Managing Stakeholder Demands: Governance Decisions and Stakeholder Standing

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In an empirical study, this paper used John Rawls' idea (1971) of justice as fairness to rank competing stakeholder interests in governance decisions. Undergraduate students were asked to rank the power or responsibility of six stakeholder groups on twelve governance decisions. The results indicate that the participants meaningfully ranked the various stakeholder groups on the governance decisions as evidenced by t-tests. These results indicate that using the Rawlsian mind experiment of a veil of ignorance and an original position was an effective means of unraveling competing stakeholder interests in governance decisions. The implications of the results were discussed for stakeholder legitimacy and ethical decision-making.

Keywords: Stakeholder ethics; Stakeholder standing; Stakeholder legitimacy; Fairness; Governance; Social responsibility

Introduction

Stakeholder theory addresses the influence of and obligations owed to various internal and external constituencies of the organization (Mitchell et al., 1997 and Phillips, 1997). A broad definition of stakeholders is "any individual or group of individuals that is the legitimate object of managerial or organizational attention" (Phillips, 2003, p. 25). This conception understands stakeholders as individuals or groups to which management must attend. The direction of interest in this conception is from the organization and its management toward the various stakeholder groups and focuses on the nature and degree of attention given to the stakeholders. The Mendelow Matrix (Mendelow, 1991; Olander & Landin, 2005) is a tool used to determine the type of attention given to different stakeholders based on their power and interest. Stakeholder legitimacy, as articulated by Freeman (1984), is based on relative rather than absolute power: "Do all stakeholders have an

equally 'legitimate' claim on the resources of the corporation?" (p. 45). While Freeman (1984) sets aside this ranking of legitimacy, the problem this paper addresses is the ranking of stakeholder power in various governance decisions. It is theorized that the relative legitimacy of various stakeholder groups depends on the corporate or organizational issue under consideration.

There has been a broad and protracted theoretical discussion in the literature on stakeholder legitimacy and stakeholder ranking from the perspective of several academic disciplines. This discussion has ensued in the stakeholder theory and governance literature as represented by Klein et al. (2019). who suggest that formal governance structures should be adapted in response to the external social, political, and legal environments. This adaptation of governance structures can follow four pathways: continuity, architectural change, enfranchisement change, and redistribution. Previously, Sirgy (2002) articulated a contractual stakeholder model that included internal, external, and distal stakeholders. The relationships among these stakeholder groups were operationalized as internal service quality, external service quality, and company goodwill, respectively.

In the economics literature, Rajan and Zingales (1998) proposed a model of stakeholder transactions based on access to resources rather than allocation of ownership interest. This model was posited as superior to contractual models because it contended that power is derived from making good investments in resources while ownership interest discourages specialization. Another economic model, developed by Grandori (2010), focused on how heuristic knowledge is acquired and applied to organizational decision-making. This heuristic or research-based model of decision making was posed as more adept than traditional rational choice and behavioral decision models in encouraging innovation in a knowledge-based economy.

A model in organizational theory was developed by Evans and Evans (2014) for unraveling the competing interests of stakeholders when facing various situations in corporate governance. This conceptual framework examined the interests held by stakeholders of an enterprise and their relationships with other stakeholders also involved in the enterprise. Phillips (1997) proposed a conception of "obligations of fairness", which includes "mutual benefit" and "justice" as part of corporate governance. In an enterprise with multiple stakeholders, it is challenging to identify the appropriate relative ranking of stakeholder interests for any specific action (p, 30). Phillips (1997) attributes this difficulty to "an approach [that] is based on the idea that all stakeholder groups are, to varying degrees, involved in the same economic cooperative scheme" (p. 52) and thus have equal voice and consideration in governance decisions. In this context, the term "stakeholder" is used to describe all the people interested in or contributing to a corporation's success. Freeman (1994) characterizes this relationship as the "Stakeholder Enabling Principle": "Corporations shall be managed in the interests of its stakeholders, defined as employees, financiers, customers… and communities" (p. 417). This principle assumes there is congruence among the interests of the stakeholders because all want the firm to thrive and to share the results of that success with the respective stakeholders. However, stakeholders can also have interests that are in conflict with one another since the interests of some stakeholders can be adverse to the interests of other stakeholders.

