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STAKEHOLDER GOVERNANCE: SOLVING THE COLLECTIVE ACTION PROBLEMS IN JOINT VALUE CREATION

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Capitalism works when actors are motivated to engage in joint value creation. Stakeholder theorists have long argued that this is most likely when firms "manage for stakeholders," but have only recently explicitly recognized that stakeholders engaged in joint value creation face collective action problems: situations in which stakeholders may be tempted to pursue their own interest at the expense of maximizing joint value creation. We build on the work of Elinor Ostrom on solving collective action problems to develop theory about how to govern joint value creation when managing for stakeholders. Specifically, we use Ostrom's design principles to contrast the hub-and-spoke form of governance central to much of the stakeholder literature with two alternative governance forms (lead role governance and shared governance) that we derive from Ostrom's work, and we discuss the comparative effectiveness of these three governance forms as depending on the nature of the joint value creation activities. Our work contributes to stakeholder theory as an integrative perspective on the role of management and governance in fostering cooperation in modern capitalist systems, where joint value creation increasingly involves stakeholders outside the boundaries of the firm as traditionally understood.

> The need to reconsider how we theorize, teach, and practice stakeholder governance is compelling and pressing. Depending on the outcome, a theory of stakeholder governance could be among the most important theoretical—and deeply practical—contributions to the field of management in the 21st century.
>
> (Amis, Barney, Mahoney, & Wang, 2020: 501)

Capitalism works when actors are motivated to cooperate in the joint creation of value (Freeman, Martin, & Parmar, 2007; Freeman & Phillips, 2002; Jones, 1995). Stakeholder theorists have developed a rich body of literature arguing that managing according to the principles of stakeholder theory (in short, "managing for stakeholders") fosters such cooperation (Bosse & Coughlan, 2016; Bridoux & Stoelhorst, 2016; Bundy, Vogel, & Zachary, 2018; Harrison, Bosse, & Phillips, 2010; Harrison & Wicks, 2013; Jones, 1995; Jones, Harrison, & Felps, 2018; Phillips, 2003). However, stakeholder theory has only recently explicitly acknowledged that the problem of managing joint value creation is not just a problem of motivating stakeholders to cooperate, but one of motivating stakeholders to cooperate *in the face of collective action problems* (Bridoux & Stoelhorst, 2016; Klein, Mahoney, McGahan, & Pitelis, 2019). "Collective action problems" emerge when actors face situations in which there is a tension between their (short-term) self-interest and the (long-term) collective interest (Olson, 1965; Van Lange, Joireman, Parks, & van Dijk, 2013). This tension characterizes many of the most interesting problems related to value creation, including managing team production (Bridoux & Stoelhorst, 2016) and motivating firm-specific investments (Barney, 2018).

Much of the theorizing about how managing for stakeholders helps obtain stakeholders' cooperation conceptualizes the relationship between a firm and its stakeholders in terms of a hub-and-spoke model—with the focal firm and its managers as the hub and the stakeholders as spokes that are only related to the hub, as opposed to also being related to each other (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Neville & Menguc, 2006; Rowley, 1997). This

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hub-and-spoke model implies a form of governance in which managers are the ultimate decision-makers on governance matters (Jones, 1995), and thus assumes managerial authority as the primary mechanism to obtain stakeholders' cooperation (see also Phillips, Berman, Elms, & Johnson-Cramer, 2010). Explicitly recognizing the collective action problems inherent in joint value creation leads to the question of whether the hub-and-spoke model is the only or best approach to governing the interactions among the stakeholders involved in joint value creation. One reason to question this is that, in modern knowledge-intensive economies, joint value creation increasingly involves stakeholders that are outside the boundaries of the firm as traditionally understood, such as customers, suppliers, or local communities (Raab & Kenis, 2009). Assuming that (as opposed to explaining why) managers have authority over these outside stakeholders is even more problematic than making the same assumption about "inside" stakeholders, such as employees.

To address the question of how to govern the interactions among the stakeholders involved in joint value creation activities so as to ensure cooperation in the face of collective action problems, we build on the work of Elinor Ostrom (Ostrom, 1990, 2000; Poteete, Janssen, & Ostrom, 2010; Wilson, Ostrom, & Cox, 2013). Meta-analyzing a large number of case studies of communities that succeeded or failed to sustain cooperation, Ostrom derived design principles for governing cooperation in the face of collective action problems. Based on these design principles, we identify, detail, and contrast three different governance forms that can be used to realize the benefits of joint value creation when managing for stakeholders: the traditional "hub-and-spoke" approach of extant stakeholder theory, and two forms of governance derived from Ostrom's work that we will refer to as "lead role governance" and "shared governance." Among others, these three forms require and sustain different types of trust, imply markedly different roles for managers, and will be effective for different types of joint value creation.

Hence, we make three contributions. The first is to further develop stakeholder theory as a perspective on capitalism. If collective action problems are the common denominator in many of the market frictions (Mahoney & Qian, 2013) studied in the economically oriented management literature, then a stakeholder theory grounded in the work of Ostrom presents itself as a natural candidate for a more integrative understanding of the governance of cooperation in a successful capitalist system. Our second contribution is to use Ostrom's work to identify different viable governance forms and to contrast them in terms of how they help solve the collective action problems that stakeholders face when they engage in joint value creation. The stakeholder literature has long argued that, because stakeholders have different goals, the job of managers is to balance stakeholders' interests (Freeman, 2010; Freeman et al., 2010). Our message is that balancing stakeholders' interests in the face of collective action problems can be accomplished with at least two other governance forms than the one usually assumed in the hub-and-spoke representation of the firm. Our third contribution is to use Ostrom's work to detail how these forms differ from the hub-and-spoke form and to derive contingency variables that specify when each form is likely to be most effective, so that managers can better choose among them.

MANAGING FOR STAKEHOLDERS AS SOLVING COLLECTIVE ACTION PROBLEMS

Managing for Stakeholders

Stakeholder theory has consistently argued that capitalism works when actors are motivated to jointly create value and to trade (Freeman, Martin, & Parmar, 2007; Freeman & Phillips, 2002). While "trade" refers to buying and selling goods and services, "joint value creation" refers to "value creation processes involving multiple parties, within or across the firm's boundaries, who face high task and outcome interdependence in providing mutually supportive contributions to value creation" (Bridoux & Stoelhorst, 2016: 231). These multiple parties are a subset of the firm's "essential stakeholders"—that is, stakeholders without which the firm would struggle to survive (Clarkson, 1995; Tantalo & Priem, 2016). Some of these stakeholders are individuals, others are organizations (Harrison et al., 2010). For the sake of clarity, and because management research is typically interested in how the managers of a specific firm can encourage cooperation, we reserve the label "firm" for that focal firm and call all other organizations involved in joint value creation "stakeholders." Importantly, in modern knowledge-intensive economies, the stakeholders involved in joint value creation are increasingly likely to be parties that are outside of the boundaries of the firm as traditionally understood (Raab & Kenis, 2009), such as suppliers and customers involved in innovation.

Of course, stakeholder theory embraces the idea of fostering cooperative relations that extend beyond traditional firm boundaries; it has even been argued that "stakeholder theory's raison d'etre is to understand managerial behavior regarding actors typically

seen as *outside* the firm's direct control" (Phillips, Barney, Freeman, & Harrison, 2019: 4, emphasis added). In fact, the central proposition of stakeholder theory is that firms that take the interests of all their stakeholders into account—in short, firms "managing for stakeholders" (Freeman, Harrison, & Wicks, 2007)—are best able to foster the cooperative relationships necessary for joint value creation and trade (Freeman, 1984; Freeman et al., 2010; Phillips, 2003). Much of the stakeholder literature consists of theorizing about why managing for stakeholders leads to more stakeholder cooperation and value creation than either an arm's-length approach, in which relationships with stakeholders are seen as competitive and managed based on power differences (Bridoux & Stoelhorst, 2014, 2016; Harrison et al., 2010; Harrison & Wicks, 2013; Jones et al., 2018), or a shareholder primacy approach, in which managers view the maximization of shareholder value as the ultimate objective and the relationships with other stakeholders as means to achieve this end (Jones, Felps, & Bigley, 2007). The central mechanism in most of this theorizing is the superior ability of stakeholder-oriented firms to gain stakeholders' trust (Bosse, Phillips, & Harrison, 2009; Harrison et al., 2010; Harrison & Wicks, 2013; Jones, 1995; Wicks, Berman, & Jones, 1999).

