The institutional transformation and the stakeholders' salience

Khurram Shahzad

UNIVERSITÉ PARIS-SUD

ÉCOLE DOCTORALE DES SCIENCES JURIDIQUES, ÉCONOMIQUES ET DE GESTION

LABORATOIRE RITM (RESEAUX, INNOVATION, TERRITOIRES ET MONDIALISATION)/EA 7360

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Jury

Directeur de thèse:	Sandra Charreire-Petit	Professeur, UNIVERSITÉ PARIS-SUD
Co-encadrant de thèse:	Florent Pestre	Maître de conférences, UNIVERSITÉ PARIS-SUD
Rapporteurs	Samuel Mercier	Professeur, UNIVERSITÉ DE BOURGOGNE
	Marielle Payaud	Maître de conférences HDR, UNIVERSITÉ JEAN MOULIN LYON
Suffragants:	Aurélien Acquier	Professeur, ESCP Europe
	Jean-Philippe Denis	Professeur, UNIVERSITÉ PARIS SUD
	Isabelle Huault	Professeur, UNIVERSITÉ PARIS DAUPHINE

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To IQBAL

Title: The institutional transformation and the stakeholders' salience

Summary: An established stream of literature in institutional tradition suggests that as institutional change process unfolds in the field, dominant institutional logic shifts. The implications of such shifts in institutional logic for the broader network of relationships of various constituents are still not clear. This thesis, therefore, aims to uncover the dynamics of firm-stakeholders relationships in a field undergoing a robust institutional change process. In order to understand these evolving relationships in emerging country's context, Mitchell et al.'s (1997) framework of stakeholder salience has been employed as an underlying theoretical framework. This thesis also makes several conceptual and empirical contributions to this framework and strengthens its theoretical underpinnings. Overall, using data collected through semi-structured interviews and archival material, this dissertation suggests strong dominant institutional logic-stakeholder salience relationship. Moreover, this thesis provides several lessons for managers and researchers that may help to better set firms' strategic direction.

Keywords: *stakeholder salience, attributes, dynamics, managerial perception, case study*

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Articles Submitted for Publication

This thesis is composed of five articles that have been submitted for publication. All articles are briefly articulated in a general introduction (Chapter 1) and in a general conclusion (Chapter 7). Arguments developed in the articles have been put in perspective of literature.

Chapter 2 Khurram, S. & Pestre, F. (2015). Taking stock of stakeholder salience tradition: Renewing the research agenda.

Status: *Accepted for presentation at Academy of Management Conference, Vancouver, Canada, August 9-11, 2015. Submitted to Journal of Management Studies in May 2015.*

Chapter 3 Khurram, S. & Pestre, F. (2013). Revisiting the stakeholder salience model in non-governmental organizations.

Status: *Accepted and presented at Academy of International Business (AIB) Annual Meeting, Istanbul, Turkey, July 3-6, 2013. Submitted to Nonprofit & Voluntary Sector Quarterly in May 2015.*

Chapter 4 Khurram, S. & Pestre, F. Examining attributes and salience in not-for-profit and for-profit stakeholders: How do they win the managerial attention?

Status: *Under review since February 2015 at Business Ethics Quarterly.*

Chapter 5 Khurram, S. Extending the salience framework: An investigation of types of stakeholder attributes and salience.

Status: *After getting constructive feedback from M@n@gement in 2014, paper is now ready for a new submission.*

Chapter 6 Khurram, S. & Charreire Petit, S. Investigating dynamics of stakeholder salience: What happens when institutional change process unfolds?

Status: 3rd *revision requested, May 2015, Journal of Business Ethics.*

Acronyms

AKDN	Agha Khan Development Network
AKRSP	Agha Khan Rural Support Program
CSR	Corporate Social Responsibility
DAMEN	Development Action for Mobilisation and Emancipation
FMFB	First Microfinance Bank
MF	Microfinance
MFB	Microfinance Bank
MFI	Microfinance Institution
MNC	Multinational Corporation
NGO	Non Governmental Organisation
NRSP	National Rural Support Program
PMN	Pakistan Microfinance Network
RCDS	Rural Community Development Society
SAP-PK	South Asia Partnership Pakistan
SBP	State Bank of Pakistan
SEEP	Small Enterprise Education and Promotion Network
TOAs	Types of Attributes
UNISIC	United Nation's International Standard Industrial classification

Table of Contents

Chapter 1

1. Introduction
The moving world: How stakeholder approach transforms with institutional change

Institutional environments are characterized by patterns of punctuated equilibrium where prolonged periods of stability persist that get interrupted and a new set of institutional arrangement emerges which remains in equilibrium for another prolonged period (Campbell, 2004). The ongoing socio-economic crisis resembles an enormous interruption. Almost every sector appears to be going through a disruptive institutional change. Old rules and systems that had earlier brought success do not seem to work. Institutional change is affecting various industries in many different ways. For example news-paper industry is in trauma, swift communication technologies have changed the consumers' demand, yet the news-paper industry seems to be in denial. Wristwatch manufacturers have not that market share they earlier had. Same holds true in sectors like not-for-profit where dearth of funds caused many players to commence commercial activities e.g. microfinance, but many are still adamant to chase donor's grants. Shortly, every industry is being affected by robust changes in institutions and it requires us to understand the implications of such changes for business life.

Institutions represent the settlements that are born from struggle. They not only furnish the foundations of social life but they 'rule' it (Rodrik et al., 2004). However, like all the 'rulers', institutions change as competition and societal upheavals destabilize them (Greenwood et al., 2002; Castel and Friedberg, 2010). Such change creates tensions and forces the dominant logics to be reassessed (Dolfsma and Verburg, 2008; Misangyi et al., 2008). Within wider institutional order various organizational fields have their own specific institutional logics (Friedland and Alford, 1991; Thornton, 2004). Institutional logics are defined as "*socially constructed*, *historical pattern of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality*" (Friedland and Alford, 1991, p. 243).

In real world setting, as institutional change process unfolds, dominant institutional logics shift and affect the broader institutional configuration and constituents located in it (Lounsbury, 2002; Thornton, 2002; Suddaby and Greenwood, 2005). For example, rise of progressive thought in 20th century USA caused shift in saving & loan organizational forms (Haveman and Rao, 1997); a shift of logic in healthcare sector caused valorization of associated actors, governance structures and behaviors (Scott et al., 2000); change from professional to market logic caused changes in executive succession in USA's higher education publishing industry (Thornton and Ocasio, 1999). Similarly, a conflict was reported between old and new guards at post-communist government agency due to shift from bureaucratic to market logic (Tilcsik, 2010). All these examples suggest that shifting logics have important implications for organizational forms, practices and relationships of constituents (Hoffman, 1999; Thornton, 2004; Reay et al., 2009). However, extant research offers limited insights into the implications of the transformation of institutional logic for the networks of relationships of meso-level's actors. Here meso-level refers to "*all organizational forms of collective action that exist at an intermediate level between the state and society: for example, firms, professions and all kinds of collective interests*" (Huault et al., 2012, pp. 2-3).

Of our particular interest is the robust process of institutional change that has been reported in the field of microfinance (Khavul et al., 2013; Kent and Dacin, 2013). Just two decades ago, microfinance was a small side piece of international development effort, but today financial inclusion through microfinance has become a central piece of global development agenda. As institutional change process unfolded in the field of microfinance, Non-governmental organizations (NGOs) with dominant development logic transformed into Microfinance Institutions (MFIs) with hybrid logic (development and commercial) and then into microfinance banks with a dominant commercial logic (Battilana and Dorado, 2010; Kent and Dacin, 2013; Khavul et al., 2013).

These shifts in institutional logic may affect the broader networks of relationships and interactions among various constituents. The nature of relationships as a commercial bank with a variety of stakeholders—e.g, employees, governments, shareholders, customers, communities, environmentalists, interest groups, media etc.—may not be same as they were once as a NGO. The managers of focal firm (e.g., microfinance organization) experiencing shift in logic, may cease to consider certain classes of entities as stakeholders—i.e., "*any group or individual who can affect or is affected by the achievement of the organization's objectives*" (Freeman, 1984, p. 46)—and some new entities may assume the status of stakeholders. Likewise, the stakeholder salience—i.e., the degree to which managers of focal firm give priority to claims of competing stakeholders (Mitchell et al., 1997)—may also drastically shift.

Manager's "view" or "perception" of such institutional change has not been captured in currently available stakeholder frameworks. Theories at hand do not fully explain dynamics of stakeholders' management vis-à-vis changes in institutional environments. More specifically current management approaches emphasize the static nature of stakeholder's relationships (Gond & Mercier, 2006). The dynamics inherent in stakeholders' relationships and institutional change process that demand complex considerations are neither fully explained by institutional theory nor by the stakeholder framework where they currently stand. Therefore, robust changes occurring in institutional environment necessitate a deeper examination of how managers' view or perception of stakeholders changes. Overall, the focus of this research project is to understand how managers' perception of stakeholders evolves with institutional change process. Therefore a fundamental research question that we ask is:

> *How managers assign stakeholder status and salience to various entities during institutional change process? And are stakeholder status and salience contingent on institutional change process?*

Answer to this question has immense managerial implications because the stakeholder approaches in their current state mainly explain "who are the stakeholders of the firm?" or "who should be the stakeholders?" Inclusion of institutional dynamics in stakeholder framework will help us track the evolving managerial perception alongside institutional change process. This way our research project will help managers around the world to understand "Who will be stakeholders?" Thus, providing them a new strategic management perspective which will facilitate them in deciding how their respective firms should set and implement direction. At the theoretical front, this project structures the debate on stakeholder salience tradition. It strengthens the theoretical underpinnings of stakeholder salience framework by proposing a conceptual framework that addresses several residual weaknesses of the framework. Moreover, by integrating the institutional and stakeholder salience traditions, this research project contributes by building theory and validating the fundamental propositions of stakeholder salience framework particularly in dynamic perspective.

It is worthwhile to mention that this research project does not examine the institutional change process, rather it relies on previous research that has already conducted in-depth examination of this process in microfinance sector (e.g. Battilana and Dorado, 2010; Kent and Dacin, 2013; Khavul et al., 2013).

In order to understand evolving managerial perception of stakeholders' status and salience, Mitchell et al.'s (1997) stakeholder salience model has been chosen as the underlying theoretical framework. Stakeholder salience framework (Mitchell et al., 1997) is one of the frequently cited works in organizations and management literature. It is *important* yet *controversial*; *mature* yet *adolescent*. It is important because it is considered a useful tool that helps in identification, evaluation and prioritization of the stakeholders of the firm. Yet it is controversial because the researchers do not agree on its constructs and fundamental assumptions. It is mature, because after its introduction in 1997 it has remarkably evolved and research in stakeholder salience tradition has spread into many research streams. Yet it is adolescent because its empirical validity, particularly in dynamic perspective is yet to be established. Therefore, apart from examining the changes in managerial perception of stakeholders' status & salience vis-à-vis institutional change process, this research project also contributes to extant literature by addressing the residual weaknesses of salience framework.

We believe that, first of all, it is important time to go back and conduct a *thorough review of literature on stakeholder salience tradition* that stands at a critical junction where debate needs to be structured and its theoretical claims need an order for paradigm development. Secondly, as discussed above considerable unrealized potential for research exists in integrating stakeholder salience model with other eminent theories such as *institutional theory.* This integration can help invigorate the research, especially in case of *non-profits* and small & medium enterprises, where despite widespread utility of salience framework, studies are quite scarce. Thirdly, a key criterion for a theory evaluation is its empirical validity. Although, the *empirical examination* of the dynamic stakeholder salience theory may be a time and resource intensive task, yet it is worth doing because the theory can greatly benefit from focused empirical investigation of its dynamic perspective.

As shown in **Figure 1.1** ahead, this research project proceeds in seven chapters. In current chapter, we briefly introduce the stakeholder salience framework, key research areas and the methodology of research.

1.1 Stakeholder salience framework

Mitchell et al. (1997) synthesized over 20 studies relating to resource dependence, agency, stakeholder, transaction cost, institutional theories etc. to propose a simple yet comprehensive descriptive model of stakeholder salience. As per this model, stakeholder salience—i.e., the degree to which mangers give priority to the claims of various stakeholders—is determined by three stakeholder attributes—i.e., power, legitimacy and urgency.

1.1.1 Stakeholder's salience attributes

Power has been conceptualized in stakeholder salience framework (Mitchell et al., 1997) as a relationship between social actors in which one social actor can force another social actor to do something that it will not otherwise do (Pfeffer, 1981; Weber, 1947). Mitchell et al. (1997) employed Etzioni's (1964) classification of organizational bases of power in stakeholder salience framework. It has been suggested that stakeholder has the power "*to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship*" (1997, p. 865). Salience framework (Mitchell et al., 1997) employs Suchman's definition and classification of legitimacy which is defined as *"a generalized perception or assumption that the*

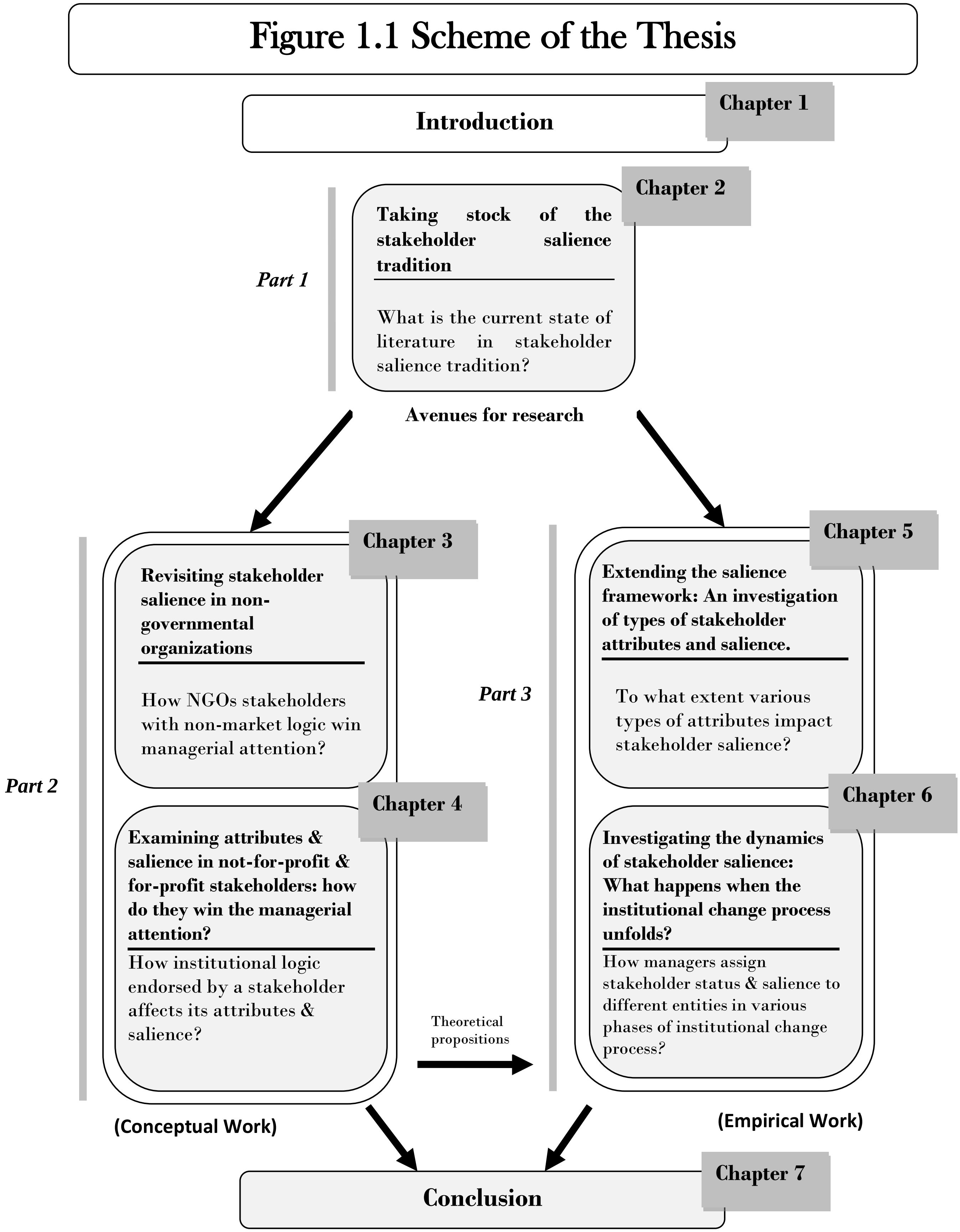
Figure 1.1 Scheme of the Thesis
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actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995, p. 574). Stakeholder salience framework (Mitchell et al., 1997) considers power and legitimacy as necessary attributes that if possessed by a stakeholder helps him win the managerial attention. Moreover, in line with Weber's (1947) concept of authority, Mitchell et al. (1997) view power and legitimacy as interacting and overlapping. The third attribute urgency—i.e., the degree to which stakeholder's claims demand immediate attention of the mangers—covers two aspects. Firstly, the time sensitivity which shows the extent to which delay in attending the claims is unacceptable to a stakeholder and secondly, the criticality which represents the worth that a stakeholder assigns to a claim.

1.1.2 Main proposition of stakeholder salience framework

The fundamental proposition of stakeholder salience framework is that the stakeholder salience is directly related to the cumulative number of salience attributes—i.e., power, legitimacy and urgency as *'perceived by managers to be present'* (1997, p. 873). This widely cited proposition is based on an ordinal scale that ranges from low to high that helped these authors categorize stakeholders into seven classes—three possessing only one attribute, called latent stakeholders, three possessing two attributes, called expectant stakeholders, and one possessing all three attributes, called definitive stakeholders. Stakeholder salience framework proposes that managers would tend to assign higher salience to a stakeholder if all the three attributes are perceived to be present; moderate if two attributes are perceived to be present and lower if one attribute is perceived to be present. A constituent is not assigned stakeholder status if no attribute is perceived by the manager as present.

1.2 Framing institutional and stakeholder salience framework: Presenting sub-questions addressed in five articles

Over the past decade, stakeholder salience framework has emerged as a widely used tool to identify, evaluate and prioritize stakeholders and has demonstrated considerable theoretical and managerial implications. Notwithstanding its wider recognition, several important gaps have been identified in the model that are described in the lines ahead (*Paper wise*) followed by methodology of this research project.

1.2.1 Paper 1: Taking stock of the stakeholder salience tradition

Undoubtedly, stakeholder salience model has emerged as a notable framework in management literature. As per Google scholar, it has been cited 7000 times as of May 2015 and this model is being widely used to identify, evaluate and prioritize stakeholders. There has been lot of research in stakeholder salience tradition. Researchers not only empirically tested the central propositions of stakeholder salience model (Mitchell et al., 1997) but number of efforts were also made to strengthen theoretical underpinnings of the model and to understand the influence of contextual factors on managerial perception of stakeholder salience. Surprisingly, even after passage of almost two decades, no mentionable effort has been made to take stock of previous research in the stakeholder salience tradition and to provide an updated benchmark. Therefore, to fill this gap, **Paper 1** has been devoted to understand the following:

What is the current state of literature in stakeholder salience tradition?

> In first round of review of this Paper, Dr. Robert Phillips, Associate Editor at renowned *Business & Society* journal encouragingly stated that "*You clearly have a solid command of the literature for which you should be commended. A regrettable number of scholars neglect 'doing their homework' so it is encouraging to see*". This paper has also been accepted for presentation at 75th *Academy of Management Conference, Vancouver, Canada, August 9-11, 2015*.

1.2.2 Paper 2: Revisiting stakeholder salience in non-governmental organizations

Institutional theory states that as different organizations aim for various objectives under different sets of assumptions (Powell, 1991; Powell and DiMaggio, 1991), they organize themselves under different institutional logics. By defining identities, interests, values and assumptions etc., differently, institutional logics shape institutional forms, practices and attributes differently in organizations (Dobbin, 1994; Thornton and Ocasio, 1999; Sine and David, 2003; Zajac and

Westphal, 2004; Stovel and Savage, 2006; Lounsbury, 2007; Battilana and Dorado, 2010; Chen, 2010). It appears reasonable, therefore, to expect that possession and strength of stakeholder salience attributes might be linked to institutional logic as endorsed by a stakeholder. Driscoll and Starik's (2004) study provides some support to this proposition. These authors when bring a new type of stakeholder, there comes a new type of a salience attribute—i.e., proximity. How about Non-governmental organizations (NGOs)?

Over the past few decades, the influence of NGOs over the conduct of business has risen and they have assumed an important role in CSR strategies of businesses (Martinet and Payaud, 2014). Despite the drastically growing effect of NGOs, lesser attention has been paid to the influences of non-market logics on managerial perception. Extant research provides limited insights on the salience of the stakeholders with non-market logic e.g. NGOs. Our interest in revisiting stakeholder salience model (Mitchell et al., 1997) in NGOs is due to the fact that NGOs offer a revelatory site to understand institutional logic-attributes relationship. The salience attributes of NGOs are structurally and functionally different from other stakeholders. NGOs successfully employ *borrowed–power* which is not their own—borrowed from third parties like governments, media or consumers etc. (Yaziji & Doh, 2009). They may build much more on urgency than other stakeholders as their claims are mostly very pressing. Moreover, NGOs are also quite different from the rest of stakeholders due to their strong network building ability (Doh et al., 2003).

We expect that not only the salience attributes as presented by Mitchell et al. (1997) are insufficient to express accurately and precisely the salience of an NGO stakeholder but they also need to be reviewed individually for their structural composition in case of organizations with non-market logics. Stakeholder's salience model given by Mitchell et al. (1997) and subsequent work present little insights regarding the fact that managerial perception of presence, prioritization and variation in salience attributes can be the function of institutional logic as endorsed by the stakeholders—e.g., non-market logic of NGOs. Therefore, a need was felt to compile a set of detailed arguments to answer the following question:

How NGOs stakeholders with non-market logic win managerial attention?

This paper has been accepted by *Academy of International Business (AIB)* conference and was presented on July 2013 at Istanbul, Turkey. It is now available in *Proceedings of 55th Annual meeting of AIB*. In May 2015, this paper has been submitted to *Nonprofit and Voluntary Sector Quarterly*.

1.2.3 Paper 3: Examining attributes and salience in not-for-profit and for-profit stakeholders: how do they win the managerial attention?

Detailed literature review points towards another important vulnerability of the stakeholder salience model (Mitchell et al., 1997) that relates primarily to the prioritization of stakeholders. As discussed above, Mitchell et al. (1997) endorse that salience attributes are variables, however, the model of stakeholder salience and its subsequent testing mainly relies on a dichotomous representation of salience attributes (Agle et al., 1999; Eesley and Lenox, 2006; Parent and Deephouse, 2007). The implications of the dichotomous treatment of salience attributes are theoretically and managerially considerable. One definitive stakeholder (possessing all the three salience attributes) can be the most salient stakeholder while another definitive stakeholder may not be; similarly, one latent stakeholder (possessing only one of the three attributes) may be the least salient but another may be relatively more salient. Parent and Deephouse's (2007) study presents testimonial to this residual weakness where authors reported that several managers perceived one stakeholder as the most salient for his possession of three salience attributes but considered another stakeholder as comparatively less salient, even when the later also possessed those attributes. Similarly, another study proposed that a highly powerful latent stakeholder may be considered much more salient than a definitive stakeholder with only insignificant levels of each of the salience attributes (Neville et al., 2011).

Therefore, the model based on a dichotomous representation of attributes does not explain why a stakeholder with lesser number of salience attributes is assigned more salience than another stakeholder possessing more salience attributes. This residual weakness exists because stakeholder salience framework and subsequent research work emphasized the examination of the impact of managerial characteristics and contextual factors on stakeholder salience (*for details please see pages 46-50*). But lesser attention has been paid to study the impacts of stakeholder characteristics on salience. More importantly, it is still not clear how dominant institutional logic endorsed by the stakeholder shapes its attributes and affects salience.

Moreover, acute review of the fundamental assumptions of stakeholder salience model reveals that the Mitchell et al.'s (1997) work and the subsequent research do not offer any insights into the stakeholders' evaluation process and the mechanisms surrounding it. One tacit assumption on which Mitchell et al.'s (1997) model of stakeholder salience is founded is that managers conduct a single all inclusive evaluation of the stakeholders to prioritize them. But one may ask is it a single across the board evaluation of stakeholders or there are some sub-processes involved? **Paper 3** attempts to bring into limelight these unattended areas to strengthen the conceptual moorings of salience framework and to pave way for several interesting future researches. Therefore, we ask the following question:

> ***How does the institutional logic as endorsed by a stakeholder affect its attributes and salience?***

> **Paper 3** has qualified the initial desk examination at *Business Ethics Quarterly* and is going through a review process.

1.2.4 Paper 4: Extending the salience framework: An investigation of types of the stakeholder attributes and salience.

Despite considerable research in stakeholder salience tradition, there are still disagreements among researchers over inclusion of various attributes and their types in salience model. As discussed above, Mitchell et al. (1997) employed Suchman's (1995) organizational concept of legitimacy into salience model which broadly categorizes the legitimacy into three main types—i.e., moral, pragmatic and cognitive legitimacy and eight finely grained subtypes. Review of extant literature suggests that some researchers emphasize the pragmatic form of legitimacy over the moral form while another group of researchers maintain that stakeholder legitimacy is more about moral legitimacy. Similarly, one group of researchers propose that criticality part of urgency is a key contributor to the salience of stakeholder while others suggest that it has no relevance to salience.