Thus, while these groups are important to the corporation, they do not always have aligned interests on every issue. Freeman (1994), using the idea of "director responsibility," states: "Directors of the corporation shall have a duty of care to use reasonable judgment to define and direct the affairs of the corporation in accordance with the stakeholder enabling principle" (p. 417). The principle of director responsibility attempt to establish rational and coherent behavior among the stakeholders. Behavior that appears rational and coherent to one stakeholder may, however, seem exactly the opposite to others. The fact that stakeholders have congruent interests, as well as conflicting interests, prompted Hendry (2001) to observe that normative stakeholder theory was in disarray. To clarify this issue, he suggested three kinds of normative stakeholder theories:

descriptive, instrumental, and normative. From the perspective of ethics, normative theories address "how should firms be governed, and to whom should managers be responsible?" (p. 162). Given the potentially conflicting interests among various stakeholder groups, identifying the level of responsibility owed to each stakeholder group can be challenging for decision-makers. The current research proposes that different decisions in the governance process may place different weights on the interests of one group of stakeholders relative to the interests of other stakeholders.

Because the claim of a stakeholder can influence the degree of legitimacy that a stakeholder enjoys, the nature of the stakeholder's connection to the enterprise and what is wanted from the enterprise are what determine the legitimacy of a claim. Phillips (2003) introduced the concept of stakeholder legitimacy. Normative and derivative stakeholders are different with different claims to legitimacy. According to Phillips (2003, p. 26), normative stakeholders "are those stakeholders to whom the organization has a moral obligation, an obligation of stakeholder fairness, over and above that due other social actors simply by virtue of their humanity". Normative stakeholders have stronger ties to the organization and thus deserve greater consideration in governance decisions. Identifying normative stakeholders answers the question: "for whose benefit should the firm be managed? " (Freeman, 1984, p. 30).

Although derivative stakeholders do not have normative interests, they should be treated like stakeholders because their actions could affect normative stakeholders and the organization. The impact of these derivative stakeholders can be positive or negative for the normative stakeholders or the organization, and these potential impacts must be considered. The media, competitors, and terrorists are considered derivative stakeholders since they can influence the organization, but they lack a compelling moral argument that the organization should be managed for their benefit.

The conflict between normative and derivative stakeholders indicates that fairness requires some way to rank or weight stakeholder interests and that this "pecking order" will depend on the governance decisions (Renouard, 2011). The stakeholders often make their claims from a perspective that focuses on their interests. This creates a complex web of claims that can be difficult to unravel. Stockholders and management want increased profitability which tends to lead to higher dividends for stockholders and performance bonuses for management. Employees want higher wages and benefits; the government wants to collect taxes owed and apply appropriate regulatory oversight; consumers want products that are safe and priced fairly; the community wants a clean environment and jobs; and everyone wants social responsibility. These stakeholder interests are often mutually exclusive (Neville & Menguc, 2006). Because of these conflicting claims, Enyinna (2013) questioned the adequacy of stakeholder theory to adjudicate such conflicts. Stakeholder theory posits broad suggestions for ethical decisions because of its philosophical nature. Specific guidance on practical decisions requires a theory to be prescriptive. Normative theories cannot be merely hypothetical, they must guide specific actions. Unraveling conflicting stakeholder interests requires a thorough and practical application of the concept of fairness.

Although several ways exist by which to rank the legitimacy of stakeholders, one way is to evaluate the various groups using a legitimacy metric. Santana (2012) proposed three facets of stakeholder legitimacy: the legitimacy of the entity, the legitimacy of the stakeholder's claim, and the legitimacy of the stakeholder's behavior. Santana (2012) applied this metric to eight situations to arrive at varying degrees of stakeholder legitimacy based on some combination of these three facets. This approach advanced the understanding of stakeholder legitimacy but it did not address the more difficult issue of fairness when equally legitimate stakeholders have competing interests.

The idea of fairness (Rawls,1964) has been used in the discussion of competing stakeholder interests (Phillips, 2003; Gilbert & Rasche, 2008; Jensen & Sandström, 2013; Jones & Felps, 2013; Mansell, 2013). Justice as fairness (Rawls, 1971) has generated considerable ethical discussion in modern philosophy. For example, when applying social contracts to a corporation, Rawls postulated

a network of implicit and explicit agreements to which individuals must adhere in their relationships with one another. Social contracts are so pervasive that they form the foundation of the modern republic, borrowing principles from Smith (1776) and Rousseau (1950). Cragg (2000) built on this foundation using social contract theory to link together business ethics and human rights.

As a foundational premise, Rawls (1971) used "justice as fairness," to describe a contract acceptable to society and its members. The rules and principles of a social contract must be universally agreed upon: "They are the principles that free and rational persons concerned to further their own interests would accept… as defining the fundamental terms of their association. These principles are to regulate all further agreements" (p. 10). This idea is referred to as "agreement" or a "meeting of the minds" in contract law. Any compromise would require that all disagreeing parties feel an agreement was a "good deal" for their stakeholder group, gaining at least as much as what was sacrificed. The difficulty in using "justice as fairness" as a foundation for ethical reasoning is that "fair" is often viewed through the lens of one's self-interest. To address this problem, Rawls (1971) used a thought experiment to engender empathy between individuals, a "veil of ignorance" (p. 118) to eliminate inherent biases that may cloud decisions about ethical principles. The veil of ignorance allows individuals to make a judgment about an issue or decision without depending on their current position in society as the basis for their judgment. In this research, this veil of ignorance is adapted to unravel conflicting stakeholder interests for specific governance decisions.