Joint Value Creation: The Delicate Engine of Capitalism

While stakeholder theory has long emphasized the importance of cooperative relations with stakeholders for both joint value creation and trade, stakeholder theorists have only recently acknowledged that cooperation in joint value creation is much less self-evident than cooperation in trade (Barney, 2018; Bridoux & Stoelhorst, 2016; Klein et al., 2019). Cooperation, by definition, refers to an actor's behavior that benefits a recipient (another actor or a collective) and that is selected because of its beneficial effect on the recipient, rather than this effect being an unintended by-product (West, Griffin, & Gardner, 2007). To the actor, cooperation could be immediately beneficial, costly, or costly in the short term but beneficial in the long term (West et al., 2007). When cooperation is immediately beneficial to the actor as well as to the recipient, as it is in discrete sale transactions (Etzioni, 1998), their interests are aligned. In its pure form, this is what trade is about: because both parties to a market transaction immediately benefit, the price mechanism is enough to motivate them to cooperate (Bowles & Gintis, 2011).

In contrast, the immediate interest alignment facilitating trade is missing for joint value creation: because of their task or outcome dependence, actors involved in joint value creation face collective action problems that may undermine cooperation (Bridoux & Stoelhorst, 2016; Klein et al., 2019). Collective action problems, also called social dilemmas, arise in all situations in which (a) actors' outcomes depend in part on the actions of the other actor(s) involved, and (b) the actors' interests conflict to some degree (Balliet & Van Lange, 2013). In these situations, the collective action problem is that noncooperation is tempting because it yields superior (often short-term) outcomes for the individual actors, but, if many actors do not cooperate, all are (often in the longer term) worse off (Olson, 1965; Van Lange et al., 2013).

Stakeholders face several types of collective action problems when engaging in joint value creation. First, joint value creation activities regularly take the form of give-some dilemmas: situations in which an action that has negative consequences for the self (e.g., employees "giving" extra effort for tasks that are not rewarded) leads, if performed by enough of the actors involved, to positive consequences for the collective (e.g., happier customers and a better organizational culture) (Van Lange et al., 2013). Two give-some dilemmas have been discussed in relation to stakeholders: (1) the team production problem and (2) the asset-specialization dilemma.

In team production activities, resources belonging to multiple stakeholders are used to create value, and the value creation potential of the resources together is more than the sum of the value each cooperating resource would create separately (Alchian & Demsetz, 1972). Team production has the potential of creating more value because stakeholders contribute resources to one another's tasks (Ethiraj & Garg, 2012; Thompson, 1967), such as when investors make capital available to fund activities, or because stakeholders work jointly on tasks (Van de Ven, Delbecq, & Koenig, 1976), such as when investors advise managers and customers participate in open innovation. In team production situations, stakeholders are vulnerable to others pursuing their individual, short-term interests by free riding on the team effort, and this can make stakeholders reluctant to cooperate in order to avoid being exploited (Adler, 2001; Bridoux & Stoelhorst, 2016; Klein et al., 2019; Lindenberg & Foss, 2011; McCarter & Northcraft, 2007; Ouchi, 1979, 1980).

The team production problem often comes in combination with the asset-specialization dilemma

(Hoskisson, Gambeta, Green, & Li, 2018; McCarter & Northcraft, 2007; Wang, He, & Mahoney, 2009; Zeng & Chen, 2003). For example, a supplier may invest substantially in adapting its technology to enhance the quality of an end product, or a local community can provide infrastructures dedicated to the production of that end product. Specializing their resources to the resources controlled by others leaves stakeholders vulnerable to being exploited when changing circumstances require renegotiation of the division of the value that is jointly created. This is because specialized resources are, by definition, significantly less valuable in other exchange or production relationships (Williamson, 1975, 1985). As a consequence of this hold-up risk, stakeholders may be reluctant to specialize their resources, even if they know that doing so would benefit joint value creation (Hoskisson et al., 2018; Zeng & Chen, 2003).

In addition to give-some dilemmas, stakeholders involved in joint value creation activities also face take-some dilemmas: situations in which an action that benefits the self in the short term leads to a negative outcome for the collective, and sometimes the self, in the long term (Van Lange et al., 2013). A classic example is the overharvesting of a communal resource such as a fish stock or forest that eventually leads to its destruction (Ostrom, 1990). In the context of firms, value appropriation is such a dilemma: in the short term, it is beneficial for stakeholders to appropriate as much as possible of the value created jointly, yet, if all stakeholders act like this, there may not be sufficient profit left to invest in the maintenance and development of the communal resources that are needed to create value in the future (Barney, 2018).

Finally, in joint value creation activities, stakeholders also face hybrid collective action problems, which combine give-some and take-some dilemmas (McCarter, Budescu, & Scheffran, 2011). Such hybrid dilemmas often exist in relation to the maintenance and exploitation of communal resources such as the firm's reputation. The firm's reputation is a public good involving a give-some dilemma, in the sense that stakeholders that have invested little in building it still benefit when the firm's reputation allows it to sell products and services at higher prices. As a result, some stakeholders may be tempted to enjoy the benefits of the firm's reputation without contributing to building it. At the same time, the firm's reputation is also a common-pool resource involving a take-some dilemma that can be damaged if stakeholders behave in ways that get bad press (Barnett & King, 2008), as illustrated by the reputational damage to Western fashion firms when their suppliers in developing countries violate basic human rights.

To sum up, in contrast to trade, joint value creation involves collective action problems. While these problems come in many flavors, their common feature is that some stakeholders may be tempted not to cooperate because it individually benefits them in the short term, while joint value creation is higher when all stakeholders do cooperate (McCarter et al., 2011). These collective action problems make joint value creation a much more delicate engine of capitalism than trade. And yet it is a necessary engine, simply because most products and services that are traded require joint value creation to be produced.

Ostrom's Design Principles

If stakeholder theory is about managing for stakeholders, and if managing for stakeholders means overcoming the collective action problems inherent in joint value creation, then the work of Elinor Ostrom (Ostrom, 1990, 2000, 2010; Ostrom, Gardner, & Walker, 1994; Poteete et al., 2010; Wilson et al., 2013) presents itself as a natural candidate for further developing the concept of managing for stakeholders (Klein et al., 2019). Over a life-long career, Ostrom distilled her Nobel Prize-winning insights about how to solve collective action problems by meta-analyzing field work on communities managing communal resources such as fisheries and forests (Ostrom, 1990), and by conducting laboratory experiments (see, e.g., Ostrom et al., 1994). She showed that collectives, which she labeled "communities," sometimes succeed in solving collective action problems by self-organizing and using "complex, layered, nuanced mechanisms of coordination, collaboration, and communication" (Klein et al., 2019: 12). While Ostrom initially focused on take some dilemmas, in later work (Poteete et al., 2010; Wilson et al., 2013), she generalized her insights to all collective action problems. That Ostrom's core theoretical insights hold for social dilemmas other than take-some dilemmas is not surprising: some of the common-pool resources Ostrom studied in the field were not natural resources but man-made resources (e.g., irrigation systems), which means that, in addition to facing a take some dilemma, the communities managing these resources were also facing give-some dilemmas for the provision and the maintenance of these resources (Ostrom et al., 1994).

Mapping the rules used across many communities that succeeded or failed in sustaining cooperation over time, Ostrom realized that these rules vary markedly across cases because sustaining cooperation requires rules that are adapted to the specific characteristics of the collective action problems, the culture of the participants, and the economic and political setting in which the community is embedded (Ostrom, 1990). So, rather than looking further for specific rules, Ostrom identified eight general *design principles* that explain the success of communities confronted with collective action problems in formulating specific, locally adapted rules that lead to high levels of cooperation (Ostrom, 1990, 2000; Wilson et al., 2013). These design principles specify (a) how to devise rules that community members are willing to voluntary commit to (design principles 1–3); (b) how to ensure compliance to these rules (design principles 4–6); and (c) how higher levels of governance should be organized in order to enable communities to achieve (a) and (b) (design principles 7 and 8).

Ostrom's insights have been validated by experimental work in behavioral economics and social psychology for various types of social dilemmas (Van Lange et al., 2013). Applications of her ideas to organizations include the work of Klein et al. (2019), who built on Ostrom to discuss the adaptation of governance to changes in the firm's institutional environment; Barnett and King (2008), who used Ostrom's ideas to discuss the capacity of firms within an industry to develop self-regulatory institutions; and Deakin (2012), a law scholar, who described modern corporations as commons, contrasting this view with shareholder primacy. Here, we use Ostrom's work to ask how firms that choose to manage for stakeholders can govern joint value creation. As a first step, Table 1 applies Ostrom's design principles to joint value creation. In the remainder of the paper, we use her work to theorize about different governance forms that can help solve the collection problems inherent in joint value creation. Specifically, we identify, detail, and compare three governance forms that can be used to govern the interactions among stakeholders involved in joint value creation when managing for stakeholders.

