentation?

7 | IMPLICATIONS FOR PRACTICE

Our findings also offer a new perspective on stakeholder analysis that can be informative for organizational practice. First, the identified differences in stakeholder perceptions between board members and managers imply that stakeholder analysis, as an important element of strategic planning, should always be an outcome of the effort of a team that includes the leadership team members holding various positions in the organization. Differences in stakeholder perceptions should then be openly discussed to determine when they are desirable and when they are harmful. They can be desirable when board members and managers intentionally cater to different stakeholders in an attempt to reconcile competing organizational identities (Kreutzer & Jäger, 2011) or institutional logics (Pache & Santos, 2013). Viewed through this lens, differences between board members and managers might, in fact, reflect useful role sharing and collaboration instead of team dysfunction (Lim & Klein, 2006). On the contrary, differences in stakeholder perceptions can, in other instances, be harmful when they create ambiguity about organizational objectives (Du Bois et al., 2009) or organizational effectiveness (Willems, 2016).

Second, by introducing the concept of a stakeholder representation deficit (surplus) and empirically establishing its existence, we provide a tool for organizations to identify potential deficiencies in their governance structures. It allows leadership teams to reflect normatively on whether they are appropriately representing stakeholders who deserve to be represented. The value of such a normative way of thinking about stakeholders has already been highlighted by Mitchell et al. (1997, p. 880) who argue that through mapping the legitimacy of stakeholders, managers "become sensitized to the moral implications of their actions with respect to each stakeholder." That said, we illustrate and argue in this study that there is a need to go beyond merely judging the stakeholder environment and assessing the legitimacy of stakeholder interests by more actively considering the personal role leaders play in representing stakeholders. Hence, we call on nonprofit leaders to incorporate elements of personal reflection and the understanding of one's role in the process of stakeholder analysis.

8 | LIMITATIONS

Our study is subject to several limitations. First, the quantitative-exploratory character of our study does not allow us to further examine the relationship between stakeholder constructs and individual-level or organizational-level outcomes. An important next step for researchers would hence be to further explain (1) how perceptions of stakeholder representation affect organizational outcomes and (2) how such a relationship is moderated by internal consistency or divergence among the organizational leaders' perceptions. Second, we did not examine stakeholder perceptions in the context of a particular issue. Yet, stakeholder literature stresses that stakeholder influence "can vary from issue to issue and from time to time" (Mitchell et al., 1997, p. 879), which is commonly captured through the dimension of stakeholder urgency. Assessing stakeholder power and representation in the context of a particular issue might offer a more dynamic perspective on stakeholder salience across these dimensions, that is, whether representation surpluses and deficits are more pronounced in the context of certain issues. Third, we applied convenience sampling at the organizational level. As a result, we cannot claim complete representativeness for all nonprofit organizations or a specific subsector. In contrast, we deliberately addressed different types of organizations to be as inclusive as possible. However, further research could focus more on how organizational characteristics relate to shared opinions among leaders within an organization on representation surpluses and deficits.

9 | CONCLUSION

Our study has offered a new approach to stakeholder analysis in nonprofit organizations, where leaders operate in a particularly complex environment of competing stakeholder claims. Prior nonprofit literature has been strongly focused on leaders' perceptions of stakeholder power and pressures to explain organizational decisions. Based on arguments from stakeholder theory and agency theory, we argue that this focus has neglected the agency of individual leaders who make conscious choices about who they represent in organizational decisions. In our analysis of nonprofit leaders' perceptions across a wide range of stakeholders and organizations, we have established the existence of representation deficits and surpluses and that notable perceptual differences exist between board members and executive managers. These results call on future research to assess stakeholder perceptions on multiple dimensions and employ a multiple-rater measurement approach. Finally, we offer a new approach for organizational leaders to reflect on their personal preferences for stakeholder representation to complement their practices of stakeholder analysis.

ACKNOWLEDGEMENTS

Open access funding enabled and organized by Projekt DEAL.

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ENDNOTE

[1] For the stakeholder power construct, our detailed approach under Step 3 led to the exclusion of external auditors, external experts, founders of the organization, government (town and/or city), internal advisory committee(s), neighborhood(s), paid staff, partner organizations, society as a whole and suppliers. For representation, we excluded external experts, founders of the organization, internal advisory committee(s), neighborhoods, paid staff and umbrella organization(s).

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How to cite this article: Schubert P, Willems J. In the name of the stakeholder: An assessment of representation surpluses and deficits by nonprofit leaders. *Nonprofit Management and Leadership*. 2020;1–26. https://doi.org/10.1002/nml.21445

APPENDIX A: Descriptive statistics on measures of stakeholder perception ($N = 491$)