The corporation's connection to various stakeholder groups creates interconnecting duties. But potential conflicts between groups remain for specific decisions and actions. Stockholders have risked capital for the creation of the corporation and will care more about the initial revenue and profit. Customers will have less influence in governance decisions since there are fewer of them in the beginning and they lack a voice in the decision process. The veil of ignorance allows each stakeholder group to empathize with the others and view the long-term fortunes of the company as important for all. Rawls uses the veil of ignorance to promote fairness and social justice, but it is used and adapted here as a way for stakeholder groups to view an issue from the perspective of all the stakeholders. This empathy is a necessary step to understand and unravel the complex interests among many stakeholders.

Because any individual interest will often conflict with the interests of others, some ethical principles on which all stakeholders can agree must be established. All stakeholders are required to behave by the principles of society and sound governance. Rawls attempts to resolve conflicts by placing individuals behind the veil of ignorance where they assume an "original position" of not knowing which place in society they will ultimately occupy. Rawls' framework is adapted here as the stakeholder's original position and will be used to resolve or unravel conflicting stakeholder interests for specific governance decisions and issues.

The theoretical linkage progresses from stakeholder theory and legitimacy (Phillips, 2003) to competing stakeholder interests in corporate governance (Freeman, 1994) and then to Rawls' thought experiment to unravel the competing stakeholder interests (Evans & Evans, 2014). To provide some empirical evidence for the Rawlsian approach to unraveling the competing stakeholder interests, participants were asked to go behind the veil of ignorance and rank various stakeholders in the context of specific corporate and organizational issues. Rather than focusing on the legitimacy of specific stakeholder groups, equally legitimate stakeholders were ranked relative to different organizational issues. It is hypothesized that when self-interest is set aside in Rawls' original position, individuals will rank various stakeholder groups based on legitimacy in light of the issue at hand.

If participants are successfully stepping behind the Rawlsian veil to evaluate stakeholder rankings for each issue, two clear patterns are hypothesized to emerge in the results. The first hypothesis is that the rankings of stakeholder power and legitimacy will be different depending on the organizational issue being considered. In addressing this issue-focused stakeholder management

Roloff (2008) stated, "Multi-stakeholder networks are issues-driven…" (p 238). This concept was employed as an approach to manage competing stakeholder demands as stated by Roloff (2008): "…or on an issue that affects their relationship with other societal groups and organizations (issues-focused stakeholder management)" (p. 233). How issues are defined will vary with the organizational context, but different issues may require different rankings of stakeholder power or influence. The null hypothesis, in this case, would be that the rankings of stakeholders would be the same regardless of the corporate governance issue being considered.

The second hypothesis concerns the rankings within each of the issues. It is hypothesized that the ranking of each of the six stakeholder groups will be statistically significant from each other within each of the twelve corporate governance issues. Furthermore, it is hypothesized that these rankings within each corporate governance issue will be a rationally defensible ordering as Dawkins (2014) proposed as an "altered power dynamic" (p. 283). Stakeholder relative power changes depending on the issue at hand. Thus, directional tests will reveal statistically significant differences among the stakeholder rankings. The null hypothesis is that the rankings within each issue will be random with little rational support for the ordering and no statistically significant difference among the ranked stakeholder groups.

Methodology

Participants

The participants in this study were 193 undergraduates in a required business ethics and social responsibility class. The data were collected anonymously to facilitate participants assuming the "original position" as conceived by Rawls so they could do the rankings ignorant of which stakeholder group they may eventually represent. There was an approximately equal number of males and females, and the students were traditionally aged college students, although some non-traditional students were also participants. As a required core class in an accredited business curriculum, the participants represented several business disciplines including accounting, finance, management, marketing, management information systems, entertainment management, and international business. Some were business minors and thus represented majors outside the College of Business. Although the participants were college undergraduates, they represent a valid sample since they were consumers, members of the community, employees of businesses, and some were even stockholders and managers.