IDENTIFYING STAKEHOLDER GOVERNANCE FORMS

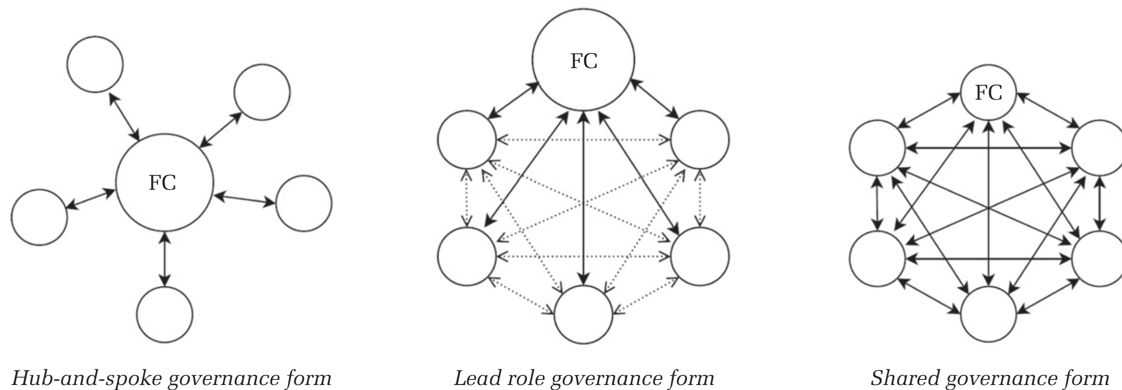
The term "governance form" refers to a set of rules that support cooperation among actors by defining who has decision-making authority over the accumulation, development, and allocation of resources (who decides?), who monitors and sanctions so that conflicts of interests are resolved in favor of joint value creation (who controls?), and how the value created jointly is distributed (who gets what?) (Klein et al., 2019). Some rules are formal

TABLE 1
Ostrom's Design Principles Applied to Joint Value Creation Activities

Devising rules that stakeholders are willing to commit to	
DP 1. Boundaries	There must be clear boundaries to distinguish who is in and who is out, so that stakeholders involved in joint value creation activities can exclude others (stakeholders only involved in trade and non-stakeholders) from appropriating the value created jointly
DP 2. Division of joint value created	The rules regarding what counts as joint value creation, who contributes what to joint value creation, and who gets what from the joint value created must be perceived as fair by stakeholders, or else stakeholders will not cooperate as much
DP 3. Participation in decision-making	All stakeholders should have the possibility to be involved in making and modifying the rules
Ensuring compliance to rules	
DP 4. Monitoring	Stakeholders, or monitors accountable to the stakeholders, should ensure compliance to the rules
DP 5. Sanctions	Sanctions for non-compliance should be graduated—that is, adapted to the circumstances and seriousness of the rule violation
DP 6. Conflict resolution	Stakeholders should have access to fair, rapid, low-cost, local arenas to resolve conflicts over the interpretation of rules
Extension to larger systems	
DP 7. Right to organize	Stakeholders involved in joint value creation should be free to self-govern—that is, design their own rules
DP 8. Polycentricity	Economic activity should be governed by a mix of overlapping institutional arrangements, including markets and states

Note: DP = design principle.

FIGURE 1
The Three Stakeholder Governance Forms



Notes: "FC" refers to the focal firm. The solid arrows indicate full-fledged governance relationships. The dashed arrows indicate weaker governance relationships.

agreements and give rise to control and reporting systems that can include incentive systems and documented dispute resolution procedures (Alvarez, Pilbeam, & Wilding, 2010). Other rules are informal and include norms and conventions that can arise from the interactions themselves and become the "dos and don'ts that one learns on the ground" (Alvarez et al., 2010; Kiser & Ostrom, 2000; Klein et al., 2019; Ostrom, 1999: 38).

We use the term "stakeholder governance form" to make clear that we are studying the set of rules that organizes the interactions among stakeholders regardless of whether stakeholders are inside or outside the boundaries of the firm as traditionally understood. This implies a broader view than is common in the corporate governance literature, where the main concern is with the interactions among stakeholders that are "inside" to the firm (managers, employees, and shareholders) and where the focus is often on the governance of managers–shareholders relationships (Amis et al., 2020). Also, note that, while a governance form tends to co-evolve with the operational activities in which the stakeholders are involved, operational linkages and governance interactions among stakeholders are not the same thing and do not necessarily mirror each other: stakeholders connected in the arena of operations could be unconnected in the governance arena and vice versa.

The Hub-and-Spoke Governance Form

Stakeholder theory has traditionally thought about a firm's relations with its stakeholders in terms of a hub-and-spoke model (Freeman, 1984; Freeman, Harrison, & Wicks, 2007). In this model, the firm (and its managers) is the "hub" and each of the stakeholders is at the end of a "spoke" (see Figure 1a). One implication of the model is that managing for stakeholders takes the form of managing a series of independent, dyadic relationships between the firm and each of its stakeholders. Much of the literature on the benefits of managing for stakeholders assumes such a form of governance, in the sense that it reasons in terms of what managers can do to positively influence stakeholders' perceptions of their relationship with the firm, as opposed to their perceptions of their relationships with the broader set of stakeholders involved in joint value creation (e.g., Bridoux & Stoelhorst, 2014; Harrison et al., 2010; Jones, 1995; Jones et al., 2018).[1]

A second implication of the hub-and-spoke model as a governance form is that it assumes (albeit often implicitly) that the firm's managers have some form of authority (i.e., legitimate power) over stakeholders: managers are assumed to have "the freedom or capacity to act according to stakeholder theory's moral and instrumental prescriptions" (Phillips et al., 2010: 176). In particular, even if some of the literature has argued that managing for stakeholders should include giving a voice to stakeholders in the decision-making process (Harrison et al., 2010), managers are seen as

[1] The few papers (Bridoux & Stoelhorst, 2016; Klein et al., 2019) that have already acknowledged the importance of collective action problems as well as the literature on stakeholder networks (Garriga, 2009; Neville & Menguc, 2006; Rowley, 1997) do not adopt this view.

the actors making decisions related to the nature of the relationships with stakeholders and the division of value (Freeman, 1984; Jones, 1995).[2] Given this implicit assumption about managers having authority over stakeholders, the hub-and-spoke form essentially invokes a central authority (in this case, the authority of the firm's managers) as the solution to the collective action problems inherent in joint value creation.

The fundamental question that flows from recognizing the central role of collective action problems in joint value creation is whether a governance form that revolves around exercising managerial authority in a set of independent, dyadic relationships is the only or best way to overcome these collective actions problems—especially when joint value creation involves stakeholders outside of the boundary of the firm as traditionally understood. We answer this question below, after using Ostrom's work to identify two alternative forms of governance that can be used to manage for stakeholders.

Lead Role Governance and Shared Governance Forms

Both the stakeholder literature and the work of Ostrom give us reason to consider other forms of governance than the hub-and-spoke form. First, stakeholder theorists have pointed out the limitations of both the dyadic view of stakeholder relations and the implicit assumption that managers can exercise authority over stakeholders that characterize the hub-and-spoke form. Criticizing the dyadic view, scholars studying networks of stakeholders have emphasized the importance of also studying interactions among stakeholders (Neville & Menguc, 2006; Rowley, 1997). And, going against the assumption that managers have authority over stakeholders, some of the most cited work in stakeholder theory has argued that powerful stakeholders can influence managerial behavior (Frooman, 1999; Mitchell, Agle, & Wood, 1997). Assuming managerial authority may be warranted when the power differential in the manager–stakeholder relationship is very much in favor of the managers or the firm, as is often the case for individual employees and sometimes the case for suppliers, as illustrated by Nike's capacity to discipline shoe manufacturer in its value chain in the face of scandals about human rights violations by these manufacturers (Phillips et al., 2010). However, this assumption is problematic when actors are roughly equally dependent on each other to create value, or when the power differential is in stakeholders' favor (Frooman, 1999). This may be the case for some internal stakeholders, such as large shareholders, as well as for outside stakeholders such as large suppliers and customers.

Second, it is important to note that Ostrom saw her own work as a crucial complement to the traditional solutions to solving collective problems in economic theory: privatization and centralization (Ostrom, 2010). When she started her work, the prevailing view among economists was that there were only two possible solutions for collective action problems. The first was to put the control of resources in private hands, and the second was to put the control of resources in the hands of a central authority. Ostrom's fundamental contribution was to show that there is a third way of addressing collective action problems: by putting resources in the hands of a collective and governing this collective on the basis of certain design principles.