	Stakeholder power				Stakeholder representation			
	Mean	*SD*	U test (board vs. managers)		Mean	*SD*	U test (board vs. managers)	
			Z	*p*			*Z*	*p*
Founders of the organization	4.35	1.602	−1.93	.053	4.19	1.575	−0.44	.661
Members of the organization	5.54	.983	−1.69	.092	5.56	.953	−1.22	.222
General assembly	5.16	1.175	−2.64	.008	5.11	1.140	−0.20	.838
Chairman of the board of directors	5.85	.816	−0.01	.995	5.29	1.173	−2.88	.004
Board of directors	5.99	.694	−0.72	.473	5.60	1.020	−1.40	.162
Executive manager	6.00	.901	−0.85	.393	5.37	1.194	−3.20	.001
Management team	5.94	.775	−0.31	.756	5.55	.964	−3.85	.000
Paid staff	5.75	.812	−0.46	.647	5.60	.945	−4.10	.000
Volunteers	4.85	1.680	−4.20	.000	4.96	1.450	−1.85	.064
Internal advisory committee(s)	5.06	1.170	−0.01	.992	4.65	1.297	−1.35	.176
Government (federal)	5.24	1.341	−1.43	.151	4.35	1.486	−0.08	.941
Government (provincial/regional)	5.35	1.140	−1.50	.133	4.43	1.410	−1.46	.145
Government (town and/or city)	4.90	1.302	−1.56	.120	4.15	1.446	−0.79	.430
Suppliers	3.94	1.494	−2.94	.003	3.73	1.418	−1.52	.128
Customers	5.43	1.377	−0.05	.956	5.40	1.302	−2.21	.027
External experts	4.94	1.062	−3.31	.001	4.43	1.267	−0.54	.586

(Continues)

	Stakeholder power				Stakeholder representation			
	Mean	*SD*	U test (board vs. managers)		Mean	*SD*	U test (board vs. managers)	
External auditors	4.68	1.259	−0.41	.684	4.18	1.352	−0.93	.355
Sponsors	4.24	1.608	−4.25	.000	4.03	1.478	−0.82	.411
Donors	4.19	1.632	−3.08	.002	3.98	1.494	−0.63	.529
Beneficiaries	5.35	1.150	−0.03	.979	5.47	1.183	−1.25	.210
Neighborhood(s)	3.45	1.580	−2.39	.017	3.54	1.536	−0.12	.906
Other organizations in the field	4.81	.975	−1.28	.202	4.69	1.128	−0.84	.402
Umbrella organization(s)	4.94	1.105	−1.11	.265	4.48	1.241	−1.77	.076
Federation(s)	4.67	1.256	−1.11	.269	4.19	1.331	−1.85	.064
Partner organizations	4.95	1.095	−1.80	.072	4.73	1.127	−1.23	.218
Disadvantaged group of people on which the organization focuses	5.00	1.408	−0.23	.822	5.41	1.286	−0.54	.591
Society as a whole	4.97	1.120	−1.56	.118	5.10	1.098	−2.33	.020

Note: Mann–Whitney U test shows differences between members of the board ($n = 276$) and executive managers ($n = 56$).

APPENDIX B: Survey questions

(*The stakeholders were presented in random order per respondent—based on Qualtrics randomization functionality*).

Stakeholders in the decision process

Please indicate for each of the following stakeholders how important they are in the overall decision process of the organization. You can score for each stakeholder on a scale from "Not important at all" (Left: they have no impact on the decisions taken in the organization) to "Extremely important" (Right: they are focal in the decision process).

Answer options: "Not at all Important (1)," "Very Unimportant(2)," "Somewhat Unimportant (3)," "Neither Important nor Unimportant (4)," "Somewhat Important (5)," "Very Important (6)," "Extremely Important (7)"

- Founders of the organization
- Members of the organization
- General assembly
- Chairman of the board of directors
- Board of directors
- Executive manager (CEO/PDG/Coordinator)
- Management team
- Paid staff
- Volunteers

- Internal advisory committee(s)
- Government (federal)
- Government(provincial or regional)
- Government (Town and/or city)
- Suppliers
- Customers
- External experts
- External auditors
- Sponsors
- Donors
- Beneficiaries
- Neighborhood(s)
- Other organizations in the field
- Umbrella organization(s)
- Federation(s)
- Partner organizations
- Disadvantaged group of people on which the organization focuses
- Society as a whole

The stakeholders you represent

Please indicate for each of the following stakeholders to what extent you feel personally responsible for them as a member of the leadership team in the organization. You can score for each stakeholder on a scale from "Not important at all" (Left: you do not feel they have to be represented by you in this organization) to "Extremely important" (Right: it is extremely important for you to represent these stakeholders in this organization).

Answer options: "Not at all Important for me (1)," "Very Unimportant for me (2)," "Somewhat Unimportant for me (3)," "Neither Important nor Unimportant for me (4)," "Somewhat Important for me (5)," "Very Important for me (6)," "Extremely Important for me(7)

- Founders of the organization
- Members of the organization
- General assembly
- Chairman of the board of directors
- Board of directors
- Executive manager (CEO/PDG/Coordinator)
- Management team
- Paid staff
- Volunteers
- Internal advisory committee(s)
- Government (federal)
- Government(provincial or regional)
- Government (Town and/or city)
- Suppliers
- Customers
- External experts
- External auditors
- Sponsors
- Donors

- Beneficiaries
- Neighborhood(s)
- Other organizations in the field
- Umbrella organization(s)
- Federation(s)
- Partner organizations
- Disadvantaged group of people on which the organization focuses
- Society as a whole

Your role in the organization

Please indicate your official role(s) in the leadership team: (multiple answers possible)

☐ I am a member of the board of directors
☐ I am the chairman of the board
☐ I represent another organization in this board
☐ I am the executive manager (CEO/PDG/Executive Director/...)
☐ I am a member of the day-to-day management team
☐ I am a memberof an advisory committee
☐ Other ____

What i s your gender?

o Male
o Female

Please indicate your level of education. (In case you obtained multiple higher education degrees, please add up the minimum official full-time program years that are necessary to complete the degrees).

o No high school degree
o High school degree
o Higher education (3 years) o Higher education (4 or 5 years) o Higher education (6 or more years)
o Not applicable