Procedures

A survey instrument was constructed and identified twelve specific business decisions or issues. These were (1) the level of compensation of the CEO and other members of top management; (2) the number and extent of the health and safety features of the product and services offered by the business; (3) workplace health and safety; (4) environmental decisions, including air and water discharge and refuse disposal; (5) employee compensation, including wages and benefits; (6) work policies and procedures, including disciplinary practices and supervision procedures; (7) the amount and frequency of stock dividends; (8) property and income taxes; (9) what products and services to offer and at what price; (10) sell or ending the enterprise, including by declaring bankruptcy; (11) employee stock ownership; and (12) responding to sustainability issues and climate change. These issues were selected because they were broad enough to represent many governance issues for the validation of the model without becoming entangled in the minutia of more detailed decisions. These issues are also consistent with the definition of issues as outlined by Roloff (2008). Six equally legitimate stakeholders were identified. These were (1) Stockholders, (2) Management, (3)

Employees, (4) Government, (5) Community, and (6) Consumers. These would all be considered legitimate stakeholders by the standards of Freeman (1994), Phillips (2003), and Santana (2012), and represent both internal and external stakeholders as defined by Sirgy (2002).

The instrument required students to weigh or rate each of the six stakeholder groups on each of the twelve decisions using a 7-point Likert scale with end anchors. The anchors were 7-maximum weight and 1-minimum weight. The survey instrument was placed into a learning management system (LMS) and students were required to complete the survey anonymously as part of the requirement for the class. Students were given course credit for completing the survey, but they were not evaluated on the quality or nature of their responses. The responses were recorded by the LMS and downloaded as an Excel file that was analyzed in IBM SPSS Statistics.

The general instructions were as follows: "Think about stakeholder power regarding issues and decisions facing modern businesses. For this questionnaire, you do not know which stakeholder group you will belong to. You do not know if you will be a stockholder, an employee, a member of the management team, a consumer of their goods and services, a member of the community in which they operate (either as an individual or as a member of an advocacy group), or a government official levying a tax or regulating the business. For each of the decisions outlined below, rate the power each stakeholder group should have, the weight they should have in the decision, assuming you are ignorant of which stakeholder group you represent. Groups that should have equal weight, high or low, should be rated equally. Your answers will be anonymous, but you will receive credit for completing the survey." In this manner, Rawls' mind experiment using an original position behind a veil of ignorance is operationalized for an empirical investigation.

Figure 1 provides an image showing how each question looked for the participants. Each question provided the same format, instructions, and response options. The issue being addressed changed for each of the twelve questions.
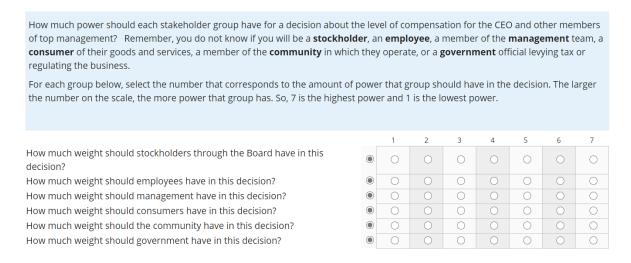

Figure 1 - Survey Instrument

Results

Table 1 shows the average rankings of the various stakeholder groups for decisions involving the compensation level of the CEO and top management. Paired t-tests were performed on the means of each adjacent stakeholder group in the rankings to test if there were statistically significant differences among the ranking of the stakeholder groups. The results of the paired t-test are as follows: for the difference between Stockholders and Management $t_{(192)} = 2.727$, $p < .01$; for the

difference between Management and Employees $t_{(192)} = 9.394$, $p < .01$; for the difference between Employees and the Government $t_{(192)} = 4.189$, $p < .01$; for the difference between the Government and Consumers $t_{(192)} = 1.887$, $p < .05$; and for the difference between Consumers and the Community $t_{(192)} = .814$, $p > .05$. All tests are statistically significant except for the difference between Consumers and the Community, which is ranked statistically equal. This indicates meaningful separation among the rankings of the stakeholder groups.

Table 1 – Mean Weighting on CEO Compensation

CEO Compensation			
	N	Mean	Std. Deviation
Stockholders	193	5.10	1.597
Management	193	4.63	1.618
Employees	193	3.47	1.668
Government	193	2.78	1.669
Consumers	193	2.49	1.614
Community	193	2.41	1.501

Table 2 shows the average rankings of the various stakeholder groups for decisions involving product health and safety. The results of the paired t-test are as follows: for the difference between Management and the Government $t_{(192)} = .369$, $p > .05$; for the difference between the Government and Consumers $t_{(192)} = 4.147$, $p < .01$; for the difference between Consumers and Employees $t_{(192)} = 1.129$, $p > .05$; for the difference between the Employees and Community $t_{(192)} = .665$, $p > .05$; and for the difference between the Community and Stockholders $t_{(192)} = .317$, $p > .05$. The paired t-tests indicate no significant difference in the average ranking of Management and Government, demonstrating both are considered equally responsible. A statistically significant difference exists between Government and Consumers. Consumers, Employees, and the Community show no significant separation, but Stockholders are ranked last by a statistically significant difference. Comparing Figures 2 and 3, it is apparent that the rankings of the stakeholder groups on these two issues are completely different as was hypothesized.