Together, the counterpoints to the hub-and-spoke view in stakeholder theory and Ostrom's own insistence that her work offers an explicit alternative to solving collective action problems by way of a central authority (in this instance, the firm's managers) give us good reason to consider other forms of governance than the hub-and-spoke. Based on her case studies of local communities, Ostrom's alternative to a central authority, "community governance," can take two forms, which we will refer to as the "lead role governance form" and the "shared governance form." When applied to firms, these forms differ in terms of the centrality of the firm and its managers in the governance of stakeholders' interactions, and in terms of the extent of the interactions among stakeholders with regard to governance (Figure 1). Both forms resonate with examples from the literature on stakeholder networks; while this literature

[2] Some organizational economists and management scholars have gone further than the hierarchy to argue in favor of shareholder primacy as the solution to collective action problems—that is, a hierarchy with shareholders on top as the sole residual claimants and managers as the agents of the shareholders (Jensen, 2002; Sundaram & Inkpen, 2004). Stakeholder theorists have extensively criticized shareholder primacy, including its failure to bring about stakeholder cooperation (Hill & Jones, 1992; Jones, 1995; Shankman, 1999), and have clearly defined managing for stakeholders as taking into consideration the residual claims of all stakeholders contributing to joint value creation (Klein et al., 2019). We will therefore not consider shareholder primacy as a stakeholder governance form that could be effective in fostering cooperation in the presence of collective action problems.

has not discussed governance as such, it has explicitly studied interactions among stakeholders (Garriga, 2009; Rowley, 1997).

An example of the lead role governance form is the Nestlé Nespresso AAA sustainable quality program described by Alvarez et al. (2010). This program included assessing the sustainability practices of farms and designing a continuous improvement process. The program was driven by Nespresso but developed in collaboration with green coffee suppliers (traders and farmers) and the Rainforest Alliance, an NGO mostly active in the environmental certification for agricultural production. An essential ingredient of the program was an explicit intention to build relationships *among* the various stakeholders. To achieve this, governance mechanisms that were mostly informal at the beginning became more formalized over time. Both to ensure more consistency and to deal with a growing number of stakeholders, the very intense and frequent communication among all parties in the initial stage morphed into planned activities in the second stage, when field visits and meetings around industry events were organized. As a result of this program, Nestlé Nespresso was able to secure and increase the supply of high-quality coffee, the NGO Rainforest Alliance successfully extended its certification activities in the coffee industry, and the coffee traders and farmers got a premium price for their coffee.

An example of the shared governance form is described in Garriga's (2009) study of a project to build a new gas network in Argentina in 2005–2007. The project was initiated by "Gas-Nat," a large gas distributor in Argentina, and involved 98 stakeholders, among which were customers, financial and credit institutions, technical suppliers, insurance suppliers, local NGOs, health institutions, religious organizations, local authorities, national regulating authorities, and local mass media.[3] An important role that Gas-Nat played in achieving cooperation was to encourage direct connections among stakeholders. Gas-Nat and 25 other stakeholders set up an organizational structure with three bodies: (1) a legislative body wherein 46 stakeholders met every three months to discuss problems and issues, and where the main decisions were made by a voting system based on a simple majority rule; (2) a small working group that met weekly and implemented the decisions of the legislative body; and (3) an advisory body made up of eight professionals who provided advice on technical questions to the other two bodies. Garriga (2009: 629) noted that, in all three bodies, "the communication was open and uncensored, and issues were dealt [with] in a democratic manner without any type of control or influence from either Gas-Nat or any other stakeholders." As a result of this project, Gas-Nat was able to distribute gas in a poor locality that had a great potential for growth for Gas-Nat but where no commercial program had succeeded before. People in this poor locality, in turn, gained access to a basic commodity and the local government delivered on its electoral promise to supply natural gas.

CHARACTERIZING THE THREE STAKEHOLDER GOVERNANCE FORMS

We next compare the hub-and-spoke form with these two alternative forms of governance on the basis of Ostrom's design principles 2 to 6[4] (see Table 2). In addition, we consider two variables that are central to stakeholder theory: the role of managers and the nature and role of trust.

Who Makes Governance-Related Decisions?

In the hub-and-spoke form, there are few direct governance-related interactions among stakeholders because governance occurs through and by the firm and its managers in relatively independent, dyadic firm–stakeholder relationships (e.g., Harrison et al., 2010; Jones et al., 2018). In each of these dyadic governance relationships, the firm's managers claim the right to make the governance-related decisions. When stakeholders accept the hub-and-spoke governance form, they target their influence tactics at the firm's managers. If stakeholders often ally with other stakeholders to weigh in on governance-related issues, using what Frooman (1999) described as indirect influence strategies, stakeholders are factually moving governance away from the hub-and-spoke form by creating direct governance-related connections with other stakeholders.

In contrast, governance in the shared governance form works in a highly decentralized, bottom-up, and collective fashion, in line with Ostrom's design principle 3. Stakeholders are all connected in the

[3] From Garriga's description, we cannot know which of these stakeholders were involved in joint value creation activities.

[4] Ostrom's design principles 1, 7, and 8 do not help differentiate between these three governance forms because they apply to governance at higher levels of analysis than the set of stakeholders involved in joint value creation.

TABLE 2
Characteristics of the Three Stakeholder Governance Forms

	Hub-and-spoke governance	Lead role governance	Shared governance
Dimensions suggested by Ostrom's design principles			
Who makes governance-related decisions? (DP 3)	The firm's managers claim this right and stakeholders grant it because there is a legitimate basis for managers' authority	The firm's managers are mandated by the other stakeholders to make (some) governance-related decisions on their behalf	All stakeholders, with relatively equal say
Who monitors and sanctions non-compliance to governance rules? (DPs 4–5)	The firm's managers control using graduated sanctions	The firm's managers are mandated to control by the other stakeholders, who also control but to a lesser extent. Sanctions are graduated	All stakeholders monitor and sanction using graduated sanctions
What is the mode of conflict resolution? (DP 6)	Large range of conflict resolution modes that the firm's managers can choose from to deal with different stakeholders	Leader as arbiter	Only a cooperative mode of conflict resolution
How is a fair distribution of joint value created achieved? (DP 2)	Negotiated in the firm–stakeholder relationships. Need for some consistency across stakeholders	Negotiated with all the stakeholders. Need for high consistency across stakeholders	Negotiated with all the stakeholders. Need for high consistency across stakeholders
Role of managers			
Formal role of managers	Benevolent patriarchs	Stewards	One among many
Latitude left to the focal firm's managers	A high degree	A medium degree	A small degree
Trust			
Main type(s) of trust to choose the form and sustain cooperation	Interpersonal trust in the firm and its managers	Trust in the governance system and trust in the firm and its managers	Trust in the governance system

Note: DP = design principle.

governance arena and make governance-related decisions on a relatively equal basis: all participate and have a relatively equal say in the final decisions, even if stakeholders vary in terms of the resources they control and their contribution to joint value creation. In this respect, this form resembles direct democracy and can be linked to the debate about the benefits and costs of a stakeholder democracy, which extends decision-making to employees (Harrison & Freeman, 2004; Kerr, 2004; Matten & Crane, 2005) or customers (Edinger-Schons, Lengler-Graiff, Scheidler, Mende, & Wieseke, 2020).

Finally, in the lead role governance form, the firm's managers take a leadership role in the governance activities. Like the shared governance form, this third form complies with Ostrom's design principle 3, but the key difference is the asymmetric role of the firm's managers and other stakeholders with regard to governing. Based on what seems most effective, stakeholders may mandate the firm and its managers to take the leadership role in governance-related matters. Ostrom was not blind to "the expenditure of resources, time, effort, and opportunities forgone in decision-making" when governance is shared (Ostrom, 1990; Ostrom & Ostrom, 2000: 41). She proposed that, weighing these costs of equal participation in rulemaking against the costs that result from decisions that may deviate from their personal preferences, stakeholders may prefer to be represented rather than participate directly in the decision-making process for governance-related issues. Thus, governance is not centralized in the hands of the firm's managers because they have claimed this role in each independent, dyadic relationship with a stakeholder, but because stakeholders, as a collective, see centralization and indirect participation as desirable and the firm and its managers as the most competent party to govern on their behalf.

Who Monitors and Sanctions?

The monitoring of stakeholders' compliance to the rules that support cooperation and the sanctioning of stakeholders' non-compliance is an essential part of governance. To be effective, all three forms should comply with Ostrom's design principle 5; namely,

have sanctions that reflect the seriousness and context of the rule violation (Ostrom, 1990, 2000). For example, stakeholders that violate the rules in use should be sanctioned lightly at first, but more severely if they violate the rules repeatedly (Ostrom, 1990). Graduated sanctions, ranging from light social sanctions to exclusion from joint value creation activities, are important to sustain cooperation. Light initial sanctions reflect that "everyone can make an error or can face difficult problems leading them to break a rule," but do signal that the rule violation has been noticed (Ostrom, 1990: 151). A severe sanction for an honest mistake or a violation with attenuating circumstances could spur a vicious circle of non-cooperation if the rule violator or other stakeholders perceive the punishment as unfair and reciprocate this unfairness by cooperating less. On the other hand, the capacity to increase the severity of the sanctions reassures all stakeholders that rule violation will not be repeated (Ostrom, 1990).