Such disagreements exist because most of the previous research work has relied on original salience attributes—i.e., power, legitimacy and urgency—as introduced by the Mitchell et al. (1997) and limited effort has been made to extend the model by examining the nature of relationship of *types* of each attribute with stakeholder salience. For instance, the notions of power and legitimacy as used in stakeholder salience framework are too broad and involve several component parts. Supposing a manager considers a stakeholder salient because of its power, it remains unclear if it is considered salient only because of its ability to grant or withhold material and financial resources (utilitarian power); its ability to take a firm to litigation (coercive power); its ability to publicize good/bad image (normative power) or stakeholder is assigned salience due to its ability to grant or block access to other constituents on stakeholders network (network centrality power). We noted only one study that has differentiated power into three types—i.e., utilitarian, coercive and normative as suggested by Etzioni (1964)—to empirically analyse the relationship between types of power and stakeholder salience as perceived by managers (Parent and Deephouse, 2007). Our research project extends this line of research to four types of power (Utilitarian, coercive, normative and network centrality power; Etzioni, 1964; Driscoll and Starik, 2004) three types of legitimacy (pragmatic, moral and cognitive; Suchman, 1995), two types of urgency (criticality and time sensitivity; Mitchell et al., 1997). The objective is to better understand how managers assign salience to stakeholders? Is it due to all the types of an attribute or some specific types within an attribute that make more difference than other types?

Previous research in stakeholder salience tradition has mainly focused on original attributes (Driscoll and Starik, 2004; Eesley and Lenox, 2006; Neville and Menguc, 2006; Pajunen, 2006). That notwithstanding, researchers have also proposed new salience attributes, for example, frequency of contact (Luoma-aho, 2005) and proximity (Driscoll and Starik, 2004). However, no empirical examination has been conducted to assess the relevance of these newly propounded salience attributes on stakeholders salience. This research project also fills this gap by considering two types of an additional attribute of proximity (organised and geographical;

Driscoll and Starik, 2004; Torre and Rallet, 2005). Therefore, this research article mainly answers the following question:

> ***To what extent various types of attributes impact the stakeholders' salience?***

> After getting constructive feedback from M@n@gement in 2014, this paper is now ready for a new submission.

1.2.5 Paper 5: Investigating the dynamics of stakeholder salience: What happens when the institutional change process unfolds?

Although, Mitchell et al. (1997) based stakeholder salience model on a dichotomous representation of salience attributes, they emphasised that stakeholder salience is transitory in nature. No salience attributes are fixed in time but rather they are variables that may be either present or absent (Mitchell et al., 1997). A stakeholder may hold power at one point in time but may not at other. Likewise, a constituent may have a legitimate claim at one point in time but not another. Therefore, the salience model is actually dynamic in nature, and a constituent that possesses only one salience attribute can capture a manager's attention by acquiring the missing attributes. However, despite around two decades of introduction of stakeholder salience framework (Mitchell et al., 1997) there has been limited empirical research to understand the dynamics of stakeholder salience. In particular, there have been no studies examining the transience of stakeholder salience addressing multiple points in time. This is partly because "*tracking manager's stakeholder salience over time would be a better but more resource-intensive method for examining this issue*" (Parent and Deephouse, 2007, p. 16).

The phenomenon of dynamics relates to understanding "*how change process influences consequences (late in time) in relationship to antecedents (earlier in time)"* (Windsor, 2010, p. 79). The primary objective of this research article is to understand how antecedents (salience of stakeholders and their attributes) are transformed into consequences (salience and attributes) when organizations undergo an institutional change process. This problem area has been discussed in opening pages of this section in detail along with research question.

Moreover, Mitchell et al. (1997) acknowledged the existence of associations among salience attributes. These authors suggested that each attribute's contribution to stakeholder salience is actually dependent upon interaction with other attributes. In particular, they acknowledged that attributes of power and legitimacy are entwined and may take legitimate and illegitimate forms of power. But surprisingly, in overall scheme, attributes are treated as independent of one another and are valued autonomously. Consequently, Mitchell et al. (1997) base their model on a simple summation of attributes and the salience framework does not offer any explanation of which attributes and their types are associated and how they impact managerial perceptions of stakeholder salience. We find some traces of information in subsequent *conceptual work* that alludes to the possible existence of inter-relationships among various salience attributes and their types (Crawford et al., 2011; Neville et al., 2011). Although, extant research strongly emphasises the need to empirically examine the mutual relationship of salience attributes and their types and considers it an important part of the future research agenda (Neville et al., 2011), empirical studies uncovering the association among salience attributes and their types remain virtually non-existent. More importantly, it is not yet known how interaction of various salience attributes and their types is affected at different phases of institutional change process. Therefore, we also have to answer the following question:

> ***Which attributes and attributes' types are mutually associated? And how such associations are affected at different phases of institutional change process?***

> Journal of Business Ethics (JBE) has requested 3[nd] revision of this paper in May 2015. Dr. Loren Falkenberg, the Section Editor at JBE wrote in her recent email *"…both reviewers have provided detailed comments on how you can continue to improve the paper. Please pay careful attention to the comments. You need to be able to incorporate these comments for the manuscript to be published."*

1.3 Research Methodology

Adopting a classical epistemological standpoint of neo-positivism, we try to be objective in our approach and capture reality by observation (Charreire-Petit & Durieux, 2001). Research strategy adopted in each paper is explained in detail in lines ahead.

1.3.1 Paper 1: Literature review

In ***Paper 1***, comprehensive literature review was conducted *to take stock of research in the stakeholder salience tradition*. Over 180 research articles were systematically reviewed on stakeholder theory and stakeholder salience, 45 of them were critically analyzed. Although, coverage of research articles is not fully exhaustive, effort was made to identify all important references that have been published in journals of high repute. Relevant important articles were identified from text and bibliography of renowned articles. Recent articles were also searched using several electronic sources e.g., Business Source Complete, Cairn- revues electronique, Delphes, Econlit etc. Articles were searched using the key words e.g., stakeholder, stakeholder salience, attributes etc. appearing in the title, abstract or subject terms. In identifying relevant articles, search was not confined to leading journals. In order to make sure that no important study is missed, more liberal criterion was adopted in searching the articles. But after first round of search a relatively stringent criterion was adopted in second round and those articles were selected that had discussed Mitchell and associates' (1997) work in the main body. To be thorough articles were also cross-referenced with previous review effort (e.g., Neville et al., 2011).

In parallel to identifying the relevant articles, review had also begun and articles were segregated according to their main focus, research method and findings. In order to better judge the wider application of the model across diverse fields, articles that operationalized stakeholder salience framework (Mitchell et al., 1997) were also identified. These articles were categorized according to the sector of the economy investigated. United Nations' International Standard Industrial classification of All Economic Activities (ISIC)[1] formed the base of this categorization. The main objective of categorizing the studies that operationalized stakeholder salience model according to ISIC was to gauge the scale of application of this model.

1.3.2 Paper 2 and 3: Conceptual research

For conceptual ***papers (2 and 3)***, in addition to the thorough review of literature on stakeholder salience tradition, considerable body of literature was also reviewed relating to the institutions, institutional logic, microfinance and non-governmental organizations etc. Over 8 meetings were held where our team thoroughly discussed stakeholder salience framework in the light of aforementioned literature to identify those areas that needed further strengthening of theoretical underpinnings. This continuous cycle of detailed discussion and ensuing review of literature finally made us find crucial linkages between institutional logic, attributes and stakeholder salience. Having done the acute examination of these linkages in terms of their theoretical and managerial implications, a conceptual framework was delineated within the premises of stakeholder salience framework (Mitchell et al., 1997). This conceptual framework formed ***Paper 3*** of this research thesis.

During the review of literature on stakeholder salience tradition and non-governmental sector, we also came across some intriguing puzzles—the behavior and attributes of non-governmental organizations (NGOs) were noted to be not fully fitting to fundamental propositions of stakeholder salience model. Also we did not note any study in extant literature (*except* Yaziji and Doh, 2009) that had built conceptual arguments on the different structural and functional composition of salience attributes of NGOs stakeholders. Therefore, on the basis of in-depth literature review, ***Paper 2*** was produced that primarily focuses the phenomenon of stakeholder salience in NGOs.

[1] United Nations' International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference classification of productive activities that provides a set of activity categories that can be utilized for the collection and reporting of statistics. Based on similarities in business activities, the ISIC classifies all activities into 21 aggregated categories.

1.3.3 Paper 4 and 5: Empirical research

An important proposition in our conceptual work links the notion of institutional logic with the salience attributes (detail is given in Chapter 7). In Paper 4 and 5, besides the other core purposes of the articles, this proposition has been empirically examined to see how various stakeholders endorsing different institutional logic rely on different attributes to win managerial attention.

Mainly in Paper 4 and 5, we conducted empirical examination to understand the following

i. Types of attributes-salience relationship
ii. Stakeholder salience vis-à-vis institutional change process
iii. Inter-relationship among various salience attributes and their types

In order to understand these areas, we employed a multiple case study design that is explained in detail in the lines ahead.

1.3.3.1 Multiple case study design

Having given key propositions in their work, Mitchell et al. (1997) had asserted that "*we call for empirical research that answers the questions ..... do the inferences we make herein hold when examining* ***real stakeholder manager relationships****? Are there models of interrelationships among the variables identified here (and possibly others) that reveal more subtle, but perhaps more basic, systematics?"* (p. 881). Therefore, to understand the stakeholder manager relationships in *real life context*, we chose to work with in-depth multiple case studies (Eisenhardt, 1989; Yin, 2014, Parent and Deephouse, 2007). The type of research strategy employed primarily depends on the extent of control over behavioural events (Yin, 2014) and type of research question being asked. We decided to work with case study design because we had "how or why" type of explanatory questions at hand and also in our case behaviours can not be manipulated in examination of the events (Yin, 2014).

Case studies can be both single as well as multiple (Yin, 2014). Theoretical sampling of single case study is quite simple. Single case study is chosen because it is considered extreme, unique, longitudinal, revelatory or critical in testing a theory (Yin, 2014). Although, we had the choice to work on single longitudinal case study but that would have not proved to be a strategic site for our study. Our primary objective was to understand institutional change vis-à-vis stakeholders' salience. Knowing that institutional change takes place over longer period of time and happens quite slowly (Khavul et al., 2013), it was difficult to find managers who have witnessed all important events that took place in life history of the single case and may not accurately recall them. Moreover, the phenomenon of microfinance is quite complex with multifarious economic and socio-cultural perspectives (Chaves and Gonzalez-Vega, 1996). So another reason of not taking single case study has been to avoid the criticism that could have come due to unique and artifactual economic and socio-cultural conditions around it that could have generated massive scepticism (Yin, 2014). Overall we heard to Yin's (2014) suggestion that "*the first word of advice is that, although all designs can lead to successful case studies, when you have the choice (and resources), multiple-case designs may be preferred over single-case designs*" (p. 63). Therefore, keeping in view my personal contacts and relationships in Pakistan's financial sector and to achieve benefits of higher external validity, multiple case study design was employed.

Multiple case study design is considered robust when access to key information is available, possibility of covering multiple perspectives exists and when study is built on a well founded theoretical framework (Eisenhardt and Graebner, 2007). Since, in our case all these fundamental conditions were fulfilled, therefore, after detailed consultation we decided to work on multiple case study design. Overall, our selection of multiple case study design is based on suitability of cases' analysis in revealing the attributes that determine stakeholder salience and in illuminating the relationships among various attributes (Eisenhardt, 1989; Graebner and Eisenhardt, 2004).

1.3.3.2 Selected case studies

In this research project four microfinance institutions (MFIs)—i.e., Rural Community Development Society (RCDS), Development Action for Mobilization and Emancipation (DAMEN), Agha Khan Rural Support Program (AKRSP) and National Rural Support Program (NRSP) were sequentially examined. RCDS was first to be examined then we moved to DAMEN, AKRSP and NRSP to gain deeper understanding and to find the patterns iterating in these cases. All of these cases belong to a developing country—i.e., Pakistan. This sixth most populous country (Population Reference Bureau, 2013) has the ninth-largest labour force in the world (Ministry of Finance Pakistan, 2013). However, country is marred with unemployment and poverty. Multi-dimensional poverty stands at 49 percent (UNDP, 2013), making this country an attractive microfinance market with around 30 million clients (Shahnaz and Tahir, 2009). This country is considered relevant for this research project because of its analyzable institutional context which over the years has evolved into the 3rd best environment globally for microfinance after Peru and Bolivia (The Economist, Intelligence Unit, 2013).

All of the case study organizations are intermediaries that take funds (loans and grants) from whole sale lenders and donors and lend them onward to micro-borrowers. To perform this and allied functions these organizations have to interact with variety of stakeholders e.g., apex lender, commercial banks, microfinance networks, advocacy groups, government etc. The four cases that we have selected are a good laboratory for this research project. Although, the case study organizations are different in many respects, all of them started as NGOs and have almost similar life history that makes them comparable. Moreover, these case study organizations carry substantial share of microfinance sector (*38% of total asset base and 32% of total sectoral clients*)[2] and deal with all important stakeholders that make them representative of the sector as well. Another reason for choosing these cases is that no mentionable study has been conducted to examine the phenomenon of stakeholder salience in microfinance sector, especially in context of developing country. Robust institutional change process in the sector like this has remarkably re-configured the salient stakeholders—offering an interesting contextual setting to analyze stakeholders, their salience and attributes.

1.3.3.3 Dynamic and static perspectives

According to International Finance Corporation (2013) leading microfinance organizations are growing by 20 percent per annum. This rapid growth in microfinance sector has been accompanied by robust institutional change process (Battilana and Dorado, 2010; Khavul et al., 2013). Our case study organizations were predominantly NGOs and had development logic in this era that we call T1, then they transformed into MFIs in T2 and had hybrid logic—i.e, welfare

[2] Source: Pakistan Microfinance Review, 2012, http://www.microfinanceconnect.info/

as well as commercial. Now two of them (NRSP and AKRSP) have transformed in T3 into full-fledged commercial banks (NRSP Bank and First Microfinance Bank respectively) with a commercial logic. During this robust process of institutional change many stakeholders may turn more salient while some may lose salience. Therefore, in order to understand the *dynamics* of stakeholder salience, in ***Paper 5,*** we have employed the partial equilibrium analysis where managerial perception of changes in stakeholder salience and attributes is recorded from one period to another. Moreover, in the same paper, interaction of various types of salience attributes is also examined in the three periods each punctuated with a different institutional logic.

In examining the stakeholder salience vis-à-vis institutional change process, two tail case study design (Yin, 2014) has been employed where cases have been divided into two groups. First group of cases consists of RCDS and DAMEN; they have transformed from NGOs (T1) to MFIs (T2) while second group of selected cases consists of AKRSP and NRSP which have recently transformed from MFIs (T2) to commercial banks (T3). Two tail case study design of this inquiry of historical orientation is suitable for recording perception of the managers who have been involved with case study organizations in before and after transformation phases.

Unlike the dynamic analysis which relates to examining how change process influences consequences in relationship to antecedents (Windsor, 2010), relationship of types of attributes and salience was examined in ***Paper 4*** through a *static* analysis. Since data was available for all case studies in T2, therefore, relationship between types of attributes and stakeholder salience was examined through static analysis in T2. So, the stakeholders' relationships of AKRSP and NRSP have been examined in their pre-banking phase when they worked as MFIs like RCDS and DAMEN.

1.3.3.4 Data collection

In the context of developing country like Pakistan, exploring the stakeholders' relationships particularly the dynamic aspects of stakeholders' relationships could prove to be an extremely challenging task. Not only that the secondary data on NGOs is virtually non-existent but immense political turbulence also makes collection of primary data extremely difficult. For example, initially we had planned to examine the multinational firms to NGOs stakeholders' relationships.

But when officials of NGOs and multinational firms were contacted they were found to be evading. Except few researchers and academician, we could not record a single interview of any NGO or MNE official during the first three months. Gradually, we came to realize that due to allegations of spying on NGOs in Pakistan, neither officials of NGOs were ready to talk about their stakeholder relationships nor multinational firms were ready to disclose their relationships with NGOs. Therefore, we had to make modifications in overall research design and decided to study MFIs converted NGOs.

Data was mainly collected through archival material and semi-structured interviews. Archival material served the purpose of triangulation. Prior to conducting interviews archival material was used to chart the stakeholder relationships of case study organizations. In post interviewing phase, archival material was again used to find and match the corroborative material that supported the interview findings. Archival material comprising of over 2400 pages was collected from variety of sources—e.g., central bank's reports[3], annual reports of the case study organizations, Pakistan microfinance network's reports, assessment reports of the sectors, newspaper clips and communication material etc.

In the year 2012 and 2013, I personally conducted interviews with managers and stakeholders of case study organizations, government functionaries and independent analysts. In total 33 interviews were conducted where consent of interviewees was secured prior to the interviews. Actually, during initial contact all interviewees were clearly informed in detail about the scope and objectives of the study. Questions were posed in all interviews in a uniform order. Interviews were conducted either in English or Urdu based on the preference of each interviewee. A professional assistant recorded the interviews in audio, video or both formats as per the preference of each interviewee. Two interviewees did not allow the audio/video recording of the interview; therefore, notes were taken in their case.

Being a Pakistani resident, I speak fluently in both languages. In parallel to conducting interviews, I translated the interviews and transcribed them. After translation and transcription of

[3] State Bank of Pakistan, http://www.sbp.org.pk/

each interview in English, it was reviewed by another researcher working in Pakistan in another research project. We are really thankful to her for her time and cooperation. She is also Pakistani citizen. Her maternal language is Urdu and she also has a Master degree in English. So, she was able to hear the audio version of an interview conducted in Urdu and side by side examine its translation in English. After review of each interview, she highlighted the areas which could be problematic. She and I discussed and adopted a proposition close to the original meaning of the sentences. Interviews resulted in total of 108,827 spoken words. Once all interviews were translated, transcribed and reviewed, they were sent to the supervisors for their review. Three separate standardized and structured protocols guided the interviews of managers, stakeholders and independent analysts. Memos consisting of two parts—a) the methodological part and b) analytical part—were also written during the interviewing process and resulted in 31,900 words.

1.3.3.5 Analysis

Basic data for this research project is the managerial perceptions recorded in words that have been translated, transcribed and analyzed. We conducted both qualitative and quantitative data analyses.

In empirically testing the fundamental proposition of stakeholder salience framework in dynamic environment and to examine the inter-relationship among types of various salience attributes (***Paper 5***) we employed quantitative data analyses. We worked with numbers to analyze the following a) change in stakeholder salience b) change in the number of attributes c) mutual interaction of salience attributes.

Analysis involved intra-interview coding and between- and within-case comparisons of the data obtained from interviews of stakeholders and archival material (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 2014). Most importantly, changes in stakeholder status, salience and attributes were compared in three historical periods (T1, T2 and T3). Numbers were generated from words to conduct this quantitative data analysis (Parent and Deephouse, 2007). As one of the goal was to empirically test, in a dynamic environment, the fundamental proposition of Mitchell et al. (1997), which correlates arithmetic 'numbers' of attributes with the salience assigned to a stakeholder, therefore, we had to work with numbers and not words. I had clearly asked interviewees to rank in order of importance all identified stakeholders. Here an ordinal variable called *Salience rank* was created with 1 being the most salient stakeholder, 2 being the second most salient stakeholder and so on (Agle et al., 1999; Parent and Deephouse, 2007). Presence and absence of types of salience attributes was quantified as 0, 1, 2.... 16 (Mitchell et al., 1997; Parent and Deephouse, 2007). A stakeholder that was perceived by manager to possess all the attributes' types was assigned 16 whereas a stakeholder that did not possess any attribute type was assigned 0. This way all the identified stakeholders were rated in terms of number of attributes types possessed and salience in three periods.

In analyzing the change in stakeholders' status in different phases of institutional change process (***Paper 5***), we employed qualitative data analysis and relied on matrix display and analysis (Miles and Huberman, 1994; Harvey and Schaefer, 2001). A notable previous study examined the stakeholder management approach of six electricity and water companies in UK through the same method (Harvey and Schaefer, 2001). Therefore, here words were preferred over the statistical analysis of the numbers, as words produced meaningful substance when we tracked the entry, exit and changes in stakeholder status vis-à-vis institutional change process. The same qualitative method of analysis was used in understanding the relationship between types of attributes and salience (***Paper 4***). In this paper, matrix display and analysis helped us to discern and present information on relationships between types of attributes and salience more systematically.

1.3.3.6 Research Quality

This research project paid special attention to establish the *quality* of multiple case study design. Those measures were selected that reflected the attributes, their types and stakeholder salience. Protocols and coding process was made fully aligned with concepts and definitions given in the relevant literature (Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997; Torre and Rallet, 2005). Consistent use of case study protocols in all four cases along with proper field procedures helped us in enhancing the *reliability* of this research study. Broader and unobtrusive database of case studies was built. Selectivity and reporting bias got minimized because of longer observation periods and diversified setting of research. Moreover, *construct validity* was achieved by the use of multiple sources of evidence—i.e., interviews of managers, stakeholders and independent analysts, archival material and analytical memos. To establish the reliability and validity of the retrospective data, simple questions were asked from interviewees who have personally been involved in the event/situation (Golden, 1992; Miller et al., 1997). That was why two-tail case design was employed in this research project so that those respondents are interviewed who remained involved in before and after transformation phases at case study organizations (Yin, 2014). Moreover, to enhance the *external validity* of this research, replication logic supported by the accurate use of theoretical concepts was employed.

It is necessary to ensure *inter-rater reliability* in research with qualitative orientation, because such research mainly depends on measurements to render judgements. Keeping this in view, soon after first three interviews, data was sent for supervisor's review and their expert opinion. This first review of data helped in identification of issues and discrepancies and also helped in improving the coding instructions. After four months of data collection and coding, another round of comprehensive review of entire data and measurements was made. This review process revealed over 80 percent reliability in all the three periods.

Table 1.1: Article wise research questions

The general objective of the thesis is to understand how stakeholder status and salience is assigned to various constituents by the managers. Moreover, this thesis seeks to examine the contingency of stakeholders' status and salience on institutional change process.	
Article	**Research questions**
1	What is the current state of literature in stakeholder salience tradition?
2	How NGOs stakeholders with non-market logic win managerial attention?
3	How institutional logic endorsed by a stakeholder affects its attributes & salience?
4	To what extent various types of attributes impact stakeholder salience?
5	How managers' assign stakeholder status & salience to various entities in different phases of institutional change process?

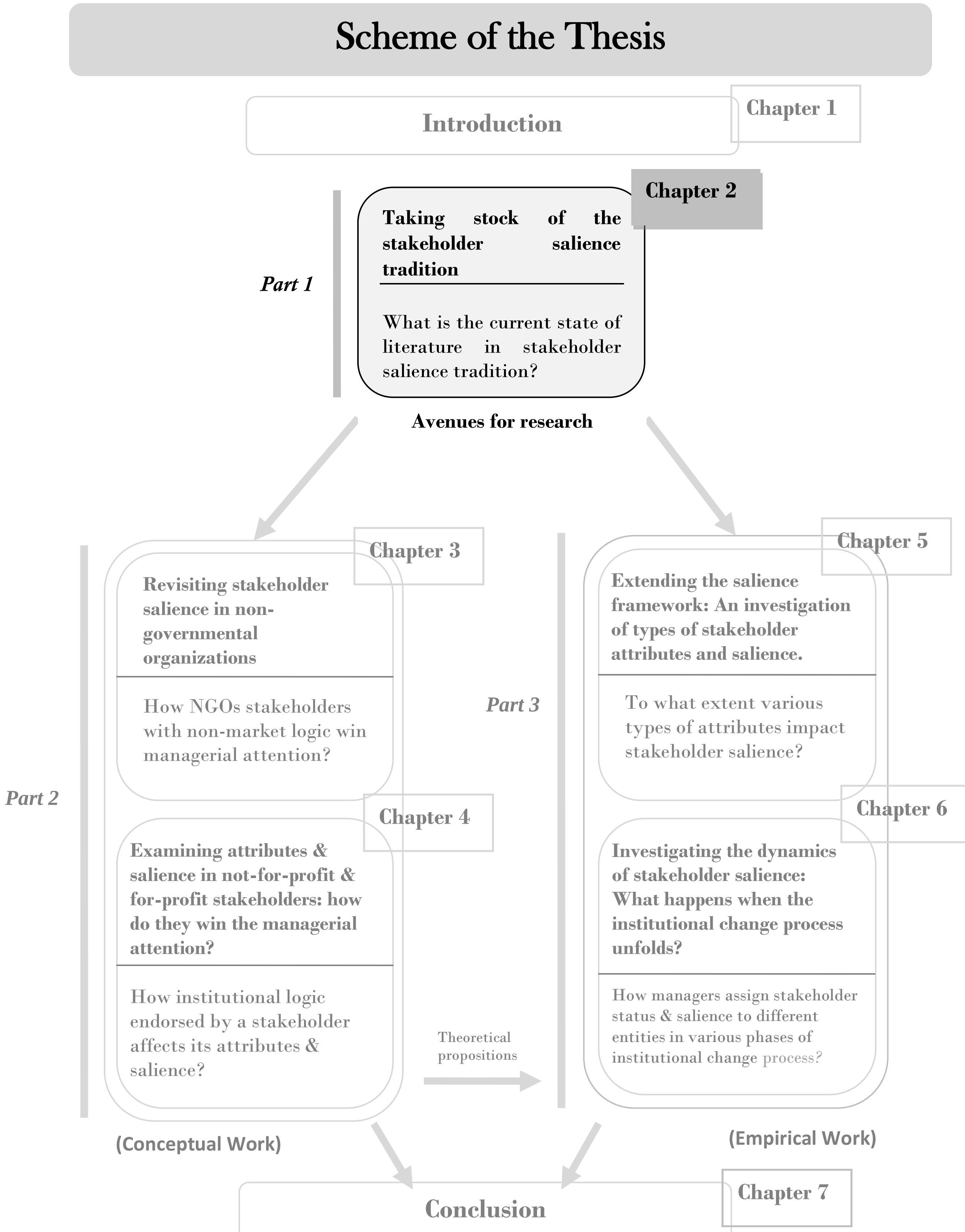
We close this chapter with **Table 1.1** which presents the research questions addressed in chapters ahead. Subsequent chapters are organized as follow. In Chapter 2, we undertake a comprehensive review of literature on stakeholder salience tradition and suggest several avenues for future research. These avenues help us compile theoretical arguments to develop number of propositions in our conceptual Chapters 3 and 4. Likewise, our work in Chapter 2 also guides us in our empirical research work presented in Chapter 5 and 6 where some propositions from previous chapters are also tested. Bibliography of all the articles has been compiled at the end of the thesis to save space.