Table 2 – Mean Weighting on Product Health and Safety

Product Health & Safety			
	N	Mean	Std. Deviation
Management	193	5.28	1.449
Government	193	5.22	1.692
Consumers	193	4.55	1.755

Employees	193	4.39	1.759
Community	193	4.29	1.814
Stockholders	193	4.23	1.804

Table 3 shows the average ranking of the various stakeholder groups for decisions involving employee health and safety. The results of the paired t-test are as follows: for the difference between Management and Employees $t_{(192)}$ = .902, p > .05; for the difference between Employees and the Government $t_{(192)}$ = 2.550, p < .01; for the difference between the Government and Stockholders $t_{(192)}$ = 8.861, p < .01; for the difference between the Stockholders and the Community $t_{(192)}$ = .986, p > .05; and for the difference between the Community and Consumers $t_{(192)}$ = 4.235, p < .01. The paired t-tests show a significant difference between Management and Employees and no significant difference between Employees and Government. All other groups show statistically significant separation. Employee health and safety is considered the primary responsibility of Management with an important role for Employees and Government. The other groups are ranked lower. Table 3 also represents a different set of rankings compared to Figures 2 and 3.

Table 3 – Mean Weighting on Employee Safety

Employee Safety			
	N	Mean	Std. Deviation
Management	193	5.69	1.344
Employees	193	5.60	1.448
Government	193	5.24	1.576
Stockholders	193	3.91	1.720
Community	193	3.75	1.855
Consumers	193	3.30	1.812

Table 4 shows the average ranking of the various stakeholder groups for decisions involving environmental protection. The results of the paired t-test are as follows: for the difference between the Government and the Community $t_{(192)}$ = 1.713, p < .05; for the difference between the Community and Management $t_{(192)}$ = 3.593, p < .01; for the difference between the Management and Consumers $t_{(192)}$ = 2.961, p < .01; for the difference between Consumers and the Stockholders $t_{(192)}$ = 1.420, p > .05; and for the difference between the Stockholders and Employees $t_{(192)}$ = 1.455, p > .05. The Government and Community are ranked at the top with no statistically significant difference between them. Management and Consumers are weighted significantly below the first two, and Stockholders and Employees are ranked last and significantly separated from the higher groups but not significantly different from each other. The participants viewed the Government and Community as the two most important stakeholders in establishing environmental regulations. The rankings in Table 4 are also distinct from the previous figures.

Table 4 – Mean Weighting on Environmental Protection

Environmental Protection			
	N	Mean	Std. Deviation
Government	193	5.70	1.518
Community	193	5.47	1.617
Management	193	4.78	1.713
Consumers	193	4.28	1.898
Stockholders	193	4.04	1.837
Employees	193	3.83	1.730

Table 5 shows the average ranking of the various stakeholder groups for decisions involving employee compensation. The results of the paired t-test are as follows: for the difference between Management and Employees $t_{(192)}$ = 10.606, p < .01; for the difference between Employees and Stockholders $t_{(192)}$ = .299, p > .05; for the difference between the Stockholders and the Government $t_{(192)}$ = 2.303, p < .05; for the difference between the Government and the Community $t_{(192)}$ = 9.607, p < .01; and for the difference between the Community and Consumers $t_{(192)}$ = 2.546, p < .01. Table 5 displays yet another unique set of rankings of the stakeholder groups.

Table 5 – Mean Weighting on Employee Compensation

Employee Compensation			
	N	Mean	Std. Deviation
Management	193	5.69	1.302
Employees	193	4.48	1.531
Stockholders	193	4.42	1.769
Government	193	4.03	1.715
Community	193	2.70	1.582
Consumers	193	2.45	1.537

Table 6 shows the average ranking of the various stakeholder groups for decisions involving work procedures. The results of the paired t-test are as follows: for the difference between the Management and Employees $t_{(192)}$ = 12.601, p < .01; for the difference between Employees and Stockholders $t_{(192)}$ = 6.771, p < .01; for the difference between the Stockholders and the Government $t_{(192)}$ = 1.694, p < .05; for the difference between the Government and the Community $t_{(192)}$ = 8.077, p < .01; and for the difference between the Community and Consumers $t_{(192)}$ = 2.400, p < .05. The differences between all the means are statistically significant.