While all three stakeholder governance forms must share the feature of graduated sanctions to be effective governance forms, they differ in terms of who monitors and sanctions. In the hub-and-spoke form, the firm's managers are in charge of exercising control. In contrast, in the shared governance form, stakeholders rely on peer monitoring and sanctioning, whereby stakeholders that have reciprocal preferences monitor others' actions and sanction non-compliance to rules despite the personal cost of doing so (Bridoux, Coeurderoy, & Durand, 2011; Loughry & Tosi, 2008). Peer monitoring can be informal, as when employees who notice other employees' deviating from the rules speak up and encourage others to correct their behavior. Alternatively, it can be formalized in appraisal systems that invite some stakeholders (e.g., customers) to monitor other stakeholders (e.g., frontline employees) by assessing their behavior (e.g., through a satisfaction survey after a customer–employee encounter).

In the lead role governance form, stakeholders delegate a large part of the monitoring and sanctioning to the firm and its managers to avoid the high costs of pure peer control in the same fashion that communities often create official positions for monitors (Ostrom, 2000). Ostrom's design principle 4 suggests that these official monitors should be accountable to the stakeholders involved in joint value creation, as argued in the literature about stakeholder democracy (Harrison & Freeman, 2004; Kerr, 2004). This accountability is an important difference between the lead role governance form and the hub-and-spoke one. Another important difference is that all stakeholders may still play a role, albeit a smaller one, in monitoring other stakeholders—especially the stakeholders they closely interact with in joint value creation activities and that they can therefore cheaply monitor. If stakeholders other than the firm sanction in this form, they are likely to rely on social sanctions, while formal sanctions such as fines are likely to be centralized in the hands of the official monitors.

How Are Conflicts Resolved?

When managing for stakeholders, the potential for conflicts is high because the interests of all stakeholders involved in joint value creation are deemed to count. Thus, an effective resolution of conflicts becomes "perhaps the most important" governance process affecting performance (Kochan & Rubinstein, 2000: 377), regardless of the stakeholder governance form. While strategy scholars, following organizational economists, tend to focus on conflicts of interests among self-interested or even opportunistic actors, conflicts are not necessarily destructive. They can help identify governance problems that must be addressed to sustain cooperation (Kochan & Rubinstein, 2000) and may arise from different interpretations of rules among stakeholders that are otherwise disposed to cooperate, because rules are always ambiguous to some degree (Kiser & Ostrom, 2000; Ostrom, 1990). A quick resolution of conflicts prevents conflicts from escalating and damaging trust (Ostrom, 1990). If conflicts are not resolved quickly, stakeholders are likely to take actions to protect their interests and, once such actions are taken, stakeholders may see each other as "neither trusted nor trustworthy to behave appropriately" (Ghoshal & Moran, 1996: 24). Stakeholders should therefore have access to fair, rapid, low-cost, local arenas to resolve their conflicts, in line with design principle 6 (Ostrom, 1990).

In the hub-and-spoke form, the resolution of conflicts is primarily dyadic, in that it occurs in each of the firm–stakeholder relationships relatively independently. Accordingly, the conflict resolution mode (see Mohr & Spekman, 1994) could be different across stakeholders. It could depend, for example, on stakeholders' past level of cooperation, ranging from a cooperative mode of conflict resolution, to overcome disagreements with stakeholders that have exhibited cooperative behavior in the past, to more power-based conflict resolution modes, such as confrontation and dominance by the firm, for stakeholders that have behaved non-cooperatively. A cooperative mode of conflict resolution involves communication that is

frequent, transparent (i.e., free of voluntary distortion), multidirectional (as opposed to one-way), and formalized (i.e., routinized, planned, or structured, as opposed to unplanned, fleeting, or ad hoc in nature) (Mohr, Fisher, & Nevin, 1996). It also involves joint problem solving that aims to reach a resolution beneficial to all parties involved in the conflict (Koza & Dant, 2007; Mohr & Spekman, 1994).

Conflict resolution is even more important in the shared governance form than in the hub-and-spoke one. In the shared governance form, the potential for conflicts is higher because conflicts can arise among any subset of the stakeholders involved in joint value creation, rather than being limited primarily to conflicts between a stakeholder and the firm's managers. Conflicts could also spread quickly to the entire set of stakeholders, as stakeholders interact regularly with all others to deal with governance-related issues. Therefore, the multiplicity and high intensity of governance-related relationships among stakeholders in the shared governance form make the rapid and low-cost conflict resolution promoted by Ostrom rather more important than in the hub-and-spoke form, where some firm–stakeholder relationships could stay conflictual with much less risk of contagion of other relationships. In the shared governance form, rapid and low-cost conflict resolution must primarily rest on the cooperative mode, because the power symmetry in shared governance means that there is no actor among the stakeholders involved in joint value creation that can systematically take the lead in resolving conflicts and that has the last word on how the conflicts should be resolved. A cooperative mode can work well for conflicts of interpretation among parties that are motivated to cooperate, but may not succeed in settling some conflicts of interests. Settling these conflicts then requires either involving all stakeholders to build a broad agreement regarding the most appropriate solution (factually, imposing the solution favored by the group of stakeholders involved in joint value creation on the stakeholders involved in the conflict) or the intervention of an outsider such as a court. Neither of these solutions is likely to be quick and low cost.

In a lead role governance form, the potential for governance-related conflicts is higher than in the hub-and-spoke form, but not as high as in the shared governance form. Indeed, with many governance tasks centralized in the hands of the firm's managers, the other stakeholders have more limited interactions with one another regarding governance issues. In addition, the firm's managers can be granted the role of arbiter in conflict resolution, which, compared to shared governance, may help resolve more conflicts of interests without recourse to outsiders. It is, however, a difficult role to fulfill because an arbiter should be seen as unbiased while, as an insider to the joint value creation activities, the firm and its managers will often have a stake in the outcome of conflicts (van Hille, de Bakker, Ferguson, & Groenewegen, 2019).

How Is a Fair Distribution of Value Achieved?

A fair distribution of value is one, if not the, core attribute of managing for stakeholders (Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Harrison et al., 2010; Harrison & Wicks, 2013; Phillips, 2003). Stakeholders can rely on multiple distributive rules to assess how fair the distribution of value is. These rules include utilitarian power (Frooman, 1999), as well as the distributive justice principles of equity, equality, and need (Bridoux & Stoelhorst, 2016; Deutsch, 1975). Stakeholders that adopt utilitarian power as distributive rule see the value they would get elsewhere as the relevant comparison point to assess how fair the distribution of value is. In contrast, equity, equality, and need involve inside-focused comparisons among (some of) the stakeholders involved in joint value creation. When relying on such inside-focused comparisons, stakeholders in Western countries most widely support equity (Fortin & Fellenz, 2008; Hayibor, 2012; Kabanoff, 1991)—that is, rewarding stakeholders in proportion to their contribution to joint value created. Yet, they may sometimes want to apply the equality or need principle—that is, giving more to stakeholders that have the biggest material needs (Deutsch, 1975)—in order to, for example, ensure that they or other stakeholders earn a decent income (Bridoux & Vishwanathan, 2020).

Value distribution in the hub-and-spoke form is managed primarily at the level of each firm–stakeholder relationship. This makes it possible to apply different distributive rules to different stakeholders as a function of stakeholders' preferences. However, this latitude is not unlimited because, even if the governance relationships are managed dyadically, stakeholders may both be aware (because stakeholders communicated with each other about operations) and may care about what other stakeholders get—either out of a concern for other stakeholders' welfare or out of a more self-centered worry to safeguard their own share of the value created jointly (Bridoux & Stoelhorst, 2014; Rupp, Shao, Thornton, & Skarlicki, 2013; Lange, Bundy, & Park, 2020).

In contrast, in a shared governance form, a fair distribution of value requires an agreement from all stakeholders about the distributive rule(s) that will be applied to divide the value created jointly. When stakeholders have different distributional preferences, reaching such an agreement may be a lengthy process because all stakeholders have an equal say in the making of the agreement. Yet, once reached, such an agreement will be highly legitimate, leading to a strong commitment of stakeholders to joint value creation (Garriga, 2009).