Chapter 2

2. Taking stock of the stakeholder salience tradition: Renewing the research agenda[4]

The underlying framework that we employ to understand the transience of stakeholder status and salience when focal firms go through an institutional change process is stakeholder salience framework (Mitchell et al., 1997). It is one of the most prominent contributions to the management literature. Although the stakeholder salience theory is a powerful tool to identify and prioritize stakeholders and is one of the most frequently cited works, we noted no study that took stock of research in the stakeholder salience tradition to provide an updated benchmark. In this chapter, therefore, we present a comprehensive literature review where relevant literature has been systematically reviewed and compiled chronologically in tabular form. This chapter identifies the main themes around which research in stakeholder salience tradition can be categorized and suggests several avenues for future research. It also gauges the application of salience framework across different fields.

[4] Khurram, S. & Pestre, F. (2015). Taking stock of stakeholder salience tradition: Renewing the research agenda.


Scheme of the Thesis
Introduction
Chapter 1
Chapter 2
Part 1
Taking stock of the stakeholder salience tradition
What is the current state of literature in stakeholder salience tradition?
Avenues for research
Chapter 3
Revisiting stakeholder salience in non-governmental organizations
How NGOs stakeholders with non-market logic win managerial attention?
Part 2
Chapter 4
Examining attributes & salience in not-for-profit & for-profit stakeholders: how do they win the managerial attention?
How institutional logic endorsed by a stakeholder affects its attributes & salience?
Theoretical propositions
Part 3
Chapter 5
Extending the salience framework: An investigation of types of stakeholder attributes and salience.
To what extent various types of attributes impact stakeholder salience?
Chapter 6
Investigating the dynamics of stakeholder salience: What happens when the institutional change process unfolds?
How managers assign stakeholder status & salience to different entities in various phases of institutional change process?
(Conceptual Work)
(Empirical Work)
Conclusion
Chapter 7

Introduction

Mitchell, Agle and Wood (1997) developed the stakeholder salience framework to help managers identify and prioritize stakeholders through the assessment of three attributes: power, legitimacy and urgency. This framework suggests that the more of these attributes a stakeholder possesses, the more salient the stakeholder is perceived by the managers. This model has emerged as a notable research framework in business and society arenas. As per Google scholar, it has been cited 6,560 times as of December 2014. However, despite the passage of almost two decades, no mentionable effort has been made to take stock of previous research in the stakeholder salience tradition and to provide an updated benchmark.

The central objective of this review paper is to contribute to and structure the debate on the concept's potential. Over 180 research articles have been reviewed for this paper; 45 of them have been critically analyzed. Our coverage of the research articles is not exhaustive, but care has been taken to identify important references that have been published in high-reputation journals. This article aims to facilitate future researchers by providing an informative summary kit. To help readers extract quick and meaningful information, references have been synthesized and organized chronologically into tabular form.

The article is structured as follows. First, we briefly trace and position the birth of the stakeholder salience tradition in the context of the debate on the descriptive, normative and instrumental perspectives of stakeholder theory, mainly drawing on criticisms of it. Then, we present the three main themes around which research on stakeholder salience is clustered: a) assessment of salience model (in terms of empirical examinations of its fundamental propositions and its dynamic aspects); b) refinement and development of the model, including its constructs and attributes; and c) the integration of contextual factors (managerial values and characteristics as well as broader factors). In the third section, we discuss potential avenues for future research, including seven key areas that should be investigated.

2.1 Stakeholder and salience theories

The precise origin of the term stakeholder is difficult to trace in the literature (Freeman, 1984). Emshoff and Freeman (1981) maintained that the term originated from the Stanford Research Institute in 1963. After its introduction, research involving stakeholder concept multiplied and diverged along several paths. The bulk of the work was conducted in the field of strategic management (Taylor, 1977; Freeman, 1984). One of the groundbreaking contributions in this vein is R. Edward Freeman’s (1984) book, *Strategic Management: A Stakeholder Approach,* in which the author provided a schema to identify and model the groups that can potentially be termed the stakeholders of a focal firm. Although stakeholder theory (Freeman, 1984) had won universal recognition, it still had a major drawback—it could not offer a framework to identify stakeholders. To fill this gap, Mitchell et al. (1997) offered the stakeholder salience theory, which was subsequently supported by empirical research.

2.1.1 Descriptive, normative and instrumental uses of the stakeholder concept

Following the work of R. Edward Freeman (1984), the stakeholder tradition grew enormously, and by 1995, over 100 articles and a dozen books with a primary emphasis on the stakeholder concept had appeared (Donaldson and Preston, 1995). The enormous growth in stakeholder management made it one of the central themes of business texts. With the increase in the use of the stakeholder concept in various fields of study, multifarious views on the subject had also increased (Friedman and Miles, 2002). Thus, efforts were made by the researchers to harmonize the disparate views. For example, Donaldson and Preston (1995) reviewed the literature on the stakeholder tradition and categorized three uses of the concept: descriptive, instrumental and normative.

The *descriptive* approach has been used to describe the nature of a firm, managerial perceptions of stakeholders and the way businesses are actually managed (Brenner and Molander, 1977; Halal, 1990; Brenner and Cochran, 1991; Clarkson, 1991; Kreiner and Bhambri, 1991; Wang and Dewhirst, 1992). Research in *the instrumental approach* advances an economic perspective of the stakeholder theory and asserts that by incorporating stakeholder thinking and practice, businesses can better achieve corporate goals (Donaldson and Preston, 1995; Jones, 1995; Wood, 1991a). The instrumental view emphasizes exchange relationships and suggests that business organizations gain from stakeholder management through trust and cooperation (Jones, 1995), risk management (Graves and Waddock, 1994), reputation, outlook or other material gains. In this way, instrumentalists limit the scope of relationships to contractual ties (Hill and Jones, 1992), leaving little space for a broader consideration of stakeholders and their other interests. The *normative* approach challenges this view (Evan and Freeman, 1993; Clarkson et al., 1994). It advances the idea of cooperation by attempting to include all of the constituencies that take part in cooperative effort (Hartman, 1996). The normative approach suggests that a firm's managers must engage stakeholders in a mutually supportive and morally right relationship (Donaldson and Preston, 1995). The introduction of normative aspect that is explicitly ethical in nature generated enormous disagreements (Mercier, 2010).

As the normative vs. instrumental debate continued, stakeholder theory faced considerable criticism for assuming that the interests of various stakeholders can be balanced (Blattberg, 2004), for applying the concept of the social contract to corporations (Mansell, 2013) and for its paradoxical nature—treating stakeholders as both means to ends and ends in themselves (Goodpaster, 1991). It has also been criticized as an expanded 'Porter model' that integrates more players and takes into account the notion of legitimacy within a utilitarian paradigm (Acquier, 2010). Above all, a major source of criticism directed at stakeholder theory has been its inability to offer a specific framework and problems in defining and identifying stakeholders (Thompson et al., 1991; Mitchell et al., 1997; Rowley, 1997; Frederick, 1998). The original definition of stakeholder suggested by Freeman, i.e., "*any group or individual who 'can affect' or 'is affected' by the achievement of the organization's objectives*" (1984, p. 46), is quite appealing to researchers advocating the normative perspective, but the '*can affect'* part of it has been severely criticized for a loss of practical significance (Laplume et al., 2008). As Phillips and Reichart asserted, "*why should we espouse a theory of stakeholder management if all living entities in as much as they can affect the firm must fall under the obligatory umbrella of managerial consideration*?" (2000, p. 190). This residual weakness has given rise to questions such as 'Who are the stakeholders of the firm?' and 'to whom do managers pay attention?' (Mitchell et al., 1997).

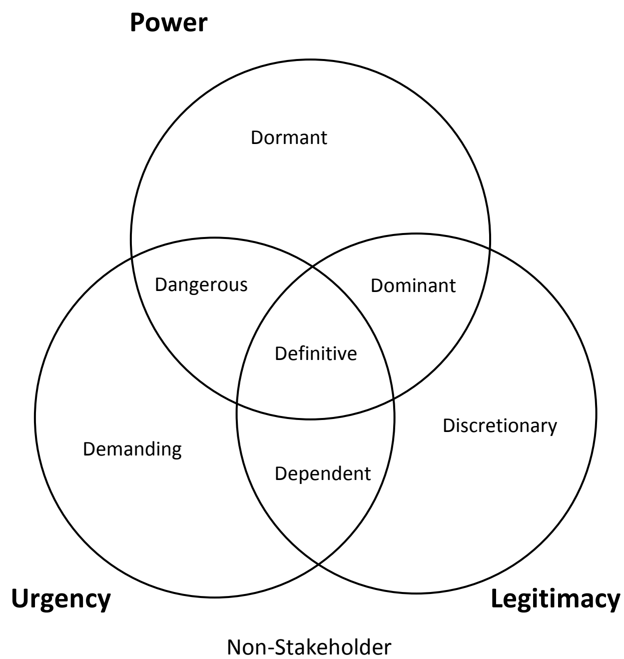
Researchers have attempted to answer the *normative question*, i.e., *who are the stakeholders of the firm*? by offering narrower as well as broader perspectives on it. Those favoring a narrower view of stakeholders include or exclude stakeholders on the basis of stakeholder power, resource dependence, risk, etc. (Nasi, 1995; Harrison and St. John, 1996; Barney, 1997; Greenley and Foxall, 1997). From the narrower perspective, stakeholders are defined as those who are voluntary or involuntary risk bearers (Clarkson, 1994; Cragg and Greenbaum, 2002; Attas, 2004), have power over the firm (Frooman 1999; Pajunen, 2006), are necessary to the firm's survival (Freeman and Reed, 1983; Bowie, 1988; Nasi, 1995), have contracts or act as participants in exchange relationships with the firm (Cornell and Shapiro, 1987; Freeman and Evan, 1990; Hills and Jones, 1992), have moral relationships with the firm (Freeman, 1994; Wicks et al., 1994) or to whom the firm fulfills its affirmative duty in terms of fairly distributing the harms and benefits of its actions (Evan and Freeman, 1988; Langtry, 1994; Donaldson and Preston, 1995). Conversely, the broader perspective is prescriptive; it adopts public relations or a moral perspective, and constituents who can potentially affect or be affected by the organization's activities are viewed as stakeholders (Freeman, 1984; Evan and Freeman, 1988; Donaldson and Preston, 1995; Greenley and Foxall, 1997). This perspective has been further broadened to include the powerless (Phillips, 1997a; Argandona, 1998; Reed, 1999; Phillips et al., 2003) and non-human constituents (Buchholz, 1993; Starik, 1995; Stead and Stead, 2000).

2.1.2 Stakeholder Salience Framework

To answer the *descriptive question*, i.e., *to whom do managers pay attention*? Mitchell et al. (1997) synthesized over 20 studies relating to agency, resource dependence, stakeholder, transaction cost, institutional theories, etc. and proposed a simple model of stakeholder salience. This descriptive model successfully fills the gap in the stakeholder tradition by theoretically specifying who managers consider as stakeholders. It offers *a middle way* between the normative and instrumental perspectives by explaining the conditions under which firms are likely to attend the claims of stakeholders. This firm-centric view primarily relies on stakeholder identity (Crane and Ruebottom, 2011) and defines the attributes that make certain stakeholders win managerial attention (Mitchell et al., 1997).

Figure 2.1: Stakeholder typology: Possession of one, two or three attributes

Source: Mitchell et al. (1997), p. 874



The stakeholder salience model (Mitchell et al., 1997) started to take shape in 1994 at the Toronto Conference on stakeholder theory held at the University of Toronto, where various working groups registered their consensus that stakeholder attributes are vital to stakeholder identification (Mitchell et al., 2011). Henceforth, Mitchell et al. (1997) developed a stakeholder salience model built on three key assumptions: a) to achieve certain goals, managers pay particular attention to various stakeholders; b) stakeholder salience—the degree to which managers give priority to competing stakeholder claims—depends on managerial perception; and c) different stakeholders are identified on the basis of their possession of overarching attributes of salience. The central proposition of the model of stakeholder salience is that "*Stakeholder salience will be positively related to the cumulative number of stakeholder attributes—power, legitimacy, and urgency—perceived by managers to be present*" (Mitchell et al., 1997, p. 873).

This frequently cited proposition is based on an ordinal scale that ranges from high to low and that helped Mitchell et al. (1997) categorize stakeholders into seven classes—three possessing only one attribute, called latent stakeholders, three possessing two attributes, called expectant stakeholders, and one possessing all three attributes, called definitive stakeholders (Mitchell et al., 1997) (**See Figure 2.1 and Table 2.1**). This model proposes that a stakeholder is assigned higher salience if three attributes are perceived by a manager to be present, moderate if two attributes are perceived to be present and lower if one attribute is perceived to be present. Moreover, a constituent is not assigned stakeholder status if no attribute is perceived by the manager as present.

Table 2.1: Stakeholder salience framework

Class of Stakeholder		Attribute (s)	Level of Salience
	Definitive	Power, legitimacy and urgency	High
Expectant Stakeholders	**Dependent**	Legitimacy and urgency	Moderate
	Dangerous	Power and urgency	Moderate
	Dominant	Power and legitimacy	Moderate
Latent Stakeholders	**Demanding**	Urgency	Low
	Discretionary	Legitimacy	Low
	Dormant	Power	Low

Source: *Mitchell et al., 1997, pp. 872-879*

Although interest in stakeholder salience and attributes had begun to take root in 1995, the theory came into prominence when it received empirical support from subsequent researchers (Agle et al., 1999; Eesley and Lenox, 2006; Knox and Gruar, 2007; Parent and Deephouse, 2007; Magness, 2008 etc.). Today, Mitchell et al.’s (1997) model of stakeholder salience is considered one of most influential contributions in the domain of stakeholder research. It has gained increased prominence among the tools shown in **Table 2.2** that are used to identify and classify stakeholders. Indeed, Mitchell et al.’s (1997) model is considered the most comprehensive and the most used tool. As of December 2014, Mitchell et al.’s (1997) work had been cited 6,560 times per Google scholar.

Having attained global acclamation, the salience model (Mitchell et al., 1997) has been widely applied in various fields of study. Researchers have applied the salience model and stakeholder attributes as proposed by Mitchell et al. (1997) to identify, evaluate and prioritize stakeholders. To better judge the wider application of the model across diverse fields, we categorized studies that operationalized the stakeholder salience framework (Mitchell et al., 1997) according to the sector of the economy investigated by researchers (**See Table 2.3**). This categorization of research studies that applied the salience framework (Mitchell et al., 1997) by economic sector was conducted according to the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC). This international reference classification of productive activities provides a set of activity categories that can be utilized for the collection and reporting of statistics. The rationale behind categorizing studies that employed the stakeholder salience model (Mitchell et al., 1997) per the ISIC is to provide a bird's eye view of the scale of application of the model. Based on similarities in business activities, the ISIC classifies all activities into 21 aggregated categories. Of these 21 categories, the stakeholder salience model (Mitchell et al., 1997) has been applied in studies relating 15 aggregated activities.

Table 2.2: Tools for stakeholders' classification and identification

Source: Aaltonen, 2011, p. 168

Author (s)	Tool/Method
Cleland, 1986	Identifies stakeholders' interests; measures the interest and tries to predict stakeholders' future behavior
Savage et al., 1991	Based on each stakeholder's potential to threaten or cooperate with the organization, stakeholders are classified as supportive, mixed blessing, non-supportive, or marginal
Mitchell et al., 1997	Develop the stakeholder salience framework
Johnson and Scholes, 1999	Develop a power-interest matrix in which stakeholders are categorized into four groups on the basis of their power and interest level relative to the organization
Winch and Bonke, 2002	Introduce stakeholder mapping
McElroy and Mills, 2003	Introduce the stakeholder commitment matrix
Andersen et al., 2004	Propose an outline tool encompassing area of interest, contributions, expectations, power, and management strategy
Vos and Achterkamp, 2006; Achterkamp and Vos, 2008	Introduce stakeholder models based on the roles of stakeholders
Bourne and Walker, 2006	Introduce a tool for measuring and visualizing stakeholder influence termed the Stakeholder Circle
Olander, 2007	Develop a stakeholder impact index
Ward and Chapman, 2008	Apply the uncertainty management framework

Not only are there several economic sectors where the salience model (Mitchell et al., 1997) is yet to be applied, but there is also a need to examine the similarities and differences in users' experiences applying the model in different fields. We will discuss the need for this analysis in detail in the last section. For now, we present the themes and sub-themes through which we examine research in the stakeholder salience tradition.

Table 2.3: Application of Stakeholder Salience Theory in various economic sectors

Sector	Reference	Journal/Outlet	Method/Data
Not for Profit	Coombs, 1998	Public Relations Review	Archival records
Administrative and support service activities	Buanes et al., 2004 Sheehan & Ritchie, 2005 Matilainen & Lähdesmäki, 2014 Le et al., 2014	Ocean & Coastal Management Annals of Tourism Research Journal of Rural Studies Journal of Cleaner Production	Survey Survey Interviews, Survey, consultative meetings, interviews
Agriculture, forestry and fishing	Winn and Keller, 2001 Mikalsen & Jentoft, 2001 Lamberti & Lettieri, 2011 Matilainen, 2013	Journal of Management Inquiry Marine Policy European Management Journal Forest Policy and Economics	Interviews & archival records Literature Interviews & archival records Literature & interviews
Arts, entertainment and recreation	Friedman & Mason, 2004 Hautbois et al., 2012	Economic Development Quarterly Sport Management Review	Literature & archival Archival material & semi-structured interviews
Construction	Elias et al., 2002 Schepper et al., 2014	R&D Management International Journal of Project Management	Literature Records, interviews & consultative meeting
Education	Miller et al., 2014	R & D Management	Observation, interviews & records
Electricity, gas, steam and air conditioning supply	Andreasen & Sovacool, 2014	Renewable and Sustainable Energy Reviews	Interviews, participation in meetings & industrial fairs
Financial & Insurance Activities	Ryan & Schneider, 2003 Groening and Kanuri, 2013	Business and Society Journal of Business Research	Literature Event study methodology- secondary data
Human health and social work activities	Lehoux et al., 2014	Research Policy	Interviews & records
Information and communication	Moon and Hyun, 2009 Achterkamp et al., 2013	Journal of Mass Media Ethics Procedia Technology	Records Interviews & records
Manufacturing	Driscoll and Crombie, 2001 Jiang and Bansal, 2003 Aaltonen et al., 2008 Aaltonen & Kujala, 2010	Business and Society Journal of Management Studies International Journal of Project Management Scandinavian Journal of Management	Interviews, focus group, observation & records Interviews Records Records
Mining and quarrying	Hayes-Labruto et al., 2013 Dong et al., 2014 Lodhia & Martin, 2014	Energy Policy Journal of Cleaner Production Journal of Cleaner Production	Secondry data Records (corporate reports) Records and interviews

Table 2.3: Application of Stakeholder Salience Theory in various economic sectors (Continued)

Sector	Reference	Journal/Outlet	Method/Data
Politics, Government & institutions	Sæbø et al., 2011	Government Information Quarterly	Observation, records, interviews
	Axelsson et al., 2013	Government Information Quarterly	Observation,interviews, focus group, records, survey
Professional, scientific and technical activities	Baskerville-Morley, 2004	Accounting and the Public Interest	Records
Transportation and storage	Kyj & Kyj, 2009	Journal of World Business	Records
	Bergqvist & Egels-Zandén, 2012	Research in Transportation Business & Management	Secondary data
Water supply; sewerage, waste management and	Heidrich et al., 2009	Waste Management	Interveiws, observation and records
	Lafreniere et al., 2013	Journal of Environmental Management	Narrative inquiry through interviews
Wholesale and retail trade	Uusitalo & Rokman, 2004	Journal of Retailing and Consumer Services	Records
Mixed	Neill & Stovall, 2005	The Journal of Applied Business Research	Interviews & records
	de Vries, 2009	Int. J. Production Economics	Observation, records, interviews & survey
	Ackermann & Eden, 2011	Long Range Planning	Conversations (not interviews) and observations
	Siddiqi et al., 2013	Energy Strategy Reviews	Records & interviews
	Soobaroyen & Ntim, 2013	Accounting Forum	Records
	Lu et al., 2014	Expert Systems with Applications	Interviews and records
	Nastran, 2014	Journal of Environmental Planning and Management	Survey
Others	Craig & Moores, 2010	Family Business Review	Survey
	Schneider & Wallenburg, 2012	Journal of Purchasing & Supply Management	Conceptual

Notes:

i) The classification of economic sectors has been made according to the 'International Standard Industrial Classification of All Economic Activities (ISIC).

ii) To accommodate relevant studies, following sectors were created by authors: Not-for-Profit, Politics, Government & Institutions, Mixed and Others. Studies that involved two or more sectors have been categorized under the category "Mixed".

2.2 Key themes in the stakeholder salience tradition

Just as the research articles that have applied the salience framework have multiplied, studies to assess and further develop it have also increased. These studies are clustered around three main themes and six sub-themes. **Figure 2.2** provides a synthetic overview of the three major themes: a) assessments of the salience model; b) refinement and development of the constructs and the model; and c) contextual factors. It is important to note that this detailed work builds on earlier, brief literature reviews on the stakeholder salience tradition (e.g., Laplume et al., 2008; Neville et al., 2011). Unlike previous works (Neville et al., 2011), which cluster the research relating to the salience framework into three categories, i.e., attributes, epistemological assumptions and context, we insert a new category of *assessments of the salience framework* and subsume the category of *attributes* into *refinement and development of the constructs and the model*. In this way, studies relating to the epistemological assumptions of the salience model and attributes can be better explained. Each theme is presented and elaborated in the following.

2.2.1 Assessments of the salience framework

The central propositions of the stakeholder salience framework have been assessed by several studies that relied on different types of evidence, methodologies, and criteria for appraisal. We differentiate these studies into two groups: a) studies that empirically examined the fundamental proposition of the salience framework, which are catalogued in **Table 2.4;** and b) studies that used a dynamic perspective and/or examined changes in stakeholder attributes and salience while assessing the salience framework, which are catalogued in **Table 2.5.**

2.1.1.1 Empirical examination of the fundamental proposition of the salience framework

The literature offers several attempts to examine the salience-attributes relationship as propounded by Mitchell et al. (1997). We noted 13 articles that explicitly confirmed the central proposition of the stakeholder salience framework (Agle et al., 1999; Harvey and Schaefer, 2001; Winn, 2001; Eesley and Lenox, 2006; David et al., 2007; Knox and Gruar, 2007; Mattingly, 2007; Parent and Deephouse, 2007; Magness, 2008; Ojala and Luoma-aho, 2008; Boesso and

Kumar, 2009; Gifford, 2010; Masoud and Wilson, 2011) **(See Table 2.4)**. These studies have examined the central components of the salience framework using different research methods.

The first known empirical investigation in this vein was conducted by Agle et al. (1999). Using data provided by the CEOs of 80 U.S.-based firms, the authors found a strong salience-attribute relationship. We noted four other studies that surveyed managers to assess the propositions of the salience framework (Knox and Gruar, 2007; Mattingly, 2007; Boesso and Kumar, 2009; Masoud and Wilson, 2011). For example, Boesso and Kumar (2009) collected data from 244 managers of 72 companies located in two different institutional contexts, i.e., the U.S. and Italy, and the authors found that salience is related to stakeholder attributes of power, legitimacy and urgency. Similarly, Mattingly (2007) surveyed 62 managers of publicly held corporations and found that managers considered stakeholders worth cooperating (attending) who were perceived to possess power and legitimacy, and the managers would communicate (attend) to those stakeholders who had urgency.