Table 6 – Mean Weighting on Work Procedures

Work Procedures			
	N	Mean	Std. Deviation
Management	193	6.17	1.107
Employees	193	4.66	1.597
Stockholders	193	3.51	1.738
Government	193	3.25	1.788
Community	193	2.22	1.519
Consumers	193	2.06	1.396

Table 7 shows the average ranking of the various stakeholder groups for decisions involving stock dividends. The results of the paired t-test are as follows: for the difference between Stockholders and Management $t_{(192)}$ = .195, p >.05; for the difference between the Management and the Government $t_{(192)}$ = 7.196, p < .01; for the difference between the Government and Employees $t_{(192)}$ = 2.815, p < .01; for the difference between Employees and Consumers $t_{(192)}$ = 2.627, p < .01; and for the difference between Consumers and the Community $t_{(192)}$ = 2.144, p < .05. All the means are statistically different from each other except the difference between the top two groups: Stockholders and Management. Table 7 displays another unique set of rankings.

Table 7 – Mean Weighting on Stocks Dividends

Stocks Dividends			
	N	Mean	Std. Deviation
Stockholders	193	4.89	1.783
Management	193	4.85	1.747
Government	193	3.54	1.811
Employees	193	3.09	1.626
Consumers	193	2.72	1.688
Community	193	2.52	1.555

Table 8 shows the average ranking of the various stakeholder groups for decisions involving taxes. The results of the paired t-test are as follows: for the difference between the Government and the Community $t_{(192)}$ = 8.519, p < .01; for the difference between the Community and Management $t_{(192)}$ = 2.716, p < .01; for the difference between the Management and Stockholders $t_{(192)}$ = .943, p > .05; for the difference between Stockholders and Consumers $t_{(192)}$ = 3.376, p < .01; and for the difference between the Consumers and Employees $t_{(192)}$ = 1.379, p > .05. The rankings in Table 8 are also different from those in the other figures.

Table 8 – Mean Weighting on Taxes

Taxes			
	N	Mean	Std. Deviation
Government	193	5.54	1.738
Community	193	3.85	1.928
Management	193	3.37	1.906
Stockholders	193	3.27	1.936
Consumers	193	2.77	1.803
Employees	193	2.63	1.660

Table 9 shows the average ranking of the various stakeholder groups for decisions involving product and service features and offerings. The results of the paired t-test are as follows: for the difference between the Management and Stockholders $t_{(192)} = 7.775$, $p < .01$; for the difference between the Stockholders and Consumers $t_{(192)} = 1.116$, $p > .05$; for the difference between Consumers and Employees $t_{(192)} = 4.110$, $p < .01$; for the difference between Employees and the Community $t_{(192)} = 1.061$, $p > .05$; and for the difference between the Community and the Government $t_{(192)} = 3.954$, $p < .01$. Table 9 shows another unique set of rankings of stakeholders.

Table 9 – Mean Weighting on Product Offerings

Product Offerings			
	N	Mean	Std. Deviation
Management	193	5.51	1.335
Stockholders	193	4.39	1.717
Consumers	193	4.18	1.918
Employees	193	3.58	1.543
Community	193	3.42	1.790
Government	193	2.82	1.611

Table 10 shows the average ranking of the various stakeholder groups for decisions involving bankruptcy, sale, or closing of the enterprise. The results of the paired t-test were as follows: for the difference between Stockholders and Management $t_{(192)} = 2.686$, $p < .01$; for the difference between Management and the Government $t_{(192)} = 10.672$, $p < .01$; for the difference between the Government and Employees $t_{(192)} = 1.455$, $p > .05$; for the difference between Employee and the Community $t_{(192)} = 5.530$, $p < .01$; and for the difference between the Community and Consumers $t_{(192)} = 2.844$, $p < .01$. The rankings in Table 10 are also different from those in the other figures.

Table 10 – Mean Weighting on Bankruptcy, Sale, or Closing

Bankruptcy, Sale, or Closing			
	N	Mean	Std. Deviation
Stockholders	193	5.74	1.520
Management	193	5.33	1.588
Government	193	3.49	1.987
Employees	193	3.25	1.683
Community	193	2.56	1.654
Consumers	193	2.34	1.550

Table 11 shows the average ranking of the various stakeholder groups for decisions involving employee stock ownership. The results of the paired t-test are as follows: for the difference between Stockholders and Management $t_{(192)} = 2.289$, $p < .05$; for the difference between Management and Employees $t_{(192)} = 6.741$, $p < .01$; for the difference between the Employees and the Government $t_{(192)} = 7.269$, $p < .01$; for the difference between the Government and the Community $t_{(192)} = 4.585$, $p < .01$; and for the difference between the Community and Consumers $t_{(192)} = .777$, $p > .05$. Table 11 rankings are distinct from those in the other figures.