In the lead role governance, the firm's managers can play a facilitator role in reaching an agreement on a fair distribution of the value created jointly. Given its importance, how to divide value is one of the governance decisions that stakeholders are unlikely to delegate. Much like in the shared governance form, stakeholders will thus need to reach an agreement on how to distribute value. The firm's managers can facilitate this negotiation process by helping stakeholders take the perspective of the other stakeholders involved (van Hille et al., 2019). However, as is the case for conflict resolution, managers must be perceived as neutral enough to play this role successfully, even when they have a stake in the outcome of this negotiation.

The Role of Managers

The role of managers is fundamentally different in the three stakeholder governance forms. The hub-and-spoke form embodies the role for managers we are most familiar with: the managers as the ultimate decision-makers who, akin to benevolent patriarchs, listen to stakeholders and attempt to balance their interests. In contrast, in the lead organization form, managers are stewards to whom stakeholders delegate authority to make decisions on their behalf (see also Davis, Schoorman, & Donaldson, 1997). In this form, managers remain accountable to stakeholders; their leadership position is only secure as long as they lead the governance of joint value creation satisfactorily in stakeholders' eyes. Finally, in the shared governance form, managers' formal role is limited to being one decision-maker among many. Yet, managers can take on informal roles as facilitators of governance processes; for example, by trying to gather momentum around changes of rules that would improve joint value creation.

Given their different roles in the three governance forms, the latitude, or discretion, managers have to shape the interactions among the actors involved in joint value creation (Phillips et al., 2010) also differs. Formally, this managerial latitude ranges from low, in the shared governance form, through moderate, in the lead role governance form, to high, in the hub-and-spoke form. Mirroring this, stakeholders' latitude ranges from high, in the shared governance form, through moderate in the lead role governance form, to low in the hub-and-spoke form. Next to their formal power, actors (both managers and stakeholders) may exercise other forms of influence on governance-related decisions.

Trust

Trust is both an antecedent of the choice of a specific governance form and an outcome of having a governance form in place that successfully fosters cooperation (Poteete et al., 2010). It can be defined as "the intention to accept vulnerability based upon the positive expectations of the intentions or behavior of another" (Rousseau, Sitkin, Burt, & Camerer, 1998: 395). Many stakeholder theorists have presented stakeholders' trust as one of the key mechanisms with which to explain stakeholders' cooperation (Bosse et al., 2009; Harrison et al., 2010; Harrison & Wicks, 2013; Jones, 1995; Wicks et al., 1999). Trust is even more important if one focuses on addressing collective action problems: actors' cooperation in collective action situations has been found to be almost always conditional on their expectations that others will cooperate too (Balliet & Van Lange, 2013; Van Lange et al., 2013).

Before the value creation activities start, the choice of a governance form typically will be negotiated among the firm's managers and, at a minimum, those stakeholders that are in a relatively balanced power relationship with the firm and its managers (Alvarez et al., 2010; Klein et al., 2019). Less powerful stakeholders may also be invited to take part in these negotiations, but they may also be approached to participate in the joint value creation activities after the initial choice of a governance form has been negotiated among the more powerful actors. The governance form can evolve over time as actors experience the need to change how interactions are governed to better address the collective action problems that threaten joint value creation.

The initial choice of a specific governance form will be influenced by the initially prevailing levels and types of trust. Moreover, to make it simpler an increase or decrease in trust can trigger a change in governance form. While the three stakeholder governance forms do not differ with regard to how important trust is, they very much differ with regard to the

primary type of trust that drives the choice of a governance form. First, consider the hub-and-spoke governance form. For stakeholders to accept the managers' authority central to the hub-and-spoke form, even in situations of more equal dependence, the firm or its managers must have a legitimate basis for their claim to authority (Wood & Gray, 1991).[5] To have a legitimate basis to claim authority over stakeholders, the firm or its managers must be trusted by stakeholders. This type of trust is "interpersonal." Interpersonal trust is trust grounded in the competence and moral character (benevolence and integrity) of another actor on which one depends (Robinson, 1996)—here, the firm's managers, the firm, or both (depending on stakeholders' views of who their counterpart in the relationship is).

Thus, the stakeholders negotiating a governance form at the outset of the joint creation activities will only accept a hub-and-spoke governance form if the firm or its managers are seen as possessing both the competences needed to govern joint value creation and the moral character to govern in the collective interest rather than only in the interest of the firm (or the personal interests of its managers). Similarly, if these stakeholders no longer trust the firm and its managers, stakeholders with the power to do so will push for a change in the way that joint value creation activities are governed. A decrease in interpersonal trust can come from, among others, managers' mobility, when trusted managers are replaced by managers who are not known or not trusted by the stakeholders (Broschak, 2004; Ring & Van de Ven, 1994).

Interpersonal trust is the type of trust stakeholder theorists tend to focus on (Harrison et al., 2010; Harrison & Wicks, 2013; Jones et al., 2018; Wicks et al., 1999), even when they explicitly acknowledge the interdependence of stakeholders in joint value creation (Crane, 2020). Yet, stakeholders' participation in designing the rules in the shared governance and lead role governance forms fosters another type of trust: "system trust." System trust is "a belief that the proper impersonal structures have been put into place enabling one party to anticipate successful transactions with another party" (Pennington, Wilcox, & Grover, 2003: 201).

In the shared governance form, system trust is the most important type of trust in sustaining cooperation and guiding the choice of a governance form. System trust arises from stakeholders' participation in the making and implementation of the governance rules if and when their participation reassures stakeholders that other participants in joint value creation will have to cooperate. "Decision-makers knowing that rules restrict actions by other decision-makers can predict responses to their own actions better than they could without those rules" (Kiser & Ostrom, 2000: 65). At the start of joint value creation activities, system trust is crucial for the choice of a shared governance form, because the stakeholders involved in joint value creation may not know enough about some other participants to form judgments about their competence and moral character, or may even know that some other participants are not trustworthy. As time goes by, stakeholders may get to know more about other participants and interpersonal trust may come to characterize many of the stakeholder–stakeholder relationships in a shared governance form. However, because shared governance requires interpersonal trust among many parties, some of which are likely to be mobile (some stakeholders leave, others join), interpersonal trust can, at most, complement system trust in a shared governance form but cannot substitute for it.

Finally, in a well-functioning lead role governance form, system trust and interpersonal trust work in tandem and reinforce each other. At the outset of joint creation activities, at least a moderate level of both system trust and interpersonal trust in the firm and its managers is required for stakeholders to accept this governance form. The firm can only take the lead role in governing if stakeholders have enough interpersonal trust in the firm or its managers. Yet, this interpersonal trust needs not to be as high for the lead role governance form to be accepted by stakeholders as is the case for the hub-and-spoke form if stakeholders also experience system trust from the fact that they participate in governance and can, as an ultimate recourse, replace the firm as governance leader. As the firm and its managers accomplish the governance tasks as mandated by the stakeholders and exhibit accountability to them, interpersonal trust and system trust can grow. The combination of two types of trust makes joint value creation more resilient to managers' mobility: a dip in interpersonal trust (e.g., caused by the replacement of the firm's CEO by somebody

[5] Of course, stakeholders that are much lower in power than the firm or its managers may have to accept being controlled by the firm and its managers, even if they do not see this control as legitimate. However, managing stakeholders on the basis of power that is not legitimate in stakeholders' eyes is not what the literature describes as "managing for stakeholders" and is, therefore, not what the hub-and-spoke form is about.

whom stakeholders do not know yet) may be compensated by system trust.

THE EFFECTIVENESS OF THE THREE STAKEHOLDER GOVERNANCE FORMS

We now turn to comparing the relative effectiveness of the three stakeholder governance forms. Given our focus on managing for stakeholders, we consider a governance form to be more effective when it allows the set of stakeholders involved in joint value creation, as a collective, to create more economic value. Economic value is realized by trading the products and services that embed the results of stakeholders' joint value creation activities. While stakeholders may also enjoy some non-economic value from joint value creation activities (e.g., employees may enjoy meaningfulness in their job), economic value is a crucial measure to assess the overall success of stakeholders' cooperation.

Together with the stakeholder governance form, joint value creation activities—that is, "what do we do and who does what in the arena of operations"—are negotiated and evolve over time (Alvarez et al., 2010). We therefore consider two characteristics of the joint value creation activities that are likely to affect the relative effectiveness of the three governance forms. Looking at the nature of the joint value creation activities for contingency factors likely to influence the effectiveness of the governance forms is in line with Ostrom's later work, in which she identified the nature of the resource used in common as an "exogenous variable" that shapes the collective action situation that actors are in (Ostrom, 2005; Poteete et al., 2010). Following Poteete et al. (2010), we examine two characteristics of the joint value creation activities: (1) complexity and (2) dynamism. It should be noted that, in the case of joint value creation, these characteristics might not be entirely exogenous. For example, when setting up joint value creation, there are often several technologies to choose from (Raveendran, Silvestri, & Gulati, 2020) and the choice that is made among them could affect complexity and dynamism. Table 3 offers an overview of our arguments about comparative effectiveness.