Two studies used data collected from archival materials to examine the salience-attribute relationship (Eesley and Lenox, 2006; Ojala and Luoma-aho, 2008). Eesley and Lenox (2006) advanced the stakeholder salience framework (Mitchell et al., 1997) by examining data from 600 secondary stakeholders related to environmental issues in the U.S. The authors found strong support for the salience-attribute relationship. In an another study, Ojala and Luoma-aho (2008) examined the historical archives of two major Finnish trading houses from 1781 to 1852 to investigate stakeholder relations. The authors' findings also confirmed the importance of power, legitimacy and urgency in stakeholder relations, and they noted significant impact of another attribute, i.e., frequency, on stakeholder relationships.

In addition to studies that surveyed managers, we noted four studies that primarily relied on interviews with managers to examine central propositions of the salience framework (Harvey and Schaefer, 2001; Winn, 2001; Parent and Deephouse, 2007; Gifford, 2010). For example, while studying two mega sporting events—the 2001 Games of the Francophone (*Jeux de la Francophonie*) and the 1999 Pan American Games—Parent and Deephouse (2007) found a direct relationship between stakeholder attributes and salience. Similarly, Harvey and Schaefer (2001) examined the relationship management of six firms in the UK with their green stakeholders and found that stakeholders who were perceived to have more stakeholder attributes were considered more salient by managers.

We noted two studies that relied on secondary data to examine the central relationships proposed in the salience framework (David et al., 2007; Magness, 2008). Magness (2008) employed event study methodology and collected secondary data from the financial market to examine two failures of tailing dams that affected the Canadian mining industry. The study also supported the proposition that power, legitimacy and urgency are joint prerequisites that determine stakeholder salience (Mitchell et al., 1997).

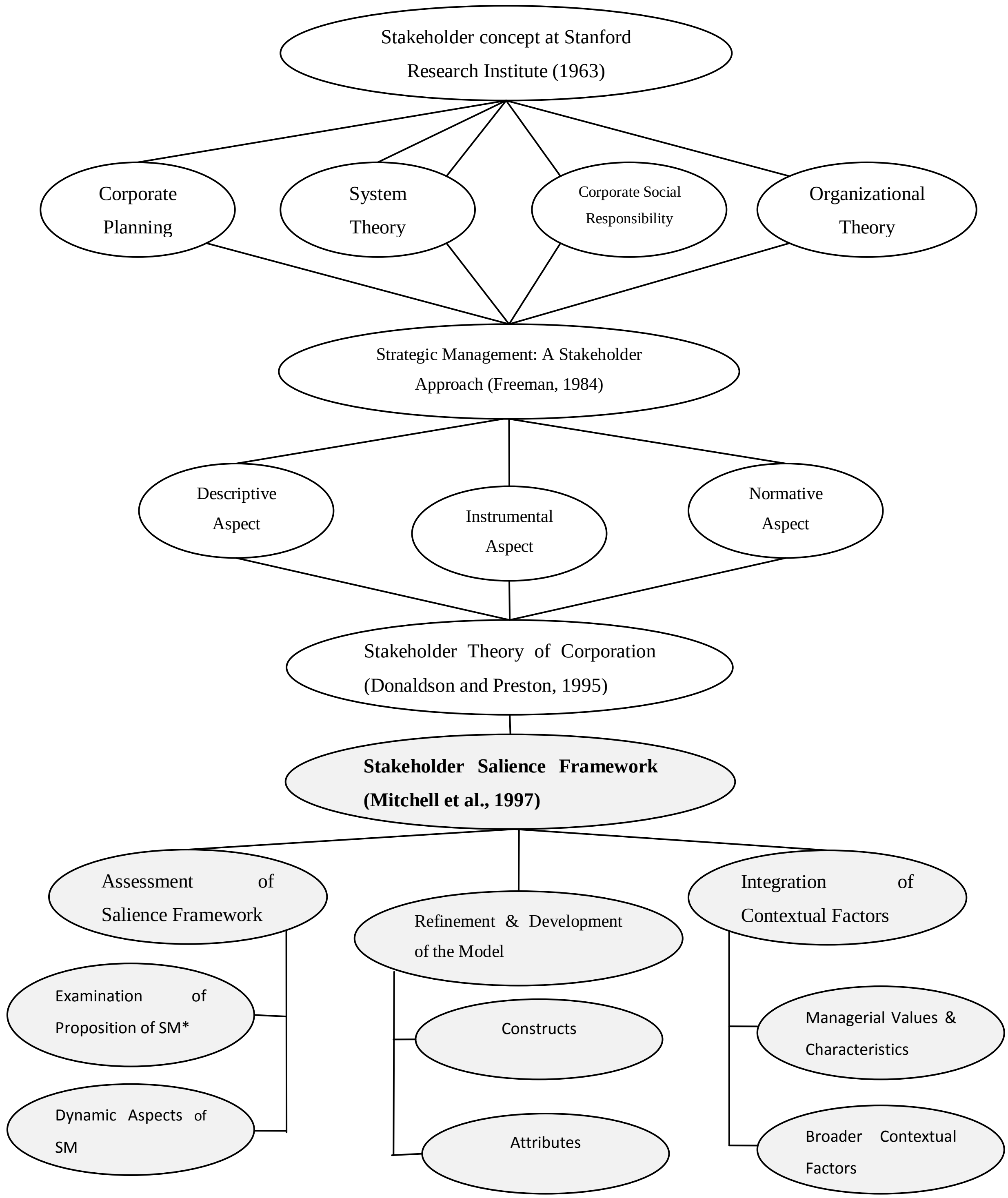
2.2.1.2 Assessment of the dynamic aspects of the salience framework

Although Mitchell et al. (1997) based their model of stakeholder salience on the dichotomous representation of attributes, they have emphasized that stakeholder salience is transitory in nature and that the attributes are not fixed in time—they are actually variables (Mitchell et al., 1997). A stakeholder may hold power at one point in time but may not possess the same power at another time, or a stakeholder may possess more power at one point in time but less at another. Likewise, a stakeholder may carry a legitimate claim at one point in time but not at another. Therefore, the salience model is actually dynamic in nature, and a constituent possessing only one attribute can jump to a manager's attention by acquiring the missing attributes. For instance, press coverage and the media can highlight a claim, and a stakeholder can become significant overnight by assuming the attribute of urgency (Carroll and Buchholtz, 2006; Eesley and Lenox, 2006; Neville et al., 2011).

Before reviewing studies that empirically examined the dynamics of stakeholder salience by observing changes in attributes over time, we first present a brief account of the *dynamics* as conceptualized in the broader stakeholder tradition.

Figure 2.2: Map of the literature on the stakeholder salience tradition

Adapted from Freeman (1984) and Elias et al., (2002) and modified



*Salience Model

Table 2.4: Empirical assessment of Mitchell et al.'s (1997) model of stakeholder salience (arranged chronologically)

Author	Year	Journal/Outlet	Method/Data	Key ideas/Contributions
Agle, Mitchell and Sonnenfeld	1999	Academy of Management Journal	Survey	Strong direct relationship exists between attributes and salience.
Winn	2001	Business and Society	Single case study, archival material, interviews	This study finds that the possession of attributes impacts and changes salience.
Harvey and Schaefer	2001	Journal of Business Ethics	Comparative case study, archival material, interviews	Stakeholders who are not perceived by managers to have salience attributes are less likely to make their claims on companies.
Eesley and Lenox	2006	Strategic Management Journal	Archival material	This study supports the proposition that attributes are important drivers of salience.
Knox and Gruar	2007	Journal of Business Ethics	Survey and focus group discussion	Operationalizing the salience model in the non-profit sector, this study supports the attributes-salience relationship.
David, Bloom and Hillman	2007	Strategic Management Journal	Secondary data	Managers are more likely to settle claims filed by shareholders because they possess power, legitimacy, and urgency.
Mattingly	2007	Journal of Public Affairs	Survey	Firms cooperate more with stakeholders with power and legitimacy and communicate with those who possess urgency.
Parent and Deephouse	2007	Journal of Business Ethics	Comparative case study, interviews and archival material	A direct relationship exists between the number of attributes and perceived stakeholder salience.
Magness	2008	Journal of Business Ethics	Secondary data	This study supports the salience framework (Mitchell et al., 1997) and confirms that stakeholder status is not permanent and depends on managerial perception.
Ojala and Luoma-aho	2008	Business History	Archival material	This study confirms the importance of salience attributes in stakeholder relationships.
Boesso and Kumar	2009	Journal of Accounting and Organizational Change	Survey and archival material	Managerial perception of salience attributes explains the process of stakeholder prioritization.
Gifford	2010	Journal of Business Ethics	Multiple case study, interviews and archival material	This study supports the attributes-salience relationship and asserts that shareholders are most salient when there are high levels of power, legitimacy and urgency.
Masoud and Wilson	2011	Journal of African Business	Survey	Stakeholder saliency is linked with attributes.

Static analysis, similar to a constant, has no time dimension –i.e., it does not change with time (Baumol, 1970), while dynamic analysis concerns complexity, heterogeneity and path dependent change over time (Windsor, 2010). This "*change can simultaneously occur in structure (e.g., the set of stakeholders or the network of stakeholder relationships), relationships themselves (e.g., between managers and employees), organizational outcomes (e.g., deteriorating revenues), or internal composition of stakeholder groups*" (Windsor, 2010, p. 80). Therefore, several important aspects of stakeholder theory involve dynamics (Windsor, 2010). Foremost among them is stakeholder status, which is subject to change (Mitchell et al., 1997; Fassin, 2010).

Stakeholder dynamics are defined by Postema et al. (2012) as the continuously changing configuration of stakeholder groups in response to changes in priorities. It has been argued that dynamic examination is difficult to model (Gersick, 1988) because it involves change through time—whether continuous, periodic, or punctuated (Baumol, 1970; Windsor, 2010). Although the previous literature emphasizes the dynamic perspective of stakeholder theory, empirical studies that could explain how the antecedents (e.g., institutional changes) influence consequences (e.g., stakeholder salience) are scarce. As shown in **Table 2.5**, various studies in stakeholder research have included the term 'dynamics' or its variants (Sithole, 2001; Beaulieu and Pasquero, 2002; Kujinga, 2004; Yasmil et al., 2006; Parent and Deephouse, 2007; Papadopoulos and Merali, 2008; Saebo et al., 2011). These case study-based articles attempted to consider the dynamics in stakeholder analysis. For instance, Kujinga (2004) examined the dynamics of stakeholder participation in the agricultural sector during the first five years of the water reform process in Zimbabwe. Some other systematic efforts undertaken to understand the dynamic perspective on stakeholder relationships include those of Klumpes (2003), Salzmann et al. (2006), Johnson-Cramer and Berman (2007), Hsieh (2008), Lamberg et al. (2008), and Sachs and Maurer (2009). We have catalogued these studies in **Table 2.5** with brief descriptions of the objectives and contributions of each study.

In addition to explicit efforts that considered dynamics in broader stakeholder research, previous studies have also focused on the dynamic aspects of the stakeholder salience model by observing the changes over time in attributes of stakeholder salience (Solomon, 2001; Winn and Keller, 2001; Jeurissen, 2004; Parent and Deephouse, 2007). For example, Winn and Keller (2001) offered a systematic approach to model the dynamics and effects of multiple **stakeholders'** objectives in corporate decisions. The authors examined the evolution of power, legitimacy, and urgency for environmental groups and fishing fleets. Similarly, Jeurissen (2004) recounted how powerful and legitimate Dutch financial institutions became urgent stakeholders for IHC-Caland regarding its operations in Burma. Although these studies successfully examined changes in salience attributes over time, they remained limited to a certain set of stakeholders and a particular issue. In the same vein, in a comparative case study, Parent and Deephouse (2007) examined the phenomenon of stakeholder salience and noted changes in the possession of salience attributes during the life course of two mega sporting events' organizing committees (Parent and Deephouse, 2007). A significant limitation of this study that the authors themselves acknowledged was its limited empirical generalizability because it could only be applied to temporary organizations of mega events and two small-sized festivals and events.

Previous studies that focused on the dynamic aspects of stakeholder salience neither observed changes in salience and attributes nor examined the statistical relationship between salience and attributes at multiple points in time, partly because "*tracking a manager's stakeholder salience over time would be a better but more resource-intensive method for examining this issue*" (Parent and Deephouse, 2007, p. 16).

2.2.2 Refinement and development of the model

The second important theme around which research studies in the stakeholder salience tradition are clustered is refinement and further development of the constructs and the model. Several notable efforts have been made by researchers to revisit the epistemological assumptions of the stakeholder salience model (Mitchell et al., 1997) and to refine the model's theoretical underpinnings. These studies relate to the overall model as well as to individual attributes.

2.2.2.1 Constructs

First, several studies have argued that stakeholders and their claims should be treated separately. For instance, Eesley and Lenox (2006) emphasized the importance of discerning the salience of a claim and that of a stakeholder. The authors suggested that the phenomenon of stakeholder salience is related not only to the stakeholder but also to the claims made by the stakeholder. They argued that "*stakeholder salience will be separately affected by the legitimacy of the content of the claim (e.g., calling for action on global warming) and the legitimacy of the stakeholder (e.g., Greenpeace), with significant interaction effects between these two assessments (e.g., skeptical claims about greenhouse effects being made by the oil and coal industries)*"

(Neville et al., 2011, p. 361). Similarly, Gifford (2010) argued that the saliency of shareholders depends not only on the shareholder's reputation and credibility in the market but the strength and substance of the argument (claim) also matter. Just as Eesley and Lenox (2006) proposed to differentiate between claims and stakeholders, Santana (2012) made a distinction at the level of the attribute of legitimacy. The author distinguished legitimacy into three aspects: the legitimacy of the stakeholder as an entity, the legitimacy of the stakeholder's claim, and the legitimacy of the stakeholder's behavior.

In the same vein, Wu (2007) distinguished stakeholders from their stakes (claims) and argued that stakeholder analysis should aim to construct and position the interactions and interrelationships of stakes and their holders separately. The author argued that unless we do not understand the characteristics, meaning and origin of the stakes, we may not fully understand the different behavioral and cognitive patterns of the stakeholders. In a similar treatment, Crawford et al. (2011) expanded the stakeholder concept into a tetrad, which they called the accordion effect. The authors considered the stakeholder concept as an expanded set of four stakeholder elements, i.e., the stakeholder group, the stakeholder issue, the stakeholder's requested action and the stakeholder's request tactic. The authors argued that the managerial perception of one element of the tetrad affects the other elements. Side by side, Crawford et al. (2011) also argued that salience attributes interact in creating a magnified managerial perception, which they termed the snowball effect because they conceived this interaction as similar to the increasing momentum of a snowball rolling down a hill.

Second, researchers in the stakeholder salience tradition have also reviewed the salience framework at the unit of analysis level. The stakeholder salience framework (Mitchell et al., 1997) presents individual stakeholders as a unit of analysis (Parent and Deephouse, 2007; Neville et al., 2011). Although stakeholders may compete individually to gain managerial attention, it is equally likely that stakeholders will form coalitions and cooperate with each other (Frooman, 1999). Neville and Menguç (2006) asserted that stakeholders may align themselves around various issues, and it may be more appropriate to measure salience in terms of a coalition of stakeholders. Another study asserted that the concept of stakeholder salience should be examined at the organizational and societal levels of analysis (Tashman and Raelin, 2013). These authors took the concept of stakeholder salience from the managerial level to the level of the firm. They argued that a sole focus on managerial perception is insufficient to identify and prioritize all of the interests that matter to a firm because stakeholder salience is co-determined by perceptions of the managers, the focal stakeholder, other stakeholders, institutional expectations and hyper-norms.

Finally, efforts have also been made to pinpoint the residual weaknesses of the salience model and to offer alternative explanations. For example, Mattingly (2007) argued that the salience model (Mitchell et al., 1997) is one-dimensional because it conceptualizes organizations as *responsive* to various stakeholders as a function of three salience components. Advancing the salience framework, Mattingly (2007) developed a two-dimensional model of stakeholder relational tendencies consisting of cooperativeness and boundary spanning, i.e., the extent to which an organization reaches outside its boundaries to obtain information, resolve institutional or technical issues and seek conflict solutions. In a survey of 62 public affairs managers of public corporations in the U.S., the author found that cooperativeness is a function of legitimacy and power but not urgency, while boundary spanning is a function of urgency and not legitimacy and power.

Similarly, Myllykangas et al. (2010) argued that in the process of business value creation, the salience framework (Mitchell et al., 1997) does not sufficiently explain stakeholder relationships. In the case of strategic change, where the value creation of a firm is in transition, a more in-depth analysis of the dynamics of stakeholder relationships is needed. Myllykangas et al. (2010) identified six stakeholder relationships from the perspective of value creation, including: the history of the relationship, the objectives of the stakeholders, the amount of interaction in the relationship, the degree of information sharing, the amount of trust between stakeholders and the stakeholders' learning capacity.

2.2.2.2 Attributes

Researchers have also attempted to further refine and develop the theoretical underpinnings of stakeholder salience attributes.

Power: Research in the stakeholder salience tradition has attempted to revisit firm-stakeholder relationships in terms of power. Mitchell et al.'s (1997) model of stakeholder salience conceptualized power as a relationship between social actors in which one social actor, A, can make another social actor, B, do something that B would not have otherwise done (Weber, 1947; Pfeffer, 1981). The notion of power applied in Mitchell et al.'s (1997) model of stakeholder salience is based on Etzioni's (1964) classification of organizational bases of power. It implies that a stakeholder carries the ability to use coercive power—a force, threat, litigation, etc.; utilitarian power—granting or withholding resources and/or normative power—symbolic influence to impose its will on a firm. In addition to Etzioni's (1964) organizational bases of power, Mitchell et al. (1997) also adopted social agency and resource dependence perspectives (Pfeffer and Salancik, 1978) in the salience framework.

Subsequent researchers have attempted to further develop the theoretical basis of power attribute (Driscoll and Starik, 2004; Neville and Menguc, 2006; Pajunen, 2006; Neville et al., 2011) by explaining it in light of social network theory. These studies highlighted the importance of two variables of networks, i.e., centrality and density (Driscoll and Starik, 2004). The authors suggested that organizations control network hubs when they are more centrally located on the network, and they get more attention from diverse stakeholders when the density of the network increases (Rowley, 1997).

Tang and Tang (2012) examined stakeholder-firm power differences and noted that although the extant research has emphasized stakeholders' power, studies have not focused on a firm's countering power. These authors proposed that stakeholder–firm power differences determine stakeholder-firm relationships. Similarly, Eesley and Lenox (2006) argued that stakeholder power is moderated by the power of the firm. In another study, Phillips (2003) argued that stakeholders who possess power but not legitimacy are derivatively legitimate and carry the potential to affect other legitimate stakeholders; therefore, they must also be attended by managers.

Table 2.5: Dynamic aspects of Stakeholder theory and salience framework (contributions arranged chronologically)

Author	Year	Outlet	Method/Data	Key Ideas
Sithole	2001	The Online Journal for African Studies	Observation of consultative meetings	Examines how exercise of power by different stakeholders of catchment Boards in Zimbabwe has changed after water reforms process.
Solomon	2001	Human Systems Management	Survey	Applies stakeholder theory to the field of organizational change and suggests that while focusing stakeholder dynamics and its implications for organizational effectiveness, legitimacy, power and urgency of stakeholders must be taken into consideration by the management of the firm.
Winn & Keller	2001	Journal of Management Inquiry	Archival records and interviews	Examined the evolution of stakeholder salience attributes.
Beaulieu and Pasquero	2002	Journal of Corporate Citizenship	Case study, interviews and archival records	Examined the underlying stakeholder dynamics and proposed complementing stakeholder theory with an actionalist perspective—negotiated-order theory.
Klumpes	2003	Economic Affairs	Conceptual	Estimates various types of costs and benefits affecting stakeholder groups by reforms in the public regulation of pensions industry and suggests that intermediaries and regulators are effectively subsidized by other stakeholder groups.
Kujinga	2004	MS thesis, Faculty of Sciences, University of Western Cape, South Africa.	Survey, interviews, observations and records	Analyses the dynamics of stakeholder participation in the agricultural sector during the first five years of the water reform process in Zimbabwe. This dynamic analysis helps identify the constituents not participating in water allocation program.
Jeurissen	2004	Journal of Business Ethics	Archival material, prior literature	To illustrate the functioning of the institutional conditions of corporate citizenship, this study examines how dormant financial institutions turned definitive when they were pushed by NGOs to pressurize IHC-Caland.
Johnson-Cramer and Berman	2005	Proceedings of the International Association for Business and Society	-	Outline four stakeholder management profiles and explain why firms might shift from one profile to another.
Sachs and Ruhli	2005	Corporate Governance	Comparative case study	Argue that top managers should change their values that are challenged by stakeholder -oriented incentives so that stakeholder views are better implemented in strategic thinking.
Salzmann et al.	2006	IMD Working Paper (2006-22)	Survey and interviews	Identify meaningful clusters of stakeholders – based on the importance they attach to corporate sustainability and their level of satisfaction with it – and compare them across key concepts.
Yasmil et al.	2006	Forests, Trees and Livelihoods	Case study, interviews, field observations and workshops	Note that the implementation of decentralization policies gave rise to conflicts between local and central government as well as among local stakeholders in west Kalimantan.
Parent and Deephouse	2007	Journal of Business Ethics	Comparative case study, Interviews and archival material	Observed dynamics of stakeholder attributes and found that most stakeholders moved across definitive, dominant and dormant types.
Hsieh	2008	Working paper. http://ssrn.com/abstract=1142545	Conceptual	Explores the heterogeneity in stakeholder resources to suggest a dynamic dimension of resource-based view in strategic stakeholder management.
Papadopoulos and Merali	2008	Public Money and Management	Case study, interviews, observation and records	Examined the dynamics and mechanisms underpinning the trajectories and outcomes of public service Lean projects. Study shows how implementation trajectories can play out with diverse stakeholders in complex contexts.
Sachs and Maurer	2009	Journal of Business Ethics	Conceptual	Suggest that to better understand the social responsibility towards stakeholders, it is necessary to understand the phenomena of distributive and procedural justice. These authors propose a framework that can be used for shaping dynamic and comprehensive corporate responsibilities.
Fassin	2010	Journal of Business Ethics	Multiple Case studies, qualitative graphical analysis	Transposes the Freeman's stakeholder model in graphical form and employs the notions of stake-watchers and stake-seekers to illustrate its dynamic aspect. Analyses case studies relating value responsibility chain to show how stakeholder salience is affected.
Windsor	2010	Journal of Business Ethics	Literature	Presents dynamic aspects of stakeholder theory to clarify conceptual and methodological issue for stakeholder thinking.
Saebo et al.	2011	Government Information Quarterly	Case study, Interviews, observation, records	Integrate stakeholder theory with genre theory to analyze e-Participation project and besides other findings suggest that stakeholder salience varies during life of project and therefore salient stakeholder keep on changing.
Schepper et al.	2014	International Journal of Project Management	Multiple case study, records, interviews	Building on theoretical foundations provided by stakeholder salience model, this study found that the stakeholder environment in case of public-private partnerships turns more complex due to increased significance of the stakeholder context and dynamics.

Proximity: Researchers in the salience tradition have not only focused on original attributes (Driscoll and Starik, 2004; Eesley and Lenox, 2006; Neville and Menguc, 2006; Pajunen, 2006) but have also propounded new attributes. For example, Luoma-aho (2005) identified *frequency of contact* as another attribute of stakeholder salience. Similarly, Driscoll and Starik (2004) argued that in addition to power, legitimacy and urgency, the salience of a stakeholder is also determined by a fourth attribute—*proximity*—which incorporates "*the near or far, short or long term and actual or potential*" (p. 61). The authors suggested that stakeholders who are nearer, short term and actual will be more salient to managers. Building on Driscoll and Starik's (2004) work, Haigh and Griffiths (2009) suggested that the inclusion of the fourth attribute generates a fourth type of stakeholder who possesses all four of the salience attributes. Remember, Mitchell et al. (1997) categorized three types of stakeholders: definitive, with three attributes; expectant, with any two attributes; and latent, with only one attribute. Haigh and Griffiths (2009) added another category of stakeholders, i.e., a primary stakeholder with four attributes (**See Figure 2.3**).