Table 11 – Mean Weighting on Employee Stock Ownership

Employee Stock Ownership			
	N	Mean	Std. Deviation
Stockholders	193	5.47	1.479
Management	193	5.17	1.512
Employees	193	4.30	1.736
Government	193	3.11	1.650
Community	193	2.53	1.507
Consumers	193	2.47	1.531

Table 12 shows the average ranking of the various stakeholder groups for decisions involving sustainability and climate change. The results of the paired t-test are as follows: for the difference between the Management and Stockholders $t_{(192)} = 1.404$, $p > .05$; for the difference between Stockholders and the Government $t_{(192)} = 1.389$, $p > .05$; for the difference between the Government and the Community $t_{(192)} = .169$, $p > .05$; for the difference between the Community and Employees $t_{(192)} = 4.534$, $p < .01$; and for the difference between the Employees and Consumers $t_{(192)} = .476$, $p > .05$. Table 12 displays another distinct ranking of the stakeholders.

Table 12 – Mean Weighting on Sustainability and Climate Change

Sustainability and Climate Change			
	N	Mean	Std. Deviation
Management	193	5.24	1.536
Stockholders	193	5.06	1.605
Government	193	4.81	1.828
Community	193	4.79	1.759
Employees	193	4.18	1.705
Consumers	193	4.12	1.854

Conclusions

Several conclusions result from these data. One conclusion is that participants successfully stepped behind Rawls' veil of ignorance to make judgments about stakeholder legitimacy relative to different organizational issues. The effectiveness of this technique is demonstrated in three main ways. First, the rankings of the six stakeholder groups were in a different order, depending on the issue at hand. The rankings among the six stakeholder groups were vastly different when the issue was CEO compensation or product health and safety or environmental issues. The participants did not merely take the position of a single stakeholder group and rank the other stakeholders as less important in a self-interested manner. Instead, they changed their rankings per the issue being addressed, thereby assigning different levels of power to stakeholders depending on the question or issue at hand. These results are consistent with the first hypothesis.

Second, within the ranking for each issue, there was a statistically significant separation between the rankings of the various stakeholders. The stakeholder groups that were ranked at the top, middle, or bottom were not placed randomly; there was a meaningful distinction among the various groups within each issue. When there was an absence of statistical separation between two stakeholder groups, it was a reasonable integration of the two sets of stakeholders. For example, the bottom two stakeholder groups for CEO compensation (Table 1) were Consumers and Community. There was no statistical difference between these two groups simply because they are both external stakeholders who arguably should have little consideration in making decisions about CEO compensation. The same was true for environmental protection issues. The Government and Community were on top with no statistical difference between them as one would argue it should be. These results affirm the second hypothesis.

Finally, the usefulness of this approach and the resulting stakeholder rankings produced a rationally defensible scheme of ranking stakeholder legitimacy or power relative to specific organizational issues. For example, it makes sense that the top stakeholder group for CEO compensation (Table 1) should be the Stockholders, as they are the owners and hence are representative of the employer. The bottom stakeholder group for that issue, the Community, should have no more of a say in how much the CEO is paid than some curious individual would have in determining how much a neighbor pays to have their house painted. The interested neighbor is a legitimate stakeholder in the neighborhood but with little legitimate power for that specific decision.

Another example of rationally defensible ranking can be found in the results for employee health and safety (Table 3). The top two stakeholder groups were Management and Employees. It is rationally defensible that employee health and safety is primarily the responsibility of Management with considerable input from the Employees who are doing the work. These data further show that Stockholders are ranked on top for deciding stock dividends (Table 7), while the Government and Community carry the most weight in establishing tax policy (Table 8). For every issue, the rankings are rationally defensible and demonstrate the validity of this approach. With a larger sample that is demographically more representative of the population, this method can illuminate the issue of competing interests among legitimate stakeholder groups.

One unexpected result was the significant responsibility placed on organizational leadership, the Stockholders, CEO, and Management team, for many of these issues. It could be argued that more weight should have been given to Consumers and the Community through markets and advocacy groups. However, these results indicate that most governance issues should be addressed through ethical leadership. Although legitimate questions surround this issue that is worthy of exploration, given that this is a novel research approach, conclusions must wait for more data and a broader sample of participants.