The Level of Complexity of Joint Value Creation Activities

Complexity affects actors' ability to understand how their actions relate to joint value created (Poteete et al., 2010). Given stakeholders' interdependencies in joint value creation, this form of value creation is always at least moderately complex (Ployhart, Nyberg, Reilly, & Maltarich, 2014): the value generated jointly has multiple causes that interact in non-linear ways, so that it is not a trivial matter to infer the properties of the whole from the properties of the parts (Simon, 1962: 468). Other characteristics of joint value creation that increase complexity include the time period over which the effects of stakeholders' actions on joint value created unfold, which further increases the difficulty of understanding the cause–effect relationships involved. The higher the complexity of the joint value creation activities, the more learning is required to find out which rules are most suited to solving collective action problems (Poteete et al., 2010).

The three governance forms are differently equipped to (a) deal with the cognitive challenges posed by high complexity and (b) support the evolution of suitable rules for governing the specific joint value creation activities in which stakeholders take part. The shared governance form is comparatively the best form to support the shared cognition and collective learning needed to deal with high levels of complexity. By performing part of the joint value creation activities, each stakeholder will, over time, develop some understanding of the complex cause–effect relationships involved. The regular interactions around governance among all stakeholders in the

TABLE 3
The Comparative Effectiveness of the Three Stakeholder Governance Forms

	Hub-and-spoke governance	Lead role governance	Shared governance
Nature of value creation activities			
Maximum level of complexity the form can accommodate effectively	Moderate	Moderately high	High
Maximum level of dynamism the form can accommodate effectively	Moderate • High speed, but low accuracy and legitimacy in adapting governance	High • Moderate speed, accuracy, and legitimacy in adapting governance	Moderate • High accuracy and legitimacy, but low speed in adapting governance

shared governance form (via meetings, debates, etc.) allow for the integration of the different pieces of knowledge stakeholders acquire over time. This integration in turn enables adaption of the governance rules, fitting them as closely as possible to the particulars of the joint creation activities, despite their high complexity.

In contrast, the integration of stakeholders' knowledge and the translation of this knowledge into adaptations of the governance rules is less likely to take place in the lead role governance form, wherein governance is largely centralized in the hands of the firm's managers, and much less likely to take place in the hub-and-spoke form, in which governance is completely centralized in the hands of the firm's managers. It is not so much that stakeholders may be reluctant to share what they may have learnt individually (they will often benefit from rules that are better adapted), but, rather, that, as described in the organizational learning literature (Brown & Duguid, 1991; Orlikowski, 2002), knowledge integration is facilitated in the ongoing interactions among stakeholders when discussing and negotiating governance. These interactions do not exist in the hub-and-spoke form, with its independent, dyadic firm–stakeholder relationships, and they are much more limited in the lead role governance form than in the shared governance form. As a result, the shared governance form can handle a higher level of complexity than the lead role governance form, which in turn can handle more complexity than the hub-and-spoke form. Thus:

Proposition 1. At high levels of complexity of joint value creation activities, the shared governance form is more effective than the lead role governance form, and the lead role governance form is more effective than the hub-and-spoke governance form.

The Level of Dynamism in Joint Value Creation Activities

When joint value creation takes place in a dynamic environment, the need for changes in the joint value creation activities in which stakeholders are involved will tend to go hand in hand with a need for changes in the rules that govern stakeholders' interactions. Failure to change the governance rules when operational activities are changing significantly will decrease the capacity of these rules to sustain cooperation, as these rules will be less and less adapted to the specifics of stakeholders' interactions in the operational arena. At higher levels of dynamism, governance rules need to be changed both more frequently and faster than at lower levels.

As is the case for any adaptation in the face of change (Zollo & Winter, 2002), adapting governance rules when joint value creation activities change relies on a decision-making process in which actors come up with potential changes to governance rules and select from among these potential changes how the rules will actually be changed. The centralization of governance in the hub-and-spoke form, and to a lesser extent in the lead role governance form, benefits the speed of decision-making (Baum & Wally, 2003) and therefore enables more frequent and faster governance adaptation compared to the shared governance form, wherein stakeholders must be involved in all governance changes. However, speed is not the only criterion determining the success of governance changes: the accuracy and legitimacy of the changes also matter. There is often a tension between speed and accuracy of decisions (Beersma, Hollenbeck, Humphrey, Moon, Conlon, & Ilgen, 2003; Förster, Higgins, & Bianco, 2003), as well as between speed and building legitimacy for decisions.

Whereas shared governance slows down governance adaptation, new rules are likely to more accurately reflect the changes in the joint value creation activities. Compared to a hub-and-spoke form, and to a lesser extent a lead role governance form, a shared governance form, in which all stakeholders are involved in changing the rules, enables more comprehensive information gathering and processing to come up with potential changes to governance rules and to select the most suitable rules to implement. In addition to more accurate changes in governance rules, thanks to stakeholders' participation in designing the rules, shared governance is also likely to deliver more legitimate governance changes compared to a hub-and-spoke form, wherein stakeholders are not involved, and, to a lesser extent, to a lead role governance form, in which stakeholders are only involved in designing some rules but not all. There is thus a trade-off between the benefits of equal participation in terms of the quality of new rules (if stakeholders' participation in decisions allows them to tap into distributed expertise) and stakeholders' commitment to these new rules as being legitimate, on the one hand, and the costs linked to time-consuming negotiations and slower decisions (Defourny & Nyssens, 2010), on the other hand.

Together, the arguments above suggest that, at low to moderate levels of dynamism in joint value creation activities, all three governance forms are likely to be able to handle the need for changes in

governance rules, albeit with different hurdles to surmount: a hurdle of lower accuracy and legitimacy in the hub-and-spoke form, and a hurdle of a slower decision-making process in the shared governance form. In contrast, at high levels of dynamism, these hurdles in the hub-and-spoke and the shared governance forms are likely to become major stumbling blocks that, over time, make these forms less and less effective, compared to the lead role governance form. The lead role governance form is most likely to remain effective at high levels of dynamism because it combines a high sensing capacity with moderate speed of rule adaptation, thanks to the centralization of rule design in the leader's hands and some of the accuracy and legitimacy provided by stakeholders' participation.

Proposition 2. At high levels of dynamism in joint value creation activities, the lead role governance form is more effective than the hub-and-spoke and shared governance forms.

DISCUSSION

Both management scholars (Amis et al., 2020; Asher, Mahoney, & Mahoney, 2005) and practitioners (Business Roundtable, 2019) are increasingly aware of the need to rethink governance from a stakeholder perspective. Stakeholder theorists have long argued that "managing for stakeholders" is likely to lead to more value creation than a purely arm's-length or shareholder primacy approach, but have only recently explicitly recognized that, in the case of joint value creation, managing for stakeholders means overcoming collective action problems (Bridoux & Stoelhorst, 2016; Klein et al., 2019). This recognition prompted us to ask how the interactions among the stakeholders involved in joint value creation when managing for stakeholders should be governed. We have answered this question by building on the work of Elinor Ostrom, whose design principles offer guidelines to think about stakeholder governance in the presence of collective action problems. We have used Ostrom's principles to contrast the way of governing joint value creation implied by the traditional hub-and-spoke view of the firm and its stakeholders with two alternative forms of stakeholder governance—the lead role governance form and the shared governance form—resulting in a typology of three stakeholder governance forms and a contingency argument for when each of these forms is more likely to be effective.

Our first contribution is to further develop stakeholder theory as an alternative perspective on capitalism by explicitly grounding it in Ostrom's work on how to design governance rules that help solve collective action problems. Stakeholder theorists have always emphasized that the role of firms in capitalism is to organize cooperation among stakeholders, and have always held that organizing such cooperation requires different solutions than those formulated in, for example, transaction cost theory (Freeman & Evan, 1990; Jones, 1995) and agency theory (Bosse & Phillips, 2016; Hill & Jones, 1992). However, if the central issue in managing for stakeholders is not just organizing cooperation, but organizing cooperation in the face of collective action problems (Bridoux & Stoelhorst, 2016; Klein et al., 2019), stakeholder theory can be strengthened as a theoretically and practically meaningful alternative perspective on capitalism by explicitly re-examining some of its central concepts in terms of how they relate to solving collective action problems.