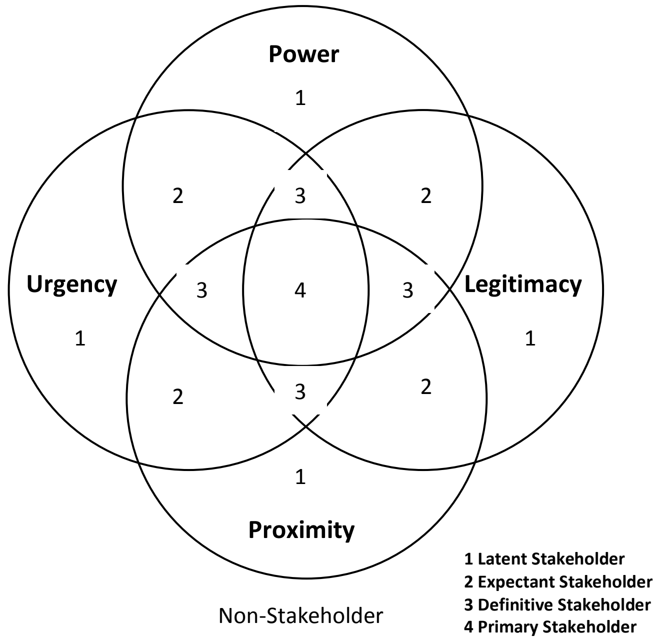
Legitimacy: Just as researchers have added new attributes to the existing list of salience attributes proposed by Mitchell et al. (1997), the omission of some attributes from the salience framework has also been suggested (Eesley and Lenox, 2006; Neville et al., 2011). For example, Neville et al. (2011) asserted that pragmatic and cognitive types of legitimacy should be excluded, and the salience framework should be limited only to moral legitimacy, as given by Suchman (1995).

The notion of legitimacy in the salience framework is based on a composite definition of organizational legitimacy offered by Suchman (1995), who defined it as *"a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions"* (p. 574). Suchman (1995) classified organizational legitimacy into three types: pragmatic, moral and cognitive. A favorable normative evaluation of a firm gives rise to moral legitimacy. A self-interested or instrumental evaluation of a firm results in pragmatic legitimacy, while the diffusion of beliefs and knowledge in such a way that they are taken for granted results in cognitive legitimacy (Aldrich and Fiol, 1994).

It has been argued that it is conceptually difficult to untangle pragmatic legitimacy from the concept of power as used in the salience framework. Because pragmatic legitimacy is awarded when a stakeholder extends 'exchange benefits' to the focal firm (Suchman, 1995), pragmatic legitimacy therefore refers to the degree of resource dependence of the focal firm on the stakeholder.

Figure 2.3: Stakeholder typology: Possession of one, two, three or four attributes

Adapted from Haigh and Griffiths, 2009



Neville et al. (2011) argued that the ability of a stakeholder to grant or withhold resources is the same as the power of a stakeholder to confer or withdraw material resources (Etzioni, 1964). This view of pragmatic legitimacy in light of resource dependence theory (Pfeffer and Salancik, 1978) leaves no discernible difference between the stakeholder attribute of power and pragmatic legitimacy. It has therefore been suggested that pragmatic legitimacy as a measure of stakeholder salience should not be included because it produces double counting. Similarly, researchers have also questioned Suchman's (1995) classification of legitimacy for its inclusion of cognitive legitimacy (Phillips and Malhotra, 2008). The authors argued that because cognitive legitimacy does not take into account the way an evaluation is made, rather, it considers the extent of deliberation and cognition needed to make the judgment, it is therefore not relevant to stakeholder salience (Neville et al. 2011). Thus, it is still not clear how legitimacy should be conceptualized in the salience framework.

Urgency: The attribute of urgency refers to the degree to which stakeholder claims demand the immediate attention of managers, or, more simply, urgency is the amount of force that a stakeholder puts into his claim. The salience framework (Mitchell et al., 1997) classifies legitimacy into two: time sensitivity and criticality. Time sensitivity represents the degree to which a delay in attending claims is unacceptable to the stakeholder, while criticality refers to the significance that a stakeholder assigns to its claim (Mitchell et al., 1997).

Our review of the literature suggests that the attribute of urgency requires clarification because it is more confusing than the other two attributes (Gifford, 2010). This confusion arises because some researchers assert that urgency is a key to determining stakeholder salience, while others consider it irrelevant. For example, Agle et al. (1999) asserted that shareholder urgency drives most corporate managerial strategies. On the contrary, Neville et al. (2011) suggested that although the urgency attribute provides a dynamic dimension to the salience framework, it is irrelevant in the identification of stakeholders. These authors maintained that urgency alone is not a sufficient attribute for the identification of stakeholders. Managers identify stakeholders by their possession of a legitimate claim upon the organization and/or the power to affect the organization.

Conversely, Gifford (2010) viewed urgency as an important salience attribute and argued that it relates more to a stakeholder's behavior. The degree of urgency demonstrates the intensity of an engagement, which includes time sensitivity, persistence, assertiveness and the resources applied. Eesley and Lenox (2006) argued that it is only the urgency of the claim, not of the stakeholder, that is relevant. The authors argued that a stakeholder's urgency is characterized by the stakeholder's willingness to exercise its power, and therefore stakeholder urgency is subsumed within the power attribute.

2.2.3 Integration of contextual factors

Studies relating contextual factors form the third stream of research in the stakeholder salience tradition. Works in this stream can be subdivided into two groups: a) managerial values and characteristics, and b) broader contextual factors.

2.2.3.1 Managerial values and characteristics

Building on previous works (Cyert and March, 1963; Pfeffer and Salancik, 1978; Hill and Jones, 1992) that primarily emanate from the management literature, Mitchell et al. (1997) suggested, "*although groups can be identified reliably as stakeholders based on their possession of power, legitimacy, and urgency in relationship to the firm, it is the firm's managers who determine which stakeholders are salient and therefore will receive management's attention*" (p. 871). Mitchell et al. (1997) viewed managers as an arch stone of the theoretical framework that they presented and suggested that managerial perceptions act as a moderator of the salience-attribute relationship. Values shape intensity and selectivity through their influence on the human perceptual field; therefore, managerial values may have a moderating effect on the phenomenon of stakeholder salience (Agle et al., 1999).

Previous research that examined the moderating effects of managerial values on the stakeholder-salience relationship has yielded mixed results (Agle et al., 1999; Harvey and Schaefer, 2001; Parent and Deephouse, 2007; Davila and Elvira, 2012; Mitchell et al., 2013; Tashman and Raelin, 2013). For example, Agle et al. (1999) tested the effects of the values of CEOs on the stakeholder attribute-salience relationship. The authors included seven different managerial values and categorized them into self-regarding and other-regarding values. The study found no effect of these managerial values on the salience-attributes relationship. Conversely, Harvey and Schaefer (2001) suggested that managers' intuition has an important effect on the salience that managers assign to stakeholders. Similarly, Parent and Deephouse (2007) found that a manager's hierarchical position and role have a crucial effect on the salience-attributes relationship and on the number of stakeholders that a manager identifies.

Reviewing historical explanations underlying leadership styles in Latin America, Davila and Elvira (2012) argued that business leaders who have a better orientation of expectations of diverse stakeholders are better able to acknowledge the role of stakeholders within the community and society at large. It can be inferred that such leaders are more capable of prioritizing diverse stakeholders.

Building on stakeholder theory and role theory, Mitchell et al. (2013) argued that the spiritual identity of members of family businesses can positively or negatively affect stakeholder salience. The authors further proposed that workplace spirituality affects family business-stakeholder relationships. In the same vein, Fang et al. (2013) advanced the concept of bounded stakeholder salience. Examining religiosity in family firms, the authors proposed that stakeholder legitimacy is affected by the religious characteristics of the stakeholder and the decision makers in family firms. In another study, Tashman and Raelin (2013) described the factors that can cause managers to overlook or ignore stakeholders' interests and that can therefore affect stakeholder salience. The authors proposed that the salience of stakeholders can be affected by a) bounded rationality, i.e., constraints on an individual's sense-making and rational decision-making abilities; b) cognitive limitations, i.e., the mind's limited capacity to receive, sort and analyze information (Simon, 1955); and c) opportunism. These specific, individual factors may vary from one manager to another and differently affect managerial perceptions in various manager-stakeholder dyads.

In an attempt to explore and expand the salience framework (Mitchell et al., 1997), Gifford (2010) identified the business case (claim) and values of a target company's managers as two important factors contributing to stakeholder salience. The author suggested that "*shareholders are indeed most salient when there are high levels of power, legitimacy, and urgency and target company managers have values that allow for the accommodating of the shareholders' concerns*" (p. 96). Moreover, the author argued that the relative economic size and coalition-building ability of stakeholders also serve as moderating factors in the salience framework.

2.2.3.2 Broader contextual factors

In addition to managerial values, previous research has also examined the effects of broader contextual factors on the salience-attributes relationship. As shown in **Table 2.6,** more work has been done in this stream of research compared with research examining the effects of manager-specific values on the salience-attributes relationship (e.g., Henriques and Sadorsky, 1999; Jawahar and McLaughlin, 2001; Buysse and Verbeke, 2003; Smith et al., 2005; Jones et al., 2007; Pfarrer et al., 2008; Mitchell et al., 2011; Bundy et al., 2013; Dong et al., 2014; Yang et al., 2014).

For instance, Jawahar and McLaughlin (2001) showed that the salience of stakeholders changes as an organization evolves from one stage to the next during the organizational life cycle. Similarly, Pfarrer et al. (2008) argued that stakeholder salience depends on the nature of transgressions from stakeholder claims. The authors also suggested that the salience of stakeholders changes depending on the stage of organizational crises.

Buysse and Verbeke (2003) conducted an empirical analysis of the linkages between environmental strategies and stakeholder management and found that firms that adopt environmentally proactive strategies perceive more stakeholders as salient. Similar to Buysse and Verbeke (2003), Henriques and Sadorsky (1999) also found that firms with more environmentally proactive profiles differ from those with a less proactive profile in their perception of salient stakeholders.

In another study, Jones et al. (2007) created a typology of corporate stakeholder cultures—agency, corporate egoist, instrumentalist, moralist, and altruist—and explained that these cultures lie on a continuum, ranging from individually self-interested (agency culture) to fully other-regarding (altruist culture). The authors argued that moral legitimacy has a greater effect on salience in the case of cultures that are more other-regarding, while power has a

Table 2.6: Effects of contextual factors on the phenomenon of stakeholder salience (studies arranged chronologically)

Area of Focus	References
Manager-specific values and characteristics	Agle et al., 1999 Harvey and Schaefer, 2001 Parent and Deephouse, 2007 Davila and Elvira, 2012 Mitchell et al., 2013 Tashman and Raelin, 2013 Fang et al., 2013
Broader contextual factors	Henriques and Sadorsky, 1999 Jawahar and McLaughlin, 2001 Buysse and Verbeke, 2003 Smith et al., 2005 Jones et al., 2007 Pfarrer et al., 2008 Mitchell et al., 2011 Bundy et al., 2013 Dong et al., 2014 Yang et al., 2014

greater effect on salience in more self-regarding corporate cultures.

Recently, the notion of issue salience has won researchers attention. Eesley and Lenox (2006) suggested separating the salience of claims from the salience of stakeholders. Acquier et al.'s (2008) qualitative case study of a transportation company appears to support this recommendation because these authors suggest that firm was successful for its ability to coherently manage issues rather than stakeholders.

Bundy et al. (2013) advanced a strategic cognitive view of issue salience. The central thesis of their work revolved around cognitive structures of organizational identity and strategic frames. A firm's strategic frame guides the managerial interpretation of an issue using instrumental logic that relates to a rational pursuit of organizational goals, while organizational identity facilitates the interpretation of an issue using expressive logic. The authors proposed that firms are likely to symbolically attend to an issue perceived as salient by only one type of logic, while issues that are perceived as salient to both types will be attended substantially.

Previous research has also examined the influence of institutions on the phenomenon of stakeholder salience. For example, studies have suggested that institutional factors can moderate stakeholder salience because the role of a corporation and its stakeholders varies from one industry and country to another (Smith et al., 2005; Dong et al., 2014). In another study, Mitchell et al. (2011) applied the notion of stakeholder salience based on attributes in a family business setting. The authors argued that managerial perceptions of stakeholder salience will be complex and different in a situation where principal institutions intersect, i.e., business and family, from a situation where the institutions are based on a single logic.

Researchers have also examined the effects of stakeholders' behavior on their salience. For example, Yang et al. (2014) suggested that three types of stakeholder behaviors—co-operative potential, competitive threat and opposite positioning—are perceived by managers as important factors in determining the salience of stakeholders.

2.3 Agenda for future research

This study highlights application areas by listing important research papers (Table 2.3) that applied the stakeholder salience framework (Mitchell et al., 1997). We observed that the stakeholder salience framework is being widely used as a stand-alone tool to identify and prioritize stakeholders in various fields. Our work will be helpful to researchers judging the applicability of the stakeholder salience model in their fields of interest. Moreover, this review paper has attempted to critically analyze the literature on the stakeholder salience tradition. Having presented the three major themes of the research in the stakeholder salience tradition, in this section we mainly discuss potential areas for future research in light of the previous literature.

First, our analysis of the literature reveals that researchers disagree about a manager's perception of the prioritization of salience attributes. Agle et al. (1999) suggested that urgency is one of the best predictors of salience. On the contrary, in their conceptual work, Neville et al. (2011) argued that urgency as a stakeholder salience attribute alone is not sufficient to grant stakeholder status to any claimant. The authors suggested that power and legitimacy define and identify stakeholders. Parent and Deephouse (2007) suggested that power is the primary attribute, followed by urgency and legitimacy. In line with Parent and Deephouse (2007), Yang et al. (2014) suggested that stakeholder power plays a more significant role than other attributes in decision making. These studies were conducted on different organizational forms with different sets of stakeholders. Although these studies confirmed and validated the propositions suggested by Mitchell et al.'s (1997) model of stakeholder salience, they differed in identifying the attribute that is the best predictor of salience, which makes us believe that for different organizational forms, managers award salience on the basis of different attributes.

Therefore, we suggest examining the researchers' experience with the application of the model in various fields to identify which attribute has the greatest impact on stakeholder salience. In particular, empirical examinations are needed that focus on the stakeholder-attribute relationship. Furthermore, we suggest that this examination could be more productive if it is made in light of institutional theory. Institutional theory (Powell and DiMaggio, 1991; Powell, 1991) asserts that various types of institutions demonstrate different and distinct objectives and assumptions about the functioning of an organization, termed institutional logics. Institutional logic defines the scope of socially legitimate and appropriate conduct at the field level. Therefore, organizations adopt practices, functions and forms that are institutionalized in that field. For example, non-profit organizations focus on the public welfare, while for-profit organizations focus on profits. By differently shaping the identities, interests, values, assumptions, institutional forms and practices in various fields (Dobbin, 1994; Thornton and Ocasio, 1999; Sine and David, 2003; Zajac and Westphal, 2004; Stovel and Savage, 2006; Lounsbury, 2007; Battilana and Dorado, 2010; Chen, 2010), institutional logics confer different traits to organizations, and these traits differ from one institutional form to another. For example, because non-profit organizations focus on the public welfare, they ought to possess a higher degree of legitimacy because managers should grant them salience on the basis of legitimacy. On the contrary, in the case of for-profit stakeholders, the primary attribute for salience might be utilitarian power and not legitimacy. Therefore, further research is warranted to examine the attribute-stakeholder relationships in various fields.

Second, as discussed above, previous studies have confirmed that salience is determined by the attributes of power, legitimacy and urgency. In studying mega sporting events, Parent and Deephouse (2007) distinguished between three types of power—coercive, utilitarian and normative—as suggested by Etzioni (1964). The authors showed that the more a stakeholder accumulates the three types of power, the more salient it becomes. They also found that of the three types of power, utilitarian power had the most significant effect on stakeholder salience. Future research should extend this line of research to various types of legitimacy, urgency and proximity. For this purpose, finely grained types of legitimacy (Suchman, 1995), urgency (Mitchell et al., 1997) and proximity (Torre and Rallet, 2005) can be used. Because confusion persists over the inclusion of various types of attributes, empirical research examining the various types of salience attributes can provide clarification. Moreover, future research can also use alternative conceptualizations of power. For example, Welcomer et al. (2003) differentiated between stakeholders' power on the basis of primacy, positive discretion, negative discretion and substitutability.

Third, Mitchell et al. (1997) emphasized the development of a dynamic understanding of the salience framework. However, despite the passage of more than a decade, empirical research to understand the dynamics of stakeholder salience has remained limited. In particular, there have been no studies examining the transience of stakeholder salience by addressing multiple points in time. Previous work has analyzed either single or short historical reference periods or has focused on a limited, pre-defined set of stakeholders. Therefore, there is a need to empirically test the transient nature of the stakeholder salience framework by longitudinally examining a longer historical period at multiple points in time and permitting a broader inclusion of stakeholders that are perceived as salient by managers. Moreover, future research may also attempt to identify typical trajectories over which specific stakeholders' salience shifts. For instance, "*activists may move from urgently demanding to powerfully dangerous and perhaps even to legitimately definitive"* (Driscoll and Crombie, 2001; Winn and Keller, 2001 cf. Parent and Deephouse, 2007, p. 18). In future studies, researchers may choose a single stakeholder type, e.g., NGOs, and observe how they turn from latent to definitive stakeholders.

Fourth, future research in the stakeholder salience tradition should focus on the idea of stakeholders' coalitions. Previous research suggests that stakeholders do not act solely as individuals but in coalitions (Rowley, 1997; Frooman, 1999; Bergqvist and Egels-Zandén, 2012). A coalition of stakeholders represents the existence of interdependence between stakeholders (Tang and Tang, 2012) that may affect their power relationships with a firm. Therefore, there is a need to investigate the interdependent relationships among stakeholders and empirically examine stakeholder salience in terms of coalitions of stakeholders.

Fifth, perception is one of the most under-researched areas in the stakeholder salience tradition. Mitchell et al. (1997, p. 868) asserted that salience is ''*a matter of multiple perceptions and is a constructed reality rather than an objective one.*'' Although previous research has examined managerial perceptions, the idea of stakeholder misperception has been largely ignored (*except by* Tashman and Raelin, 2014). Concurring with Neville et al. (2011), we suggest that there is a great need to empirically examine 'how well' managers perceive salience and what tools can help to mitigate the risk of misperceptions. After all, a descriptive understanding of stakeholder salience, i.e., how managers actually prioritize stakeholders, is what matters most to firms.

Precise managerial assessment of stakeholder attributes and salience is required for successful stakeholder management. Future researchers could conduct experiments with managers involving a variety of stakeholder management scenarios with uneven options for gathering and evaluating information about the stakeholders (Tashman and Raelin, 2014).

Sixth, Mitchell et al. (2013) acknowledged that one limitation of the stakeholder salience framework is its sole focus on managers as those who assess stakeholder salience. Focusing only managerial perceptions can be "*impractical and imprecise*" (Mitchell et al., 2013, p. 246), particularly in cases where constituents other than managers are involved in the decision-making process e.g., family businesses. Here, instead of salience to the managers, salience to the firm should be considered. An ethnographic study might be conducted to examine how salience to a firm is socially constructed in terms of the multiple perceptions of managers, shareholders and other stakeholders.

Finally, this paper identifies the moderating effects of contextual factors on stakeholder salience as one major theme in the stakeholder salience tradition. In examining small- and medium-sized enterprises in China, Tang and Tang (2012) suggested that firms operating in an emerging economy context have more options to counter stakeholders' power, suggesting effects of the broader environment on stakeholder attributes and salience. This line of research can be extended to examine how firms in developing and developed economies differently manage stakeholder relationships, and more importantly how firms differently counter stakeholders' power in these two environments.

To conclude, we include notable contributions to the stakeholder salience tradition and take stock of previous research to offer an updated benchmark. We confirm Mitchell et al.'s (1997) observation that the stakeholder salience model carries the potential to improve managerial practice and researchers' understanding of stakeholder management. This review of the stakeholder salience framework demonstrates its growing acceptance and utility as a tool to identify and prioritize stakeholders in various fields. However, efforts to further develop the stakeholder salience framework are limited. We suggest that the stakeholder salience framework carries considerable unrealized potential, and several important research areas identified above need work. Further refinement and development of the model can help managers to better identify and prioritize stakeholders to allow firms to improve their performance.

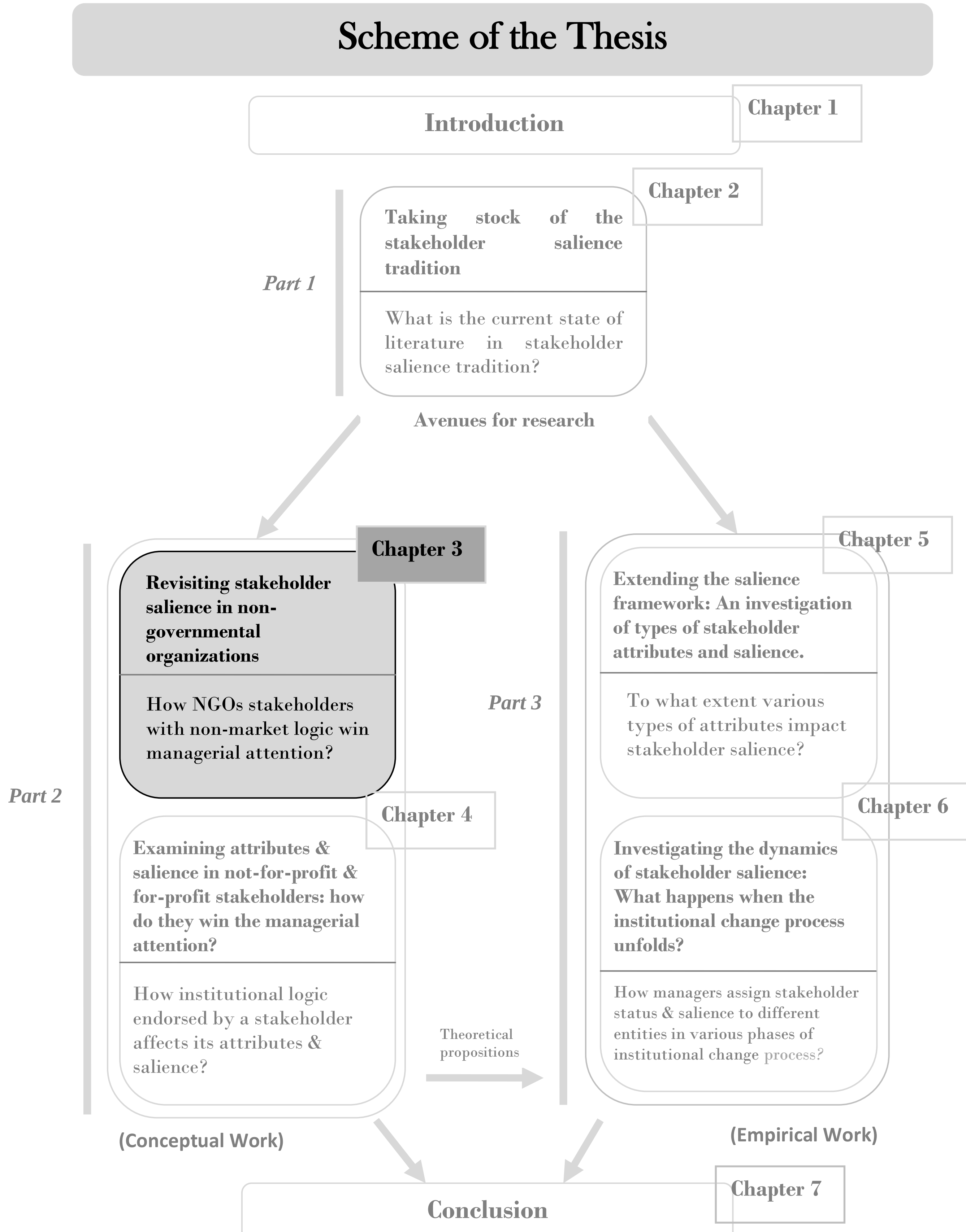
Chapter 3

3. Revisiting the stakeholder salience model in non-governmental organizations[5]

Last chapter presents a systematic review of research on stakeholder theory and stakeholder salience and identified over 180 relevant research articles. The review shows that framework of stakeholder salience has evolved remarkably and is being applied in various fields. Previous chapter consolidates and synthesizes the existing contributions into three mutually discernible themes. Moreover, it provides an organized map of research in stakeholder salience tradition to scholars, identifies the gaps that still exist in the literature and offers possible avenues for future research.

In previous chapter we note that there is a wider consensus that managers assign salience to stakeholders based on power, legitimacy and urgency of stakeholders. However, researchers could not agree on prioritization of the attributes—i.e., which attribute is the best predictor of salience. Various organizational forms endorsing different institutional logic have been observed to win managerial attention on the basis of different attributes, thus, pointing towards a possible link between a stakeholder's organizational form, its logic and its attributes of salience. For example, non-profit organizations with development logic focus welfare and win more of the managerial attention on the basis of legitimacy than other attributes. This chapter revisits the stakeholder salience in NGOs to understand the links between institutional logic as endorsed by the NGOs stakeholders and their salience attributes.

[5] Khurram, S., & Pestre, F. (2013). Revisiting the stakeholder salience model in non-governmental organizations.