An additional unanticipated conclusion from this work is a greater understanding of legitimacy. As Santana (2012) pointed out, the legitimacy of a stakeholder is determined by the legitimacy of the entity, the claim, and the stakeholder's behavior. As demonstrated here, however, otherwise legitimate stakeholders may not have the same legitimacy for every issue the organization is facing. And thus, their claims, interests, and influence should hold differing weights relative to a specific issue in a good-faith manner (Dawkins, 2014). This differing weight depending on the issue at hand is an elaboration on the idea of the legitimacy of a stakeholder's claim. Some stakeholder claims carry more weight, and some carry less weight, depending on the decision or issue contemplated by the organization, and hence merit greater or lesser consideration by Management.

These unexpected results indicate a more nuanced understanding of the legitimacy of a stakeholder claim. The concept of standing is adopted here as a possible explanation of the observed results. The idea of standing in the stakeholder literature is used primarily in the context of considerations of the natural environment and sustainability as a stakeholder of an organization (Stead & Stead, 2000; Starik, 1995). The environment as a stakeholder is congruent with the idea of the emergence of profit-with-purpose corporations (Levillain & Segrestin, 2019) as well as the Rawlsian principle of fairness. The definition of legal standing provides a foundation for stakeholder standing. In the law, standing is the term used for the ability of a party to demonstrate to the court sufficient connection to and harm from the law or action that allows the party to participate in a case (Friedman, 2019). Legal standing exists because the party is directly subject to harm or adverse effect by action, and that harm will continue unless the court intervenes. This is referred to as the "something to lose" or "injury in fact" doctrine because the party is directly impacted by the action (Lee & Ellis, 2012; Winter, 1988).

This definition goes beyond merely having an interest or curiosity concerning the issue as in Mendelow (1991). Some stakeholders who have both interest and power must be managed and cultivated carefully by Management because of the potential impact they could exert on the organization through formal channels like the courts. But the results here indicate that individuals in Rawls' original state are reluctant to grant significant standing to individuals or groups who have no compelling interest or ability to interact for mutual benefit (Phillips & Reichart, 2000).

Using the legal definition as a foundation, stakeholders have standing when they have assets at risk, or as Warren Buffett popularized it: "skin in the game" in the specific decision or issue under consideration (Buffett & Cunningham, 2019). Clearly, by this definition, standing can vary for a particular stakeholder depending on the issue. The data indicate that participants behind Rawls' veil

of ignorance understood that the assets at risk vary depending on the issue under consideration. For example, for CEO compensation (Table 1), the Stockholders have considerable assets at risk while the Community, in general, has little skin in the game for that decision. This is exactly how these participants ranked the Stockholders and the Community.

For consideration of taxes (Table 8), the Government has the greater assets at risk while the Employees have considerably less at risk. Likewise, for work procedures (Table 6), Management and Employees have the most standing while the Community and Consumers have the least. As with the legal definition of standing, this definition is a higher bar than merely being interested, concerned, or curious about an issue. For a stakeholder to have standing in a particular decision or issue, the decision or resolution of the issue must directly impact the stakeholder's assets at risk. It must be made clear that this conception of stakeholders and their standing in no way precludes a group from receiving interest and attention from Management. Indeed, groups such as competitors and the media often require significant attention from Management as part of their fiduciary duties. And one does not need to be a stakeholder to deserve moral consideration as argued by Phillips and Reichart (2000). Primarily, this research answers the question of what is ethically owed to each of the stakeholder groups and how much consideration should be given to each group in various governance issues.

How much weight or credence is owed to the claims of each of these stakeholder groups? These data indicate that the ethical duty owed a stakeholder is dependent on the issue at hand and the assets of the stakeholder at risk in the decision. Understanding this conception of stakeholder standing allows owners and managers to attend appropriately to the demands of various stakeholder groups and to rank their power and influence based on the issue being considered.

Future research will focus on expanding the sample to be more generalizable to the larger population so that more prescriptive applications can be made from the data. That will allow a more definitive explanation of the ethical duty owed to each stakeholder group. Additionally, further validation of this approach will allow evaluation of the standing of stakeholder groups not explicitly represented in these data. What each stakeholder group owes the enterprise is an equally important question since the agency can go both directions (Raelin & Bondy, 2013). Some light is shed on this question especially for the internal stakeholders, like the Stockholders acting through the Board of Directors, Management, and Employees. Not only do their interests carry weight in the decision process, but they also have responsibility. Stockholders, acting through the Board of Directors, weigh in to determining the compensation of top management and they also have the responsibility to provide for effective managerial oversight. Legal obligations do not clarify these mutual obligations (Cragg, 2002), but this same technique could be used to ask what each stakeholder group owes the enterprise. The present research establishes that individuals can step behind Rawls' veil of ignorance, assume the original position, and make rational, coherent judgments on the relative standing of stakeholders for diverse business governance issues.

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