We have taken a step in this direction by rethinking the hub-and-spoke view of stakeholder relationships as the starting point of "managing for stakeholders." Once we explicitly conceptualize the role of firms and managers as finding solutions to collective action problems, it is clear that cooperation may be more difficult to realize than the extant literature has acknowledged. More specifically, the primary governance-related task of managers is to help stakeholders overcome the difficult give some, take some, and hybrid dilemmas inherent in productive activities that involve task or outcome interdependence. This task becomes all the more difficult when joint value creation involves stakeholders that are outside the boundaries of the firm as traditionally understood, and that may be in a balanced power relationship with the firm or its managers—as is increasingly the case in modern economies. In such cases, the (often implicit) assumption in stakeholder theory that managers can rely on their authority over stakeholders to manage for stakeholders is even more problematic than when joint value creation activities only involve "inside" stakeholders over whom managers are more likely to have power. We must therefore *explain* why such stakeholders may accept managers as a central authority, or acknowledge that other governance forms may be needed to solve collective action problems.

At the same time, the upshot of conceptualizing the role of firms and managers as solving collective action problems is that it opens the door to an extensive and very rich interdisciplinary literature on (solving) collective action problems (for reviews, see Kollock, 1998, and Van Lange et al., 2013) as a basis

for thinking about stakeholder governance. Ostrom's Nobel Prize-winning work offers a particular well-suited starting point for such a project (Klein et al., 2019). Ostrom's design principles are arguably the most comprehensive set of general insights about solving collective action problems available in the literature, and thus present themselves as a natural foundation for a theory of stakeholder governance. For example, in line with what Deakin (2012) did for law scholars, it would be interesting to (re)assess extant literature on corporate governance (e.g., Hansmann, 2000; Jensen, 2002), in general, and corporate governance from a stakeholder perspective (Asher et al., 2005; Blair & Stout, 1999; Freeman & Evan, 1990), in particular, in terms of how it aligns with Ostrom's principles.

Our second contribution is to use Ostrom's work to develop a typology of three governance forms for joint value creation that managers may consider in order to solve collective actions problems when managing for stakeholders. The first of these is the governance form implicit in the hub-and-spoke representation of the firm and its relationship with stakeholders that is central to much of the stakeholder literature, while we derived the other two forms—lead role governance and shared governance—from Ostrom's work.

The fundamental difference between these three forms is the involvement of other stakeholders than the firm's managers in governance; this involvement ranges from no formal role, in the hub-and-spoke form, via representation, in the lead role governance form, to equal participation, in the shared governance form. It should be noted that we are not arguing for (or against) involving all stakeholders in the processes of governance; our theory only applies to the subset of stakeholders involved in joint value creation. With regard to these stakeholders, participation in governance is neither an ideal nor a fantasy. For example, employees have participated in the governance of many European firms for a long time, even if this fact has been largely ignored by agency theorists, who tend to focus on the bilateral contracts between shareholders and top managers (Aguilera & Jackson, 2003). Multiple stakeholders' participation in governance is also commonly described in the small literature on governance in goal-directed networks, which are networks of three or more autonomous organizations that are set up with a specific collective goal and evolve largely through conscious efforts to improve cooperation (Alvarez et al., 2010; Provan & Kenis, 2007).

The three governance forms in our typology also have something fundamental in common: each of the three forms requires trust to be chosen and can generate trust when it governs stakeholders' interactions satisfactorily. Trust has been argued to be an essential ingredient of cooperative relationships by stakeholder theorists (Harrison et al., 2010; Wicks et al., 1999), scholars studying interorganizational collaborations (Zaheer, McEvily, & Perrone, 1998), including cross-sector collaborations (Bryson, Crosby, & Stone, 2006), and researchers studying individual stakeholders, such as employees (Robinson, 1996) and consumers (Morgan & Hunt, 1994). Contrary to some (e.g., Adler, 2001), but in line with Ostrom, we do not view trust as a governance form, but as a consequence of having a set of rules in place that effectively addresses the collective action problems that actors encounter in their interactions. As such, our theory also contributes to the debates around the control–trust dynamics of governance (Long & Sitkin, 2018). All three forms involve control to reassure stakeholders disposed to cooperate that they will not be the dupe of others that may not cooperate in the absence of control. However, this control is exercised by different actors (managers and/or peers) in the different forms, which also leads to different types of trust. Trust has been conceptualized inconsistently across levels of analysis and sometimes even within literatures studying the same level (Long & Sitkin, 2018), and one important message from our typology is that it is useful to distinguish between interpersonal trust and system trust to fully grasp the relationship between control and trust.

Our third contribution is to shed light on the comparative effectiveness of the three stakeholder governance forms in relation to two important characteristics of joint value creation activities—namely, complexity and dynamism—that, according to Ostrom, affect the effectiveness of communities in dealing with collective action problems. While we have focused on the nature of joint value creation activities to identify contingency factors, future research could examine other contingency variables, such as characteristics of stakeholders. Among others, we would expect the three governance forms to vary with respect to how effectively they can handle a high level of stakeholder mobility and a high level of motivational heterogeneity among stakeholders (i.e., diversity regarding stakeholders' goals and the values they espouse). These two characteristics of stakeholders are important features of modern knowledge-intensive economies,

where stakeholders' voluntary turnover has increased over time and where joint value creation increasingly involves stakeholders from different sectors and from different national cultures.

Besides identifying circumstances under which each form can effectively govern joint value creation, our theory also reveals tensions that must be managed in one or several of the governance forms. First, the tension between speed, accuracy, and legitimacy in governance-related decision-making exists in all three forms, but is greater in the hub-and-spoke and shared governance forms. Second, building on Ostrom's work reveals a tension between the use of graduated sanctions and the use of the strong identification mechanism of the clan (Adler, 2001; Ouchi, 1979, 1980), which has recently been promoted by stakeholder theorists as the best way to manage for stakeholders when stakeholders are highly interdependent (Bridoux & Stoelhorst, 2016; Jones et al., 2018). A well-developed sanctioning scheme is not easy to reconcile with the strong common identity of a clan because it makes differences in interests more salient to stakeholders. The clan mechanism works only as long as stakeholders see others as very similar to themselves and a clan approach should therefore suppress these differences. One important reason to look beyond the clan mechanism as a solution to collective action problems and consider Ostrom's approach is that the clan can only solve collective action problems if the stakeholders have internalized the common identity, which factually eliminates the goal incongruence between stakeholders (Ouchi, 1979). Yet, some stakeholders may want to preserve their own identity. This is highly likely for collectives that are (partly) outside of the firm's traditional boundaries, such as labor unions and supplying firms, but it may even be the case for "inside" stakeholders, given the variance in organizational identification found by organizational behavior scholars (Ashforth, Harrison, & Corley, 2008).

While we examined the comparative effectiveness of the three stakeholder governance forms, we do not presume that the most effective governance form will always be the one adopted. In governance, like in operations, stakeholders may face collective action problems. Adopting the governance form that leads to the highest joint value created may not be in the best interest of some individual stakeholders, because they would appropriate more of the joint value created with another governance form—creating, here too, a tension between collective and individual interests. For example, while we have, in line with stakeholder theory, assumed that the firm's managers wish to manage for stakeholders and therefore aim to maximize joint value creation, they may, in practice, press stakeholders to accept a hub-and-spoke form because it gives them more latitude to decide on the division of the value created jointly, and therefore also the possibility to appropriate more of it—even if more value would be created with another form. Other powerful stakeholders may similarly push for a governance form that benefits them rather than the collective. Future research should investigate the factors that, besides trust, affect the choice of a governance form. Following arguments in organizational economics (Williamson, 1975), we would expect higher competition in product and factor markets to put pressure on stakeholders to adopt an efficient form of governance, lest they be outcompeted. Yet, in the many cases in which competition is not extremely harsh, other factors are also likely to play a role, such as stakeholders' past (positive or negative) experiences with different governance forms.

To conclude, we encourage others to further develop stakeholder theory as a platform to integrate the knowledge accumulated in the many subfields in management that have discussed (explicitly or implicitly) the governance of cooperation among interdependent actors whose interests are not fully aligned. While this knowledge is currently fragmented, researchers across these many subfields evoke the same mechanisms (trust, reciprocity, collective identity) to explain why actors cooperate, regardless of whether these actors are individuals or groups, and regardless of whether these actors are inside or outside traditional firm boundaries. If researchers attempt such a synthesis, we believe that they will likely identify additional governance forms, some of which may be context specific, but some of which may be relevant across subfields. One such form involves creating a separate administrative entity to take on the role of governance leader in a network of organizations (Provan & Kenis, 2007). While we have focused on the governance forms that could sustain managing for stakeholders, the dimensions of our typology could be used to describe any governance form and to probe into the theoretically important question of whether governance forms described in different subfields are one and the same, or whether they are different. Similarly, the contingency variables that we identified, and other variables that future research might add, could be used to probe into the practically relevant question of when different governance forms are likely to be most effective.

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