Scheme of the Thesis
Introduction
Chapter 1
Part 1
Taking stock of the stakeholder salience tradition
What is the current state of literature in stakeholder salience tradition?
Chapter 2
Avenues for research
Part 2
Chapter 3
Revisiting stakeholder salience in non-governmental organizations
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Examining attributes & salience in not-for-profit & for-profit stakeholders: how do they win the managerial attention?
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Chapter 5
Extending the salience framework: An investigation of types of stakeholder attributes and salience.
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How managers assign stakeholder status & salience to different entities in various phases of institutional change process?
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Conclusion
Chapter 7

Introduction

For a firm to thrive and remain sustainable it needs to perform judicially and managers have to sensitively balance mutually conflicting interests of employees, customers, stockholders, communities and vendors. Also with the stiff competition for limited resources at hand, firms need to accurately evaluate the stakeholders and allocate resources accordingly. A precise evaluation of stakeholders and allocation of resources there-against, can be made once a manager gives due consideration to the attributes or traits that make a stakeholder salient. In this connection, Mitchell, Agle & Wood (1997) have reported three attributes – power, urgency and legitimacy – whose precise assessment can help the firms to evaluate each stakeholder for the salience that it carries. Mitchell et al. (1997) maintained that cumulative number of these attributes shall be positively related to salience of stakeholders. However, stakeholder's salience model given by Mitchell et al. (1997) and subsequent work present little insights regarding the fact that managerial perception of presence, prioritization and variation in salience attributes can be the function of institutional type and it may vary for different institutional logics. This paper attempts to examine how institutional logic of stakeholder organization affects the managerial perception and in turn, how differentially stakeholders are attended by managers of focal firm. Building upon theoretical foundations of stakeholder and institutional theory, this paper analyses the focal firm to stakeholder relationship taking illustration of NGOs.

Though largely unexplored, the linkage between managerial perception of presence and prioritization of salience attributes and institutional logic of stakeholder firm can be seen at some places in literature. Researchers mutually disagree over the presence and prioritization of salience attributes due possibly to the difference in type of organizations they focus. For some like (Agle et al., 1999), urgency is one of the best predictors of salience, for some others (Parent and Deephouse, 2007) power is primary attribute. Neville et al (2011) on the other hand, argue that power and legitimacy define and identify stakeholders. Review of literature, therefore, helps us propose that the presence and prioritization of salience attributes is affected by the institutional logic of organization. Therefore, the proposition that the presence, prioritization and changes in stakeholder salience attributes can be related to institutional logic calls for attention.

It is suggested that society consists of various types of institutions such as family, non-governmental organizations and governments etc. Institutional theory (Powell & DiMaggio, 1991; Powell, 1991) states that different types of institutions demonstrate different and distinct objectives and different assumptions about the functioning of organization –termed institutional logics. This concept describes the way institutional logics can shift, divert and shape the focus of attention of decision-makers to various issues (Ocasio, 1997), thus resulting into decisions that are logic-consistent (Thornton, 2002). These institutional logics have deeply embedded discernible and unique effects on cognition, behavior and social relations of organization (Friedland and Alford, 1991). While institutional logics stay at the joint of cognition, behavior and social relations, and also when mutually competing stakeholders demonstrate different values, behaviors and social relations, it appears reasonable to suggest that institutional logics will influence the way managers will view the stakeholder salience (Mitchell et al., 2011).

Non-governmental-organizations (NGOs), owing to their unique nature, existence and idiosyncratic institutional logic (explained in the lines ahead) constitute the kind of stakeholder organizations that best suit our research objectives. The abilities, strengths and attributes of NGO differentiate it from other organizations, as they rapidly appear and vanish and are considered temporal beings (Yaziji & Doh, 2009). They do social surveillance and thus act as watchdogs whose profession is to grant or revoke legitimacy to other organizations – carrying unique institutional logic. Emergence of NGOs has proved that legitimacy of focal firm that was once largely fragmented is no more distributed. Unlike other stakeholders who may hold firms accountable to institutional norms, NGOs may drive a total institutional change against firms – a motive quite different from rest of other stakeholders.

Our interest in revisiting stakeholder theory focusing NGOs is due to the fact that the salience attributes of NGOs are structurally and functionally different from other stakeholders. NGOs successfully employ borrowed–power which is not their own, which is lent to NGOs through third parties like governments, media or consumers etc (Yaziji & Doh, 2009). They may build more on urgency than on legitimacy. Doh et al., (2003) suggest that NGOs are also quite different from rest of stakeholders due to their network building ability.

Stakeholders like NGOs can potentially affect a firm's ability to influence and gain from favorable public policy through the political advantage process (Cummings & Doh, 2000). This extra-ordinarily unique effect of NGOs is rising in current era (Teegen, Doh &Vachani, 2004) and they have pressurized the MNEs pay attention to calls for socially responsible strategies. Additionally, NGOs have demonstrated that they can successfully extend their assistance to businesses in designing and implementing the social development strategies. For example, in Egypt, Care International (NGO) has joined hands with Danone in the 'Dan Farm' project which supports 'Danone Communities' in increasing farms earnings through enhancing the quantity and quality of milk (Payaud, 2014).

Neville et al (2011) report stakeholder salience framework has lot of unrealized potential in terms of accurately understanding prioritization of stakeholder's salience attributes and its relationship with stakeholder type in particular for the newly-emerging and speedily-evolving third-sector (NGOs). Carrying unusual set of attributes and unique institutional logic, we suggest that the salience attributes of NGO stakeholders – legitimacy, power, urgency and of our particular interest proximity (Mitchell et al., 1997; Driscoll & Starik, 2004) shall be viewed and routed through the lens of managerial values (Hambrick & Mason, 1984; Agle et al., 1999) and institutional logics (Friedland & Alford, 1991; Powell & Dimaggio, 1991) to create a unique type of stakeholder salience.

Our study is organized in a way that in our second section we briefly discuss the stakeholder theory, in particular the Mitchell et al's., (1997) model of stakeholder salience and institutional theory. In third section we present a discussion on NGOs uniqueness and rapid evolution while in section four, we introduce the alternative conceptualization along with set of propositions to incorporate institutional logic into stakeholder salience framework and in last section we give concluding remarks.

3.1 Theoretical foundations

In lines ahead we present in detail the stakeholder salience model and institutional framework used in this article in detail.

3.1.1 Stakeholder Salience Approach

In the literature relating organizational management and business ethics, one finds multifarious definitions of stakeholder that would range from broader to somewhat narrower and inclusive to exclusive types of definitions. The inclusive definition is generally rigid and depicts the element of prescriptivism, therefore, focuses the moral aspect. For example, all such groups or individuals are considered to be the stakeholders of the organization who can potentially affect or can be affected by an organization's operations (Freeman, 1984; Evan and Freeman, 1988; Donaldson and Preston, 1995). Narrow-sized definitions attempt either to include or exclude stakeholders on the basis of how managers perceive stakeholder's power, resource dependence, or associated risks (Clarkson et al., 1994; Greenley and Foxall, 1997; Driscoll and Starik, 2004).
R. Edward Freeman in his famous work titled *Strategic Management: A Stakeholder Approach* offered the schema to identify and model the groups that can potentially be termed stakeholders of a focal firm (Freeman, 1984). Stakeholder theory, since then, has proved quite effective in terms of its representation on normative and instrumental grounds for inclusion or exclusion of stakeholders (Donaldson and Preston 1995, Jones 1995). It has helped us understand the relational aspect of the business entities and improves our know how of a framework that recognizes the relevant constituencies and defines the diversified logics which helps managers to prioritize and integrate their interests into decision making (Mitchell et al. 1997; Crane et al. 2011)

Different streams of work in stakeholder theory have emphasized on different approaches, each of which helps in stakeholder identification. In the realm of stakeholder theory, there are many streams of work that stress different elements of stakeholder management, each of which potentially affects the stakeholder identification. Researchers have labeled these approaches on the basis of their descriptive exactness, instrumental power, and normative validity (Donaldson and Preston 1995). For instance, 'Instrumental perspective' successfully advances an economic approach of stakeholder theory, which focuses those stakeholders that have direct economic link with organization and are termed as primary stakeholders (Hill and Jones 1992). The instrumental view, by stressing the exchange relationship, states that business organizations gain from stakeholder management, either by means of trust and cooperation (Jones 1995), risk management (Graves and Waddock 1994), reputation, outlook or other material gains. In this way, researchers limit the scope of relationships to contractual ties (Hill and Jones 1992; Jones 1995), leaving little space for a broader consideration of stakeholders and their other interests. While 'the normative approach' challenges this view (Clarkson et al. 1994; Evan and Freeman 1993). Normative approach stays on social cooperation attempting to include all those constituencies that take part in the cooperative effort (Hartman, 1996). A broader set of stakeholders are expected to manifest moral responsibility.

3.1.2 Mitchell et al.'s Model of Stakeholder Salience

By introducing the concept of stakeholder salience, Mitchell et al.'s (1997) offered middle and rather even ground between normative and instrumental perspectives. This firm-centric view relies on stakeholder identity and legitimacy (Crane et al., 2011). Broadly speaking, this model of stakeholder salience attempts to define the characteristics or attributes that lead certain stakeholder's claims to win managerial attention (Mitchell et al., 1997).

Mitchell et al.'s (1997) theory of stakeholder identification and salience is considered one of the remarkable contributions in the development of literature relating organizational management and business ethics. The ISI Web of Science revealed that, as of January 2011, their work has been cited 622 times (Neville et al., 2011). In their article, Mitchell et al. (1997) made a proposition that Stakeholder salience is directly related to the cumulative number of stakeholder attributes of salience as perceived by managers to be present (Mitchell et al., 1997); and this successful proposition then helped them form an ordinal-scale encompassing salience variable ranging from low to high and therefore, categorizing stakeholders as latent stakeholders, expectant stakeholders, and definitive stakeholders. Consequently, the discourse on stakeholders, stakeholder attributes, and stakeholder salience has persisted and continued, and these three attributes – power, legitimacy and urgency, have been widely used in stakeholder literature. A brief description of these attributes is as follows.

Concept of *power* relates to the idea that one actor, for instance, X can make another actor Y, to do something that Y would not do otherwise (Pfeffer, 1981). Etzioni (1964) has devised the classification of power based on the sources of power which can be termed as: *coercive* power: which relates to use of force, violence and restraint; *utilitarian* power, which relates to the control over material or financial resources; and *normative* power, which is based on symbolic resources.

The second attribute is *legitimacy* which is defined as a perception or assumption that the actions of an organization or individual or group are considered proper, appropriate and desirable seen in a socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). There are two traditions on legitimacy namely: *Strategic tradition on legitimacy* which adopts managerial approach to get social support for organization (Dowling & Pfeffer, 1975; Pfeffer, 1981; Pfeffer & Salancik, 1978; Ashforth & Gibbs, 1990), and *Institutional tradition on legitimacy* which deals with cultural pressure on organization that lies beyond the purposive control of the organization (Zucker, 1987; DiMaggio & Powell, 1983; Meyer & Rowan, 1991; Meyer & Scott, 1983; Powell & DiMaggio, 1991). Researchers divide legitimacy into three major types on the basis of behavioral dynamics. These include *Pragmatic Legitimacy* which conferred to organization on the basis of self-interest of immediate audience, *Moral Legitimacy* which is result of right or wrong appraisal of the organization and finally the *Cognitive Legitimacy;* where organization is taken-for-granted (Suchman 1995).

The third major attribute of salience framework is *urgency*. It is defined as the degree to which stakeholder claims call for immediate attention of the managers (Mitchell et al., 1997). In the context of general business, urgency is seen as a two dimensional phenomenon that includes both: (1) time sensitivity which is the extent to which any delay that managers do in attending to the claim or relationship is considered unacceptable to the stakeholder, and (2) criticality which can be explained as the significance that managers associate to the *claim or the relationship* to the stakeholder.

However, literature suggests that these are not the only attributes that form the salience of stakeholder. There are some other attributes that have to be tested as important attributes of stakeholder salience in terms of institutional theory. Let us have a brief outline of institutional theory before proceeding to critical analysis highlighting NGOs as stakeholders of organizations.

3.1.3 Framework of Institutional logic

Complex nature of organizational environments can be better comprehended by employing various approaches and one such robust approach is institutional theory which successfully deals with resilient and dynamic social structures. In the words of Scott (1995: 33) “institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers – cultures, structures and routines – and they operate at multiple level of jurisdiction”. As per this conceptualization, institutions can be called systems that shape *social behavior*. Similarly, the process of institutionalization refers to the way the institutions acquire a form of power and *shape actions* (Huault & Leca, 2009). Thus, institutions deal with structures – rules, norms and routines and the processes through which they contour *social behaviors and actions*.

Similarly, the action and forms of organizations are determined through field logic (Friedland & Alford, 1991) within a given organizational field. *Field logic* or institutional logic defines the scope of socially legitimate conduct within the given field. Organizations adopt practices, forms, which are institutionalized in field and by doing so they enhance their legitimacy and also increase their surviving capability. Institutions that bring efficiency and efficacy get legitimized and can assume such a higher degree of legitimacy in organizational field that any failure to adopt such social structures can de-legitimize the organization. DiMaggio and Powell (1991) maintain that adopting such social structures increases homogeneity of organizational environment. Organizations adopt these structures as a result of coercive, mimetic and normative pressures. Since, institutions are systems shaping *social behavior* (Scott, 1995), they shape social behavior differently in different organizational forms. Not only these varying pressures effect organizations differently, but there exist considerable evidence that firms react differently to even similar challenges.

As different organizations aim for various objectives and under different set of assumptions (Powell, 1991; Powell & DiMaggio, 1991), therefore, they get organized under different institutional logics. In other words institutional functions are based on organizing logics that provide them the meaning for their social reality. There are a variety of institutions that exist in our society based on the type of activities or functions that they perform. These institutions range from business to government and from family to religion.

The norms, values, belief system and ultimate organizational behaviors are affected by these logics: the "cultural beliefs and rules that shape the cognition and behaviors of actors" (Mitchell et al, 2011: 236, citing, Friedland and Alford, 1991; Thornton, 2004; Lounsbury, 2007). There are deep and quite unique effects of institutional framework on social relations (Friedland and Alford, 1991) and institutional logics shape the area of focus of various organizations. Governments focus tax collection, public welfare and law and order, armies focus guarding the territorial sovereignty of nations, businesses focus profits and markets, NGOs focus the interests of groups that they represent, etc (Mitchell et al, 2011).

In the literature, institutional logics are defined as "socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material substance, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999: 804, as cited by Mitchell et al., 2011). Likewise, Friedland and Alford (1991: 243) define institutional logics as: “symbolic systems, ways of ordering reality, and thereby rendering experience of time and space meaningful”. Thornton and Ocasio (1999: 804) also define logics as “the formal and informal rules of action, interaction, and interpretation that guide and constrain decision makers”. Thornton (2004: 2, cited by Greenwood et al, 2009) refers to logics as “the axial principles of organization and action based on cultural discourses and material practices prevalent in different institutional or societal sectors.” Therefore, logics determine the appropriateness and suitability of organizational practices in given context. Zajac and Westphal (2004) stated that using an unfashionable and un-established rationale for a corporate practice generates adverse reactions for share prices. Thus, we can safely suggest that when an organization follows the field logic, it is conferred with acceptability (legitimacy) which ultimately contributes to its salience.

Thornton and Ocasio (2008) state that the focal point of the framework of institutional logic is that individuals and organizations possess some identities, interests, values, and assumptions which are embedded within existing institutional logics. These interests, identities, values and assumptions vary from one organizational form to other. It is argued that several logics may simultaneously be at work in the field and organizations tend to differ due to the logic that they endorse (Chen, 2010) and also differently attend to these logics (Jones, 2001; Lounsbury, 2007). Aforestated discussion reveals that organizations function in conformity to field logics and they are bound to do so, otherwise they may lose their salience. But as Chen (2010) argues that organizations differently attend to different logics, therefore, we are interested in knowing "How differentially managers would attend to various stakeholder groups with different institutional logics?" We would try to find the possible explanation of this question utilizing the Mitchell et al.'s (1997) model of stakeholder salience and shall provide an alternative conceptualization, taking NGOs sector as an illustration.

3.2 Nongovernmental organizations as salient stakeholders

3.2.1 A third sector

In recent times, NGOs have successfully assumed the role of legitimate stakeholders in international business (Doh & Teegen, 2001; Ottaway, 2001). NGOs are now representing multifarious and diverse interests in several areas ranging from economic and industrial development to human rights, environmental sustainability to world trade etc. as some out of many areas. Substantial body of literature provides considerable evidence of fastly growing importance of NGOs in the international business (Davis & McAdam, 2000; Smith, Chatfield & Pagnucco, 1997). Teegen et al. (2004: 465, cited in Vachani et al., 2009) explain the emergence of NGOs stating that "When the interests embodied in a social movement evolve structurally to form a free- standing presence within a broader institutional environment, the resulting entity is termed an NGO." They define NGOs as "*private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and /or operational efforts on social, political and economical goals, including equity, education, health, environmental protection and human rights*" (Teegen et al, 2004: 466).

NGOs – as a third sector, has emerged as a very powerful, influential and vocal platform assembling the fragmented and disintegrated interests of society. There has been rapid post world war growth in nonprofit sector: Up till the mid of 80's, nonprofit sector had generated 5.6% of national income and 9.5% of employment (paid and volunteer) in USA (Hodgkinson & Weitzman 1986). There has been a 450 percent increase in international NGOs over the last recent decade (Yaziji, 2004). It has been reported that global NGO sector with more than $ 1 Trillion turnover, could be ranked as the world's eighth largest economy (USAID: Public-Private alliances for transformational Development, 2006). The influence of NGOs can be gauged from the fact that they were greatly responsible for the defeat of Multilateral Treaty on Investment (MAI), as domestic interest groups joined across borders to jointly rally against the MAI (Public Citizen, 1998, Cf. Doh & Teegen, 2002). NGOs are increasingly the source of objections directed at governments and MNEs and their importance is swiftly expanding and therefore, need to incorporate into models that explain firm to stakeholder's interfaces.

Effect of NGOs has grown considerably on international business in modern times (Teegen, Doh & Vachani, 2004) and they carry sufficient ability to pressurize MNEs to act in socially responsible way by bringing forth the negative externalities that they cause. In addition, NGOs can help firms design and implement enhanced social development strategies which can help the firms to considerably reduce their transaction costs.

3.2.2 NGOs – Unique institutional logic

NGOs possess different set of abilities, strengths and attributes that make them quite different from both for-profit stakeholders and not-for-profit stakeholders. Nature, existence, legal form, economic utility, exchange functions and attributes of NGOs are quite different from all other organizations that confers them quite unique status in institutional context.

Nature & existence: NGOs are not readily identifiable, may come up and die out relatively quickly and may go transnational (Yaziji & Doh, 2009). As far as the existence and nature of NGOs is concerned, NGOs are transient and opportunistic organizations whose existence is temporary and short-lived (Yanacopulos, 2005) quite different from other organizations.

Legal form: Given different activities, operations and goals one can identify legal form of NGO from other organizations with complete accuracy. NGOs depict completely different legal form from other organizations. There have been studies that have attempted to explore why particular legal form of organization is selected. Factors suggested in the literature include founder's dispositions (for instance, profit-mindedness, moral and religious values, risk averseness and altruism) (James & Rose-Ackerman, 1986), reach to capital markets (Hollingsworth & Hollingsworth, 1987) and eligibility rules for government aid (DiMaggio, 1987). NGOs seem to be different from other organizations not only in terms of afore-stated factors but also because they are not formally accountable to any institution or set of institutions.

Economic utility: In purely economic perspective, Hansmann (1987) notes that not for profit organizations can utilize consumers' and donor's fund more reliably for service provision both directly and indirectly than for profit institutions because of non-distribution constraints. This is because, monitoring and enforcement make profiteering risky and also because businesses which are in general preoccupied with profit-motive apply their talents elsewhere. This unique economic utility has caused the emergence of NGOs with non-market and not for profit logic.

Exchange of collective goods: Kostova (1999) maintains that like country's laws, political system and administrative bodies, majority of institutions are essentially national in character. Today, the rapidly evolving global nature of exchange of collective goods (e.g. natural environment & human rights protection) (Teegen, 2003) faces two main challenges: firstly, there is absence of supranational institution which carry sufficient power and mandate to govern the exchange of such goods, secondly, the perception about the private and public sector is that of incompatibility and conflict, where private sector is perceived to work to maximize the wealth of shareholders while national government works for maximizing welfare of its citizen (Olson, 1965). There emerges a need, therefore, of such an institution that can potentially create value not only for citizens of national state but also for shareholders of multinational firms. This vacant space is filled by NGOs carrying unique institutional logic – offer public service across borders without profit motivation, carry sufficient legitimacy (more than businesses or even national governments), and can potentially give rise to exchange efficiency (Casson, 1991). This confers superiority to NGOs in that they can handle the number of issues that span globally which cannot be addressed by other stakeholders like national governments; therefore, NGOs play their role in resolving such issues.

Different Salience Attributes: Their *salience attributes* may vary structurally and functionally from other organizations. NGOs have emerged as specialized organizations whose business is to grant or revoke legitimacy to the business firms – a *unique institutional logic*. No other stakeholder group can carry such a professional function of watchdog. It was long considered that sources and control of a focal firm's legitimacy are distributed and fragmented (Suchman, 1995) but the emergence of NGOs has challenged this viewpoint.

NGOs employ power which is not their own – borrowed from third parties like governments, media and consumers etc (Yaziji & Doh, 2009). NGOs may also employ different types of power at different points of time adding dynamism to their salience attributes. They may build more on urgency than on legitimacy. Unlike other stakeholders who may hold firms accountable to institutional norms, NGOs may drive a total institutional change against businesses – a motive quite different from rest of other stakeholders. Doh et al (2003) suggest that NGOs are also quite different from rest of stakeholders due to their network building ability.

We can infer from the discussion above that robust contextual change has helped emerge the NGOs as key institutional player. NGOs are unique entities in terms of institutional logic that they depict. Friedland and Alford (1991) maintain that logics are hierarchical in form. Different organizational fields may have their own logics and these logics are mainly situated in institutions that are central. It is suggested that NGOs also possess a mix of logics which are impressively reinforcing to each other, while actually they are contradictory. For instance, NGOs carry non-market logic but they also carry commercial activities to achieve purely social objectives e.g. microfinance. They coordinate and support various types of governmental, semi-governmental and private institutions (development/welfare logic) but also carry the watchdog functions over the same institutions (Surveillance logic). How these apparently contradictory logics get mutually tolerant and co-exist can be one interesting area for future research.

Emergence of NGOs has altogether reshaped the field in which they operate. The uniqueness of salience attributes of NGOs as key stakeholders of business demands an alternative conceptualization of salience model in terms of institutional logic that we would discuss in the lines ahead.

3.3 Reconceptualizing the salience framework: An institutional logic perspective

3.3.1 NGOs in Institutional Context

NGOs have emerged as organizations that have not only added complexity to institutional context but have also affected the broader institutional environment due to their evolutionary characteristic that they have depicted in recent times.

Although the effect of NGOs has drastically grown during the past several years, we must acknowledge that lesser attention has been given to how *nonmarket logics* might influence business perception with the exception of one study (i.e, Lounsbury, 2007). Contemporary research provides little insights about the effect of institutions with nonmarket logic, such as the family, religion, state, and above all the NGOs on organizations in recent times. Not only organizations can be greatly affected by an inherently strong market logic, but it must also be recognized that treating an organizational field as completely invulnerable to the values of other higher order institutions like NGOs portrays a misleading situation. Moreover, organizations may differently perceive various logics and may differ in their receptivity to nonmarket logics, resulting in a range of organizational responses. However, we know little about how organizations perceive and respond to newly emerging logics like that of NGOs and we also know little about resultant institutional change brought about by infusion of this logic. Therefore, in order to understand the response of organizations to changes in institutional context, it is necessary to understand the logics that bring changes in institutional context and managerial responses (perceptions and practices) there against.

North (1986) argues that institutional stability, fairness and predictability are keys to economic growth. The continuity and persistence of economic development depends on institutional development. Vachani et al., (2009) propose that higher institutional development gives rise to higher number of NGOs (advocacy). These NGOs then in turn considerably influence the businesses, thus, adding complexity to *institutional context* which business organizations face in market setting. Organizations are formed to advance collective interests and achieve common goals with these goals codified as informal practices, formal rules, or both. It is suggested that NGOs carry capacity to affect all these constituents of institutional environments today (Keim, 2003).

Tolbert & Zucker (1996) suggested that institutions are intrinsically evolutionary, the roles that NGOs play are auto-evolving, and this evolution is greatly influencing the broader institutional context in which NGOs operate, giving momentum to a dynamic, reflexive and ever evolving process of contextual change. Owing to increased integration into the institutional environment, NGOs have shown remarkable growth in their membership and have established sophisticated networks and therefore, they can cause substantial changes in the institutional setting.

Previous work which relates to institutional logic has focused primarily on validating two important propositions. First proposition states that practices are, undoubtedly, shaped by institutional logics (Greenwood et al., 2009). Several studies have shown that there exists linkage between logics and practices, for instance, entrepreneurship and technology (Sine and David, 2003), compensation and executive succession (Thornton and Ocasio, 1999; Zajac and Westphal, 2004), social responsibility (Lounsbury, 2007), structure of careers (Stovel and Savage, 2006) and professionalization (Lounsbury, 2002) all have proven linkage with logics. The second proposition is illustrated by the study of Scott et al. (2000) who inspected the changes in field-level governance with the changes that had occurred in the U.S. health care industry. This proposition is that logics with all their manifestations are historically contingent (Greenwood et al., 2009).

Researchers maintain that organizational fields carry multiple logics (Friedland and Alford, 1991). As the institutional setting changes with the infusion of unique and evolving logic of

NGOs to already multiple logics, business organizations perceive and respond to this new paradigm differently. Organizations, therefore, respond to their contexts in diverse ways. Building on the work of Friedland and Alford (1991) and Thornton (2002, 2004), which states that there is impact of central institutions across the fields, although this influence may be relatively different for various institutional settings. These studies **c**onfirm that even the less prevalent logics shall also have influence (Thornton and Ocasio 1999; Sine and David 2003 ; Zajac and Westphal 2004 ; Stovel and Savage 2006, cf. Greenwood et al., 2009). *We therefore, propose that existence of logic in institutional setting which is strongly felt across fields should affect the managerial perception*. It is on the basis of these perceptions that managers would assign salience to various stakeholders. We, therefore, propose:

> ***Proposition 1 a**: Managerial perception of stakeholder salience is shaped by institutional logic.*

Organizational theory states that *all events are not attended equally* (Hoffman and Ocasio, 2001 cf. Greenwood et al., 2009). Likewise, there is always competition for attention between various players (Ocasio 1997 cf. Greenwood et al., 2009). One of the previous researches has been concerned with how and why industries are attentive to particular issues (Hoffman and Ocasio, 2001). Mitchell et al., (1997) suggest that managers are, in general, attentive to those stakeholders that possess the attributes of power, legitimacy and urgency.

In this paper we attempt to incorporate institutional logic into stakeholder salience framework and we suggest that managers' perception about the possession of salience attributes is shaped by institutional logic.

> ***Proposition 1 b**: Managerial perception of presence and absence of salience attributes with a particular stakeholder depends on institutional logic of that stakeholder.*
>
> ***Proposition 1 c**: Managerial perception of prioritization of salience attributes of a particular stakeholder depends on institutional logic of that stakeholder.*

3.3.2 NGOs in Stakeholder Salience Perspective

Mitchell et al.'s (1997) stakeholder salience model proposes that salience of stakeholders shall be positively related to the number of stakeholder attributes of salience as observed by managers to be present. Dichotomous representation of the attributes of power, legitimacy, and urgency in which attributes are either present or absent bars the extension of stakeholders salience framework and the subsequent testing has also remained limited in scope (e.g, Agle et al. 1999; Parent and Deephouse, 2007). Such testing which is based on dichotomous representation of salience attributes has been limited only to three attributes – power, legitimacy and urgency. Very little research (with exception of Driscoll & Starik, 2004) has been conducted to extend the Mitchell et al.'s (1997) model of stakeholder salience to discover additional salience attributes, if any. We suggest that presence and absence of these salience attributes is function of institutional logic. Salience of organizations with non-market logic e.g, NGOs, family, religion etc. may depend on somewhat different salience attributes compared to one with market logic.

3.3.2.1 Prioritization of attributes and institutional logic

There is also a need to consider not only the presence and absence of these attributes but also the prioritization of these attributes with respect to different institutional logics. Literature reveals that the researchers mutually disagree over the prioritization of these attributes. Agle et al. (1999) while studying CEOs of various firms to empirically test and confirm the Mitchell et al's (1997) framework have suggested that 'urgency' is one of the best predictors of salience. Parent and Deephouse (2007) while studying two organizing committees of mega sports events had suggested that power is primary attribute, followed by urgency and legitimacy. Neville et al (2011), argue that urgency as a stakeholder salience attribute, alone is not sufficient to grant stakeholder status to any claimant. They suggest that it is power and legitimacy that define and identify stakeholders. Parent & Deephouse (2007) have also suggested that power has a bigger impact on salience than urgency and that power is necessary for stakeholders to be identified as salient. From the review of literature it appears reasonable to propose that presence and prioritization of salience attributes is the function of type of stakeholder organization and it may vary as the stakeholder type varies. For example, when Driscoll and Starik (2004) bring a new type of stakeholder i.e. natural environment, a new type of stakeholder salience attribute which they call *Proximity* comes. Thus we can say that the proposition that the presence, prioritization and changes in salience attributes is related to institutional logic calls attention.

We propose not only to investigate presence and the pattern of prioritization of salience attributes with respect to different institutional logics, but we also suggest extending our investigation to various sub-types of salience attributes. Previous research (Ryan and Schneider 2003 ; Parent and Deephouse, 2007) distinguishing between the three types of power as described by Etzioni (1964) found that, stakeholder gets more salient as it gets hold of all of the three types of power and that utilitarian power had the most mentionable effect upon salience. We propose that such an investigation should be extended to sub-types of legitimacy, urgency and proximity and see if presence and prioritization of these sub-attributes carries some links with institutional logic and its ultimate effect on salience.

Therefore, there is need to assess if 'presence as well as prioritization' of these attributes is linked in some way to institutional logic. Such an investigation can contribute to the contemporary research streams of institutional and stakeholder theories by incorporating the stakeholder-side dynamics and antecedents of salience attributes.

Organizations like NGOs that carry quite under-emphasized but unique institutional logic, best suit our research agenda. We believe that not only these attributes are insufficient to express accurately and precisely the salience of an NGO stakeholder but they also need to be reviewed individually for their structural composition.

3.3.2.2 Presence of attributes and institutional logic

In-depth review of literature suggests that, urgency, legitimacy and power as suggested by Mitchell et al. (1997), are not the only attributes that form the salience of stakeholder. There are some other attributes that can be tested as important attributes of stakeholder salience. For instance, Driscoll and Starik (2004) stated that stakeholder salience also depends on a fourth attribute which they call *proximity*. They suggested that this attribute encompasses the three dimensions: the actual and the potential, the near and the far, the short- and the long-term. It is proposed that more salient stakeholders should be the one which are more proximate – actual, near and short-term. In another conceptualization, Torre and Rallet (2005) maintain that proximity can be classified as Geographical and Organized Proximities. Geographical proximity is same as suggested above and is accessed as near and far while, they define organized proximity in an interesting way stating that it is the ability of organization to make its members interact easily by a) Membership Logic: routines, rules and norms. B) Social logic: codes, beliefs, shared values etc.

We suggest that NGOs being transnational organization carrying unique and mixed logic incorporating – nonmarket, welfare and surveillance aspects appears to rely more on attribute of proximity. This attribute has been explained in the light of social network theory (Neville et al, 2011). It is suggested that as the number of participants increase on network it gives rise to increase in network density, and therefore, organizations are subjected to increased attention and scrutiny from multiple stakeholders. On the other hand, stakeholders assume increased reach to others within the network and are able to permit or withhold access to others within the network when relative centrality or proximity of stakeholder increases on the network (Driscoll and Starik, 2004). Since, NGOs rely more on building alliances and coalitions amongst themselves to propagate and press their viewpoint, therefore, we present an alternative conceptualization wherein we propose that owing to unique institutional logic, NGOs are perceived more salient by managers if they possess stakeholder attribute of proximity. We therefore, propose that:

> ***Proposition 2***. *NGO stakeholder gets more salient when it is perceived to get hold of all of the four (not three) types of stakeholder salience attributes -- proximity, power, legitimacy and urgency.*

Research that enhances our understanding of the salience attributes and their constituents highlights the fact that Mitchell et al. (1997) had offered limited views on the attributes which Mitchell et al. (1997) recognized themselves as well. Therefore, afore-stated discussion justifies having a more critical review of salience attributes and their constituents. We extend our thinking to constituents of these attributes which have been named and discussed in lines above.

3.3.2.3 Composition of stakeholder attributes and institutional logic

Power: We have seen several illustrations of coercive power in the form of use of physical force, sabotage, violence, threat, enforcement through government machinery, courts etc. (Etzioni, 1964; Agle et al., 1999). Utilitarian power has been seen in action in the form of its ability to grant or withhold financial and material resources (Etzioni, 1964). While the use of the media to publicize esteem, prestige, image, displeasure and social symbols (Etzioni, 1964; Agle et al., 1999; Parent & Deephouse 2007) represent symbolic power.

Parent and Deephouse (2007) argue that power is the most significant attribute which determines the perception of manager in terms of stakeholder salience, followed by urgency and legitimacy. They also conducted research stating that stakeholder gets more salient as it gets hold of all of the three types of power and that it was utilitarian power that had the most mentionable effect upon salience. It has also been empirically tested and proved that the more different types of power a stakeholder possesses; the more salient it becomes (Ryan & Schneider, 2003). Author also suggested that stakeholders with utilitarian power are more salient than those with normative or coercive power.

Potential vs. Actual Debate: Mitchell et al. (1997) overtly mentioned that their typology encompasses 'potential' relationships. Here Neville et al (2011) pose an interesting question that, do the actual possession of salience attributes is similar to the potential to access salience attributes? We ask therefore, should an urgent claimant like NGO carrying potential to acquire power be considered a salient stakeholder? We suggest that potential power can be dangerous or demanding. Neville et al (2011) concede with Parent and Deephouse (2007) who defined power as the *potential or ability* of stakeholders to impose their will. Observation suggests that with an urgent and legitimate claim at hand, NGOs carry the ability to borrow the power from relevant constituencies. As suggested above, NGOs borrow various types of power through third parties (Yaziji & Doh, 2009). For various campaigns, NGOs can easily gather the support from various corners, this is because, NGOs generally lead and champion such causes that are related to societal welfare and development, therefore, we propose that:

> ***Proposition 3.a.*** *NGO Stakeholder is perceived as salient when it possesses the 'ability to borrow' stakeholder attributes from other constituencies.*
> ***Proposition 3.b****. NGO Stakeholder's ability to borrow salient attributes (e.g. power) is higher when it has more of other attributes (e.g Urgency, Legitimacy and Proximity)*
> ***Proposition 3 c.*** *Possession of different types of power by stakeholder, as perceived by manager of focal firm, is different for institutions carrying non-market logic from the one possessed by institutions with market logic.*
> ***Proposition 3 d.*** *Likewise, prioritization of different types of power by stakeholder, as perceived by manager of focal firm, is different for institutions carrying non-market logic from the one prioritized for institutions with market logic.*

Urgency: Mitchell et al. (1997) suggested that urgency consists of time sensitivity and criticality. In addition, to time-sensitivity and criticality, researchers have also broadened the understanding of the original attributes and attempted to add more attributes into the original framework as devised by Mitchell et al., (1997). Driscoll and Starik (2004) suggested that urgency shall be partly determined by a probability that the claim shall actually occur. Thus, managers shall perceive the claimant as more salient when a claim carried by stakeholder is time sensitive, critical, and carries a high probability of occurrence (Driscoll and Starik, 2004).

Incorporating the element of 'probability', stakeholder salience models need to be widened in its scope. An in-depth investigation is being proposed which could help us understand the linkage between various elements of urgency and institutional logic. We suggest that for non-market logic as possessed by NGOs, the urgency is quite critical attribute. NGOs can only get attention of the managers when their claim is pressing and urgent. But what composes this urgency in case of non-market institutional logic is a worthy question to be answered. We, therefore, propose that:

> ***Proposition 4 a.*** *Possession of different types of urgency by stakeholder, as perceived by manager of focal firm, is different for*

institutions carrying non-market logic from the one possessed by institutions with market logic.

Proposition 4 b. *Likewise, prioritization of different types of urgency by stakeholder, as perceived by manager of focal firm, is different for institutions carrying non-market logic from the one prioritized for institutions with market logic.*

Legitimacy: Ashforth and Gibbs (1990) argued that when businesses make explicit efforts to increase their legitimacy it is viewed irreverently by stakeholders and can jeopardize the firm. Ways to get hold of legitimacy (pragmatic) without losing moral legitimacy, therefore, must be of particular interest to stakeholders. We have observed that during the NGO-led anti globalization movement, protesters used coercive power through vandalism which negatively affected their moral legitimacy of their claims (Neville et al 2011). But this is for not whole loss. Use of coercive power resultantly helped NGOs secure more coverage by media and brought into lime light the cognitive legitimacy or taken for grantedness of corporate hegemony which is being question today. Thus, although protesters lost their legitimacy (moral) with the smaller segment they build it with larger segment (community). Suchman (1995) generalized about this war of legitimacy, arguing that combat between the different kinds of legitimacy appear to arise when there exists poor level of communication between large social institutions or when they are undergoing historical transition. However, the detailed analysis in this connection is needed. Particularly, in case of NGOs with unique institutional logic, the mutual interaction of types of legitimacy is not a simple summation as identified by Mitchell et al. (1997), rather the types of legitimacy may be mutually conflicting and negating, where these types of legitimacy may not mutually co-exist. Similarly, as suggested for other attributes in the lines above, the possession and prioritization of different types of legitimacy can also be the function of institutional logic, we therefore propose that:

Proposition 5 a*: For NGOs stakeholders, amelioration in one type of legitimacy gets amplified when other types remain constant or decrease in intensity.*

Proposition 5 b*. Possession of different types of legitimacy by stakeholder, as perceived by manager of focal firm, is different for institutions carrying non-market logic from the one possessed by institutions with market logic.*

> ***Proposition 5 c**. Likewise, prioritization of different types of legitimacy by stakeholder, as perceived by manager of focal firm, is different for institutions carrying non-market logic from the one prioritized for institutions with market logic.*

3.4 Conclusion and implications for future research

This paper is an attempt to review the structure of salience attributes of nongovernmental organizations and the influence of institutional logic on these attributes. We have focused on the application of institutional theory and stakeholder salience framework to understand the variance in overall salience of NGOs stakeholder due primarily to their unique institutional logic. A set of propositions dealing primarily with four salience attributes and their types synthesize the results of this paper which suggest that salience of a stakeholder is processed through lens of institutional logic of stakeholder organization. These propositions, when tested empirically, could help us understand presence and prioritization of these attributes in different stakeholder groups. This paper revisits the stakeholder salience model in the light of concept of institutional logic and opens us a new avenue for future research which can help us better understand the relationship between NGOs and MNEs. On the theoretical front, this study contributes to two main domains: stakeholder theory and institutional theory. This perspective can be extended and applied to understand the structural and functional composition of salience attributes of other stakeholders and also different types of not for profit institutions other than NGOs.

Chapter 4

4. Examining attributes and salience in not-for-profit and for-profit stakeholders: How do they win the managerial attention?[6]

In previous chapter, acute examination of salience attributes of NGOs helps us propose a link between managerial perception of salience attributes and institutional logic of that stakeholder. NGOs with non-market logic build more on the legitimacy attribute and win managerial attention on the basis of four (not three) salience attributes. Unique institutional logic of NGOs permits them to borrow salience attributes from other stakeholders. Moreover, the fundamental proposition of stakeholder salience framework that suggests a direct relationship between cumulative number of attribute and salience is left redundant in case of NGOs stakeholders. NGOs may lose moral legitimacy with one stakeholder (e.g., Government) due to vandalism in protests but may win more media coverage and thus legitimacy with general public.

Building on the core arguments presented in previous chapter, debate is taken to next level in this chapter where two different organizational populations—i.e., for-profit and not-for-profit—are compared which are distinguishable from one another based on the dominant institutional logic that each endorses. This formulation helps us not only strengthen the theoretical foundations of proposed institutional logic-attribute relationship but it also helps us address important residual weaknesses of the stakeholder salience model. Dichotomous representation (presence or absence) of salience attributes in stakeholder salience framework does not explain how a stakeholder possessing a lesser number of attributes is assigned more salience than another stakeholder with more attributes. Moreover, salience framework does not offer insights into process of managerial evaluation of stakeholders. Therefore, this conceptual paper proposes a detailed conceptual framework within the premises of stakeholder salience framework to address these gaps.

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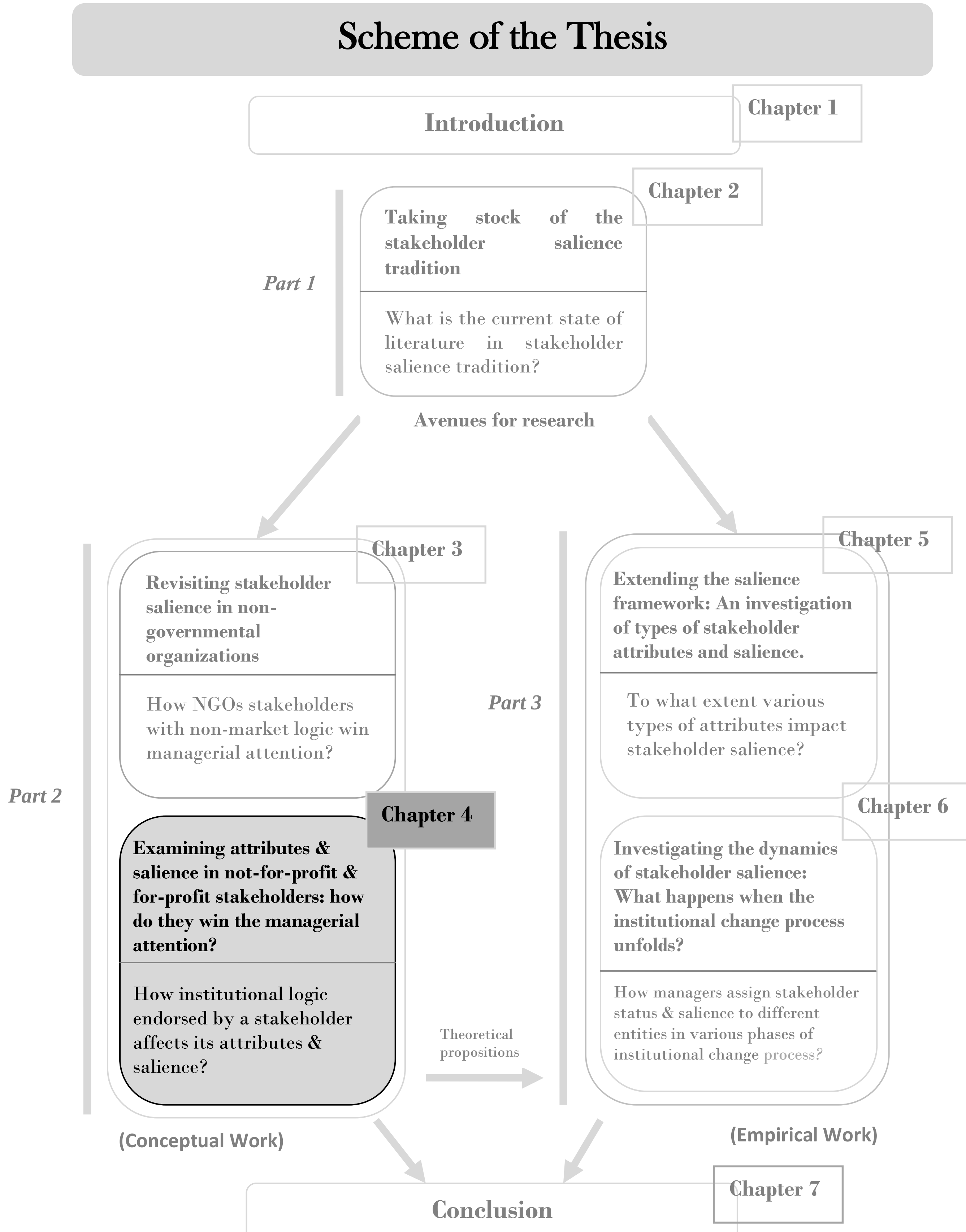
[6] Khurram, S., & Pestre, F. Examining attributes and salience in not-for-profit and for-profit stakeholders: How do they win the managerial attention?


Scheme of the Thesis
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Introduction

In this article, we suggest a new perspective for understanding the process of stakeholder identification and prioritization. The stakeholder salience model (Mitchell et al., 1997) predicts how managers identify and rank stakeholders on the basis of possession of three salience attributes—i.e., power, legitimacy and urgency. Subsequent testing of fundamental proposition of salience framework confirms that salience assigned to a stakeholder directly relates to the cumulative number of salience attributes possessed by that stakeholder (Agle et al, 1999; Eesley & Lenox, 2006; Magness, 2008; Parent & Deephouse, 2007). However, several instances have been reported where managers had assigned more salience to a latent stakeholder (possessing one attribute) compared to a definitive one (possessing three attributes) (Parent & Deephouse, 2007; Neville et al., 2011). Moreover, an unexpressed but a fundamental assumption of stakeholder salience framework is that managers conduct a single all-inclusive evaluation to prioritize stakeholders. More precisely, salience model and subsequent work do not furnish necessary insights into the process of stakeholder evaluation (Bundy et al., 2013; Tashman & Raelin, 2013).

The objective of this paper, therefore, is to explore these phenomena and provide a conceptual framework that could explain these residual weaknesses of salience model. Towards this end, we compare two organizational populations—i.e., for-profit and not-for-profit—which are distinguishable from one another based on the dominant institutional logic that each endorses. The comparison of these organizational populations helps us trace a crucial linkage between institutional logic endorsed by the stakeholder organization and its salience attributes. We propose that members of an organizational population endorsing similar institutional logic develop salience attributes of similar *potential values* or *maxims*, which are radically different from those of the members of other organizational populations. These potential values act as precursors that determine the *perceived values* of salience attributes for a manager. To facilitate analysis we introduce an identification typology of *dominant* (carrying high potential value) and *recessive attributes* (carrying low potential value). Moreover, we break the single all-inclusive process of stakeholder evaluation at two sub-levels: cross-organizational population evaluation (e.g. *comparison between for-profit and not-for-profit organizations*) and intra-organizational population evaluation (e.g. *comparison between two not-for-profit organizations*). We propose that at these sub-levels dominant and recessive salience attributes mutely work to determine stakeholder prioritization. This formulation helps us address aforementioned residual weaknesses of salience framework.

The article is organized as follows. First, we examine the stakeholder salience framework, its criticism and the grounds on which stakeholder and institutional theories can be integrated. In section 2**,** we present the concept of institutional logic, trace the link between institutional logic and attributes in literature and present the concept of potential values of salience attributes. Then in section 3, to illustrate the link between institutional logic and salience attributes, we analyze the salience attributes of for-profit and not-for-profit organizations and draw five propositions. In section 4 we present a comprehensive framework of managerial evaluation coupled with two propositions. Finally, we discuss this article's contribution and limitations, along with avenues for future research.

4.1 Stakeholder salience framework

Since the publication of Freeman's (1984) book titled *Strategic Management: A Stakeholder Approach,* the stakeholder concept attained global recognition. However, stakeholder theory had been criticized for its inability to offer a framework to identify stakeholders. To fill this gap, Mitchell et al. (1997) offered the stakeholder salience theory, which was subsequently supported by empirical research.

Mitchell et al. (1997) propose that stakeholder salience—the degree to which managers give priority to competing stakeholder claims—is directly related to the cumulative number of attributes of salience perceived by managers to be present. This successful proposition then helped the authors to form an ordinal-scale encompassing salience variable ranging from low to high, which thus categorized stakeholders as latent, expectant or definitive. Consequently, the discourse on stakeholders, stakeholder attributes, and stakeholder salience has persisted and continued, and these three attributes—power, legitimacy and urgency—have been widely used in the stakeholder literature.

4.1.1 Criticism of salience model

Subsequent researchers have criticized stakeholder salience model for some residual weaknesses. For example, the model has been criticized for the inclusion of pragmatic and cognitive legitimacy (Neville et al., 2011); exhaustiveness of number of salience attributes (Driscoll & Starik, 2004); for not differentiating between salience of claim and the stakeholder (Eesley & Lenox, 2006) etc.

Detailed review of literature helped us identify an important vulnerability in the model which relates primarily to the prioritization of stakeholders. Although Mitchell et al. (1997) endorse salience attributes as variables, the model of stakeholder salience that they have developed, along with its subsequent testing, primarily relies on a dichotomous representation of salience attributes (Agle et al., 1999; Eesley & Lenox, 2006; Parent & Deephouse, 2007). The implications of this residual limitation are both theoretically and managerially considerable. One definitive stakeholder can be the most salient stakeholder while another definitive stakeholder may not be; similarly, one latent stakeholder may be the least salient but another may be relatively more salient. In their study, Parent and Deephouse (2007) find that managers report one stakeholder as the most salient for his possession of three salience attributes but report another stakeholder as comparatively less salient, even when the later also possesses those attributes. Neville et al. (2011), pointing towards the same reality, suggest that a highly powerful latent stakeholder may be perceived much more salient than a definitive stakeholder with only insignificant levels of each of the salience attributes. In other words, the perceived value of a latent stakeholder's power attribute is greater than the sum of the perceived values of three attributes possessed by a definitive stakeholder.

Moreover, one tacit assumption on which Mitchell et al.'s (1997) model of stakeholder salience is founded is that managers conduct a single across the board evaluation of all the stakeholders to prioritize them. Salience model and subsequent work does not offer any insights into the process of stakeholders' evaluation and the mechanism surrounding it. We suggest in this conceptual work that stakeholders' evaluation by managers is a complex, recurring and a two-fold phenomenon. In practice managers conduct not only an all inclusive comparative evaluation of stakeholders. But one level beneath an overall macro-evaluation there are two types of evaluation processes going on. First, where managers make comparative evaluation of stakeholders belonging to the same organizational population—termed as intra-organizational population evaluation (e.g., comparing two or more NGOs for their salience) and second where managers make comparative evaluation of stakeholders belonging to different organizational populations—that we call cross-organizational population evaluation (e.g., comparing an NGOs with a business concern). This bifurcation of evaluation process of stakeholders helps us provide a plausible explanation of why a latent stakeholder gets more salient than a definitive one.

But before predicting the salience outcomes of two-fold evaluation process, we have to critically examine the stakeholder-attribute relationship; more specifically the subtle link between dominant institutional logic as endorsed by the stakeholder and the strength of its salience attributes. It must be noted that the framework that we present here is mainly founded on the same principles on which stakeholder salience model is built –i.e., variability and perceptual quality. We treat salience attribute as variables where each attribute is a variable and changes in various stakeholder-manager relationships and the absence or (degree of) presence of each attribute is a socially constructed perceptual phenomenon.

4.1.2 Integrating stakeholder and institutional perspectives

To uncover the institutional logic-attribute link, we combine the theoretical lenses on stakeholders and institutions. Institutional theory explains that by shaping the identities, interests, values, assumptions, institutional forms and practices differently in various fields, dominant institutional logic shapes *attributes* differently in various organizational forms (Dobbin, 1994; Thornton & Ocasio, 1999; Sine & David, 2003; Zajac & Westphal, 2004; Stovel & Savage, 2006; Lounsbury, 2007; Battilana & Dorado, 2010; Chen, 2010). Likewise, the salience framework (Mitchell et al., 1997) models an interrelationship between salience and *attributes*. Because both are partly related to organizational *attributes*, their combination enriches our understanding of the phenomenon of stakeholder salience. Furthermore, salience framework assumes that managers' perceptions are variable (Mitchell et al., 1997). Similarly, recent literature on institutional theory (Battilana & Dorado, 2010; Pache & Santos, 2010) extends the notion of institutional logic to the individual-actor level, revealing how managerial perceptions and actions are subjected to the pervasive effect of institutional logic that they endorse, thus bringing institutional theory closer to the salience framework.

Prior to our entering the core discussion relating institutional logic-attribute relationship and managerial evaluation of stakeholders, it is important to present brief account of the level of analysis and related concepts.

Various streams of research in institutional theory differ at the application level. This difference in levels of the application of institutional theory emanates primarily from the level of phenomena that a researcher intends to study—i.e., micro or macro. We note the following six levels at which institutional theory is applied: world system, societal, organizational field, organizational population, organization and organizational subsystem (Scott, 1995). In recent research, institutional theory and particularly the notion of logic, has also been applied at the individual-actor level within organizational subsystems (Battilana & Dorado, 2010; Pache & Santos, 2010). As was done by Thornton and Ocasio (1999), we apply institutional theory at multiple levels of analysis: a) the individual-actor level b) the organizational level and c) the organizational-population level.

Organizational populations are defined as a collection or aggregation of organizations that are alike in some respects and in particular, classes of organizations that are relatively homogenous (Scott, 1995). In this paper, for the purpose of illustration, we consider two organizational populations that we differentiate from one another based on the institutional logics that they endorse—that is, not-for-profit and for-profit. Using an illustration of these two organizational populations, we explain that similar institutional logics cause members of an organizational population to possess more or less similar attributes. However, the absence and degree of possession of attributes vary remarkably among organizational populations. To explicate this proposition, we extend our debate to various types of salience attributes—i.e., utilitarian, coercive and normative types of power (Etzioni, 1964; Mitchell et al., 1997); pragmatic, moral and cognitive types of legitimacy (Suchman, 1995); and criticality and time sensitivity—as types of urgency (Mitchell et al., 1997).

4.2 Analyzing salience attributes through the lens of institutional theory

In this section, after introducing the concepts of institutional logic, we trace in literature the role that institutional logic plays in determining the strength of salience attributes.

4.2.1 The framework of institutional logic

The literature reveals that researchers disagree about managers' perceptions of the prioritization of salience attributes. While studying CEOs of various firms to empirically test and confirm Mitchell et al.'s (1997) framework, Agle et al. (1999) have suggested that '*urgency*' is one of the best predictors of salience. Parent and Deephouse (2007), while studying two organizing committees of mega-sporting events, suggest that '*power'* is the primary attribute, followed by urgency and legitimacy. In their conceptual work, Neville et al. (2011) argue that urgency as a stakeholder salience attribute alone is insufficient to grant stakeholder status to any claimant. They suggest that it is '*power and legitimacy'* that define and identify stakeholders. These studies were conducted on organizations belonging to different organizational populations with different sets of salient stakeholders, as perceived by managers. However, these studies confirm and validate the propositions suggested in Mitchell et al. (1997) model of stakeholder salience. That notwithstanding, they differ on the impact of salience attributes on stakeholders salience and resultant prioritization by the managers. An attribute that extracts a major part of salience for one organizational form may not extract much salience for the other organizational form. Accordingly, we presume that for organizations belonging to different organizational populations, salience is awarded based on different attributes. Institutional theory provides one plausible solution to this puzzling stakeholder-attribute relationship.

The complex nature of organizational environments can be better comprehended by employing various approaches. One robust approach is institutional theory, which successfully addresses both resilient and dynamic social structures. Institutional theory (Powell & DiMaggio, 1991; Powell, 1991) asserts that various types of institutions demonstrate different and distinct objectives and assumptions about the functioning of an organization termed institutional logics.

In the literature, institutional logics are defined as "*socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material substance, organize time and space, and provide meaning to their social reality*" (Thornton & Ocasio, 1999: 804, as cited by Mitchell et al., 2011). To Friedland and Alford (1991: 243), institutional logics are "*symbolic systems, ways of ordering reality, and thereby rendering experience of time and space meaningful*". Institutional logics determine the appropriateness of organizational practices in any given field. Thus, institutional logic defines the scope of socially legitimate and appropriate conduct at the field level; organizations and individual actors adopt practices and forms that are institutionalized in each field. Fields have varying configurations of not only wider constructions and legitimating rules (DiMaggio & Powell, 1983) but also in terms of their broader resource and power arrangements (Pfeffer & Salancik, 1978).

It has been asserted that individuals and organizations possess some identities, interests, values, and assumptions embedded within existing institutional logics that vary among fields (Thornton & Ocasio, 2008). Therefore, because different organizations aim for various objectives under different sets of assumptions (Powell, 1991; Powell & DiMaggio, 1991), they organize themselves under different institutional logics. Institutions in our society vary based on the type of activities or functions that they perform. These institutions range from business to government and from family to religion. Institutional frameworks have deep, unique effects on social relations (Friedland & Alford, 1991), and institutional logics shape various institutions' areas of focus. Governments focus on tax collection, public welfare, and law and order; armies focus on guarding nations' territorial sovereignty; for-profit organizations focus on profits and markets; and not-for-profit organizations focus on public welfare and the interests of the groups that they represent, etc. (Mitchell et al, 2011).

It has been suggested that by defining identities, interests, values and assumptions etc., differently, institutional logics shape institutional forms and practices in various fields and confer different *attributes* to organizations (Dobbin, 1994; Thornton & Ocasio, 1999; Sine & David, 2003; Zajac & Westphal, 2004; Stovel & Savage, 2006; Lounsbury, 2007; Battilana & Dorado, 2010; Chen, 2010). Each organizational form is awarded a social position of different order and the strength of *attributes* differs among organizational forms (Masoud & Wilson, 2011; Fassin, 2012). For instance, police and civil administrations enact laws and monitor transgressions and therefore, have high coercive power; banks deal in the money supply and thus, they have high utilitarian power; non-governmental organizations represent various interest groups and promote issues that demand immediate societal attention and therefore, they have higher legitimacy and urgency, etc. Therefore, previous literature clearly indicates the role that institutional logics play in shaping forms, practices, roles and *attributes* of organizational populations.

4.2.2 The potential value of attributes

As discussed above, the roles prescribed for each social actor and its social position provide a crucial link between the composition of attributes and the institutional logic endorsed by that actor (Scott, 1995). Organizations can be differentiated and grouped into different organizational populations based on similar dominant institutional logics, where each organizational population occupies a different role and social position in the broader institutional context and therefore possesses different attributes (Scott, 1995). We analyze this phenomenon in terms of attributes that collectively determine the stakeholder salience—i.e., power, legitimacy and urgency (Mitchell et al., 1997).

Previous literature, for example, confirms that power lies with an entity (or group of entities) based on its social position and role assigned to it (Weber, 1947; Dahl, 1957; Handy, 1976; Clegg; 1975). Clegg notes, "power … looks rather like an ongoing game of chess in which the pieces gain their power through their position" (1975.p. 49). The case of legitimacy is similar: depending on a constituent's social position & role, legitimacy demands vary (Suchman, 1995). Thus, the distribution of attributes among various organizational populations is uneven. This uneven distribution, which allocates and determines the '*possession'* and '*maxim*' of each attribute, results from shared understandings that are likely to emerge to rationalize patterns of social construction (Pfeffer, 1981). *Extent* to which power is conferred to a political regime would be much higher compared to that of an individual citizen. Similarly, schools as organizational populations possess legitimacy to the extent their goals are connected to wider cultural values and they conform in their structures and procedures to establish patterns of operations specified for educational organizations (Scott, 1995). The ‘maxim’ of legitimacy conferred to and deemed adequate for schools is much higher compared to that of business concerns.

Therefore, within the premise of the salience framework, we propose that the *possession and maxim* of each attribute by members of a particular organizational population is more alike and radically different from those of other organizational populations. Discussing power types, Mitchell et al. state, “Each type of power may range from nonexistent to *complete*” (1997; p. 868). Thus, when we refer to the organizational population-specific *maxim* of each salience attribute, what we imply is “the complete value” that we term as *potential value* in our conceptualization.

With the objective of advancing the stakeholder salience framework in light of institutional theory, we explain how the *perceived value* of a salience attribute is contingent upon and is assessed relative to its *potential value*. We conceptualize potential values as precursors and consider them as essential conditions that determine the perceived values of attributes. In section 3 of this article, we examine how member organizations of an organizational population endorsing similar institutional logic develop salience attributes of similar potential values, which are radically different from those of members of other organizational populations. It must be stated that the component of immediacy that involves time factor and criticality is not independently visible in our conceptualization because it relates more to the salience of a claim, not to the salience of a stakeholder (Eesley & Lenox; 2006). We discussed this issue in section 3 of this article and subsume it within the power attribute.

4.3 Examining attributes of for-profit and not-for-profit stakeholders

Having analyzed the crucial *theoretical* link between potential value of a salience attribute and institutional logic, we now critically examine two distinct forms of organizations to understand how they develop attributes of different potential values.

It is important to note in advance that institutional environments are not static; rather, they are fragmented and contested (Castel & Friedberg, 2010) and are influenced by multiple competing logics (Friedland & Alford, 1991). It is suggested that in this contest over institutional terrain, one logic may displace and triumph over others. The triumph of one logic over others occurs as organizations that embody multiple logics draw disproportionately from only one of several competing logics while presenting legitimating accounts of their activity to stakeholders (Khavul et al., 2013). Accordingly, organizational population is organized by a dominant institutional logic, even though multiple institutional logics may exist simultaneously (Thornton & Ocasio, 1999). In this article, we consider two distinct organizational populations, categorized based on the discernible dominant institutional logics that they endorse; that is, for-profit and not-for-profit.

4.3.1 For-Profit and Not-For Profit Populations: Different Forms, Functions and Attributes

We categorize non-governmental organizations, welfare societies, human rights organizations, charitable organizations and advocacy organizations, etc., under not-for-profit logic. These organizations are distinguished from private, profit-maximizing proprietorships and corporations, etc. which form another important category of stakeholders and are categorized under for-profit logic. As set forth below, by illustrating the differences of these two sets of stakeholders we attempt to improve our understanding of the role that the endorsed institutional logics play in shaping more or less similar attributes in one organizational population and radically different attributes across different organizational populations.

There has been rapid, post-world-war growth in the not-for-profit sector. In the past decade alone, a 450 percent increase in the international not-for-profit sector has been recorded (Yaziji & Doh, 2009). It has been reported that the global NGO sector, which has a turnover of greater than $ 1 trillion, could be ranked the world's eighth-largest economy (Yaziji & Doh, 2009). Not-for-profit organizations, particularly NGOs, are increasingly the source of objections directed at governments and multinational enterprises (MNEs), and their importance is swiftly expanding (Valor & Merino de Diego, 2009). Therefore, there is a need to incorporate not-for-profit organizations into models that explain the interfaces between a firm and its stakeholders. In the contemporary era, international businesses experience considerable influences from the not-for-profit sector, which has the ability to pressure MNEs to act in socially responsible ways by demonstrating the negative externalities that MNEs cause. However, this relationship is not based on animosity alone; instead, there is also an increased partnership between the two organizational forms, and not-for profit organizations can help firms to design and implement enhanced social development strategies that can help those firms to considerably reduce their transaction costs (Teegen, Doh & Vachani, 2004). Therefore, an organizational population with a not-for-profit institutional logic has assumed an important place among the stakeholders of the worldwide business sector.

Nonprofit Organizations (NPOs) as an organizational population are an important feature of civil society and are distinct from both the state and for-profit organizations (FPOs). Their unique position outside the market and the state, their comparatively smaller scale, their connection with citizens, and their flexibility and capacity to tap private initiatives in support of public purposes have positioned NPOs as strategically important participants search of a 'middle way' between sole reliance on the market and on the state (Pasha et al., 2002). Organizations with not-for-profit logics are clustered together into one organizational population due primarily to an important feature shared by them all: unlike FPOs, they do not return or distribute profits to their members, managers or directors. This important feature of NPOs also makes them distinguishable from FPOs. In addition, NPOs have an institutional presence and structure, they are institutionally separate from the state, they control their own affairs, they attract some level of voluntary contribution and membership in them is not legally required (Pasha et al., 2002).

NPOs possess different forms, functions and attributes that make them different from for-profit stakeholders of business firms. NPO stakeholders' nature, existence, legal form, economic utility, and exchange functions are all different from those of for-profit stakeholders, which confer upon them a unique status in the institutional context. When compared to FPOs, NPOs constitute a completely different legal form. The creation histories of NPOs reflect that their founders have dispositions different from those of their FPO counterparts (for instance, profit-mindedness, moral and religious values, risk averseness and altruism) (James & Rose-Ackerman, 1986). The two organizational types differ in their reach into capital markets (Hollingsworth & Hollingsworth, 1987) and the applicable eligibility rules for government aid from FPOs and other organizational populations. In the same vein, NPOs have emerged as specialized organizations whose purpose is to grant or revoke legitimacy to business firms. No other stakeholder group can perform a professional watchdog function. It has long been considered that sources and control of a business firm's legitimacy are distributed and fragmented (Suchman, 1995), but the emergence of NPOs has challenged this viewpoint.

From a purely economic perspective, Hansmann (1987) notes that NPOs can utilize consumer and donor funds more reliably for both direct and indirect service provision than can FPOs because of non-distribution constraints. This is because not only do monitoring and enforcement make profiteering risky but also FPOs, which are generally preoccupied by the profit motive, should apply their talents elsewhere.

Although the effect of the not-for-profit sector on business organizations has drastically grown during the past several years, we must acknowledge that lesser attention has been given to NPOs (Wellens & Jegers, 2014) and the influence of not-for-profit logics on business organizations. It is not only business firms that can be greatly affected by the inherently strong 'for-profit logic' of stakeholder organizations but also it must be recognized that treating an organizational field as completely invulnerable to the values of other higher-order organizations such as NPOs is a misleading portrayal of the situation.

Keeping the aforementioned debate in mind, it can be stated that NPOs and FPOs' organizational forms, practices and areas of focus differ (See **Table 4.1**). Because organizational practices, functions, forms and areas of focus are shaped by institutional logic and vary from one organizational population to other (Dobbin, 1994; Thornton & Ocasio, 1999; Sine & David, 2003; Zajac & Westphal, 2004; Stovel & Savage, 2006; Lounsbury, 2007; Battilana & Dorado, 2010; Chen, 2010), we therefore propose that NPOs and FPOs should develop attributes of different potential values.

A study of higher-education publishing houses (Thornton & Ocasio, 1999) provides support for this proposition by suggesting that the attributes of publishing houses under editorial logic are different from those under market logic. Likewise, in a recent work analyzing the effects of the stakeholder attributes of power, legitimacy and urgency on stakeholder salience, Masoud and

Wilson (2011) have found the salience attributes of two different organizational populations—state-owned entities and privatized firms in Tanzania—to be dissimilar.

Table 4.1: Comparison of the Natures of For-Profit and Not-For-Profit Logics

	Not-For-Profit Logic	**For-Profit Logic**
Objective	Societal welfare and development	Deriving profits
Approach towards target population	Target population considered "deserving communities"	Target population considered "clients" who provide income
Dependence (for existence and acceptability)	Efficient and correct utilization of donors' money for societal welfare purposes	Profit maximization and conformity to legal and social requirements
Attributes that confer salience*	Legitimacy	Power and urgency

* Though, Not-for-profit organizations build on power and urgency to extract salience, legitimacy demands are comparatively stringent for them. For-profit organizations also need legitimacy but mainly rely on power and urgency.

4.3.2 Dominant and Recessive salience attributes in FPOs and NPOs

Our proposition that institutional logics cause different organizational populations to develop salience attributes of different potential values, therefore, calls for attention. We maintain that some salience attributes are more vital and carry higher potential value for one organizational population than for others. In our conceptualization, such attributes are called *dominant attributes* while those that carry proportionately less potential value are called *recessive attributes*. Set of dominant attributes of NPOs is alike and is different from a set of dominant attributes of FPOs. This identification typology serves as mnemonic tool that promotes easy recall and helps us promote dialogue. Below, we analyze in detail the dominant and recessive salience attributes of NPOs and FPOs.

Power: We contend that power is a recessive attribute in the case of NPOs but carries higher potential value in the case of FPOs and is therefore dominant there. However, power is considered an important attribute that determines the overall salience awarded to a stakeholder organization (Mitchell et al, 1997; Parent & Deephouse 2007), but keeping in mind various functions that typical NPOs perform, they do not possess the ability to exercise direct power over a business firm. For instance, they do not carry the direct ability to grant or withhold financial and material resources; i.e., they do not have utilitarian power (Etzioni, 1964; Agle et al., 1999). That notwithstanding, they can cause other organizations to grant or withhold financial or material resources to a business firm by revoking or granting a business firm's legitimacy (Yaziji & Doh, 2009). Similarly, NPOs cannot directly exercise coercive power (Etzioni, 1964) as governments and courts can do, nor can they directly exercise normative power (Etzioni, 1964) as media can do. NPOs can potentially involve governments and courts in exercising coercive power and can use the media to publicize either the esteem, prestige or good image of a business firm—or their displeasure with that firm. Conversely, FPOs as stakeholders may employ direct utilitarian power over a business firm by withholding financial and material resources, e.g., banks, finance companies and resource suppliers, etc. Similarly, FPOs can exercise direct normative power over business firms, e.g., through private media outlets. However, the ability to directly exercise coercive power over business organizations is not possessed by FPOs. Moreover, Turker (2014) found that frequency of interaction and level of trust affects power of an organization over other organization. Because of lower level of trust and interaction (Yaziji & Doh, 2009) NPOs enjoy lesser degree of power over focal business firms.

We suggest that the actual possession of power is not similar to the ability to access power. Nor should a disability to exercise power in a direct way be confused with the absence of power.

However, previous research (Neville et al, 2011) hints that actual possession of power is similar to the potential to access power. That notwithstanding, we suggest that because every stakeholder may carry the ability to gather support from other constituencies, such an assumption would make the usage of salience attribute too vague to be objectively useful in research.

> ***Proposition 1:*** *Power is a recessive attribute in NPOs and a dominant attribute in FPOs.*

Legitimacy: NPOs are conferred legitimacy of very high potential value compared to FPOs. Therefore, we view legitimacy as a dominant attribute in case of NPOs. As a matter of fact, NPOs rely more on legitimacy to extract salience, perhaps more than any other institution. One of the earlier organizational definitions (Suchman, 1995) terms 'legitimation' as the process by which an organization justifies its right to exist to its peers or social system. Some other earlier works suggest that when the social values associated with organizational activities and the norms and values of acceptable behavior in the larger social system coincide, an organization earns legitimacy (Pfeffer & Salancik, 1978). We suggest that NPO activities that relate more to social welfare and societal uplift bring much more legitimacy to NPOs, compared to FPOs. NPOs' practices result in a generalized perception that their actions are desirable and largely appropriate in the prevalent, socially constructed system of values, norms, and beliefs. However, it is equally important for NPOs to comport with all major societal segments, whereas for FPOs it is not, and thus, legitimacy demands on NPOs are much more stringent. In terms of procedural, consequential, structural, dispositional, and influence legitimacies (Suchman, 1995), NPOs outweigh FPOs. Not only are the outcomes of their operations considered socially more acceptable but also they are recognized for their capacity to perform social tasks. Given their higher conformity with their constituents and their ability to easily generate supporters (Suchman, 1995), NPOs are conferred legitimacy of higher potential value than that of their counterparts. Other important reasons that legitimacy is a dominant salience trait in the case of NPOs include their inbuilt tendency towards coalitions and network building (Yaziji & Doh, 2009) and their less competitive environment.

> ***Proposition 2****: Legitimacy is a dominant attribute in NPOs and a recessive one in FPOs.*

Urgency: It is suggested that urgency consists of time sensitivity, criticality (Mitchell et al., 1997) and the probability that a claim will actually occur (Driscoll & Starik, 2004). Because NPOs' claims are generally pressing and urgent, therefore, it can be assumed that urgency is a dominant attribute of NPOs. However, critical analysis negates this assumption. Previous research suggests that the salience of the stakeholder should be distinguished from that of the claim (Neville et al., 2011). It is argued that stakeholder salience is affected differently by the legitimacy of a claim made by a stakeholder (e.g., calling for action on global warming) than by the legitimacy of the stakeholder itself (e.g., NGO campaigning on environmental issues). Eesley and Lenox (2006) also argue that in assigning stakeholder salience, it is only the urgency of the claim and not that of the stakeholder that is important. They argue that the attribute of urgency is characterized by the stakeholder's willingness to exercise its power, and thus stakeholder urgency is subsumed within the power attribute. We agree with this assertion and suggest that managers do not assign salience to a stakeholder only based on the urgency of the stakeholder's claim but based on the stakeholder's power. We assert that because power carries lower potential value in the case of NPOs, so does urgency. However, in the case of FPOs, clustering urgency with power makes it a dominant salience attribute. That notwithstanding, we have provided urgency with a separate space, but in our conceptualization, urgency and power are meshed and are seen as intertwined.

> ***Proposition 3:*** *Urgency is a recessive attribute in NPOs and a dominant one in case of FPOs.*

As shown in **Table 4.2**, the key distinction that we propose is that NPOs possess one dominant attribute i.e., legitimacy, whereas power and urgency are recessive ones. Conversely, in the case of FPOs, power and urgency are dominant attributes while legitimacy is recessive. The elucidation gained from the aforementioned distinction implies that patterns of absence and possession, along with degree of possession, changes across organizations that represent different organizational populations. Thus, the potential value or 'maxim' of each salience attribute is consigned by the institutional logic to be endorsed by the organizational population. This causes us to propose the following:

Proposition 4: *Stakeholders possess dissimilar dominant and recessive salience attributes owing to the dominant institutional logic that they endorse.*

Proposition 5*: In stakeholder organizations endorsing similar institutional logic, pattern of absence and presence of attributes changes less significantly than in organizations endorsing different institutional logics.*

Table 4.2: Dominant and recessive salience attributes in NPOs and FPOs

Recessive attribute(s)	Dominant attribute(s)	
Power and urgency	Legitimacy	**NPOs**
Legitimacy	Power and urgency	**FPOs**

Summing up, the NPOs and FPOs as organizational populations that are differentiated based on the institutional logics that they endorse, we propose that institutional logic provides the basis of the inter-relationship between stakeholders and attributes. Organizational populations that endorse different institutional logics develop salience attributes of dissimilar potential values. Therefore, the dominant and recessive salience attributes are radically different from one organizational population to other. Furthermore, the potential values act as precursors and reference points, and we consider them essential conditions that determine the perceived values of attributes.

4.4 Managerial evaluation to prioritize stakeholders

In a real-world setting, managers do not conduct a single across the board evaluation involving all stakeholders. But the process of evaluation of stakeholders is more comparative, recurring and is carried out at two subordinate and intertwined levels. As shown in **Figure 4.1**, these two levels include: a) the cross-organizational population level; and b) the intraorganizational population level.

At cross-organizational population level of stakeholder evaluation, stakeholders from variety of different fields contest to gain managerial attention. In this evaluation, which is actually a quite complex situation, dominant attributes become more decisive. For example, a latent NPO and a definitive FPO contest for managerial attention and although manager perceives FPO to possess more number of salience attributes but in contradiction to salience model's fundamental proposition—i.e., the more the number of salience attributes possessed by the stakeholder, the more salient it is—manager gives more priority to the NPO. This might happen in situations when the focal firm either itself stands short of a particular attribute or feels vulnerable to a particular attribute possessed by the stakeholder. Under these circumstances, a stakeholder with a dominant attribute (e.g., legitimacy in the case of an NPO) has greater chances of gaining managerial attention compared to other with legitimacy as a recessive attribute (e.g., FPOs). Therefore we propose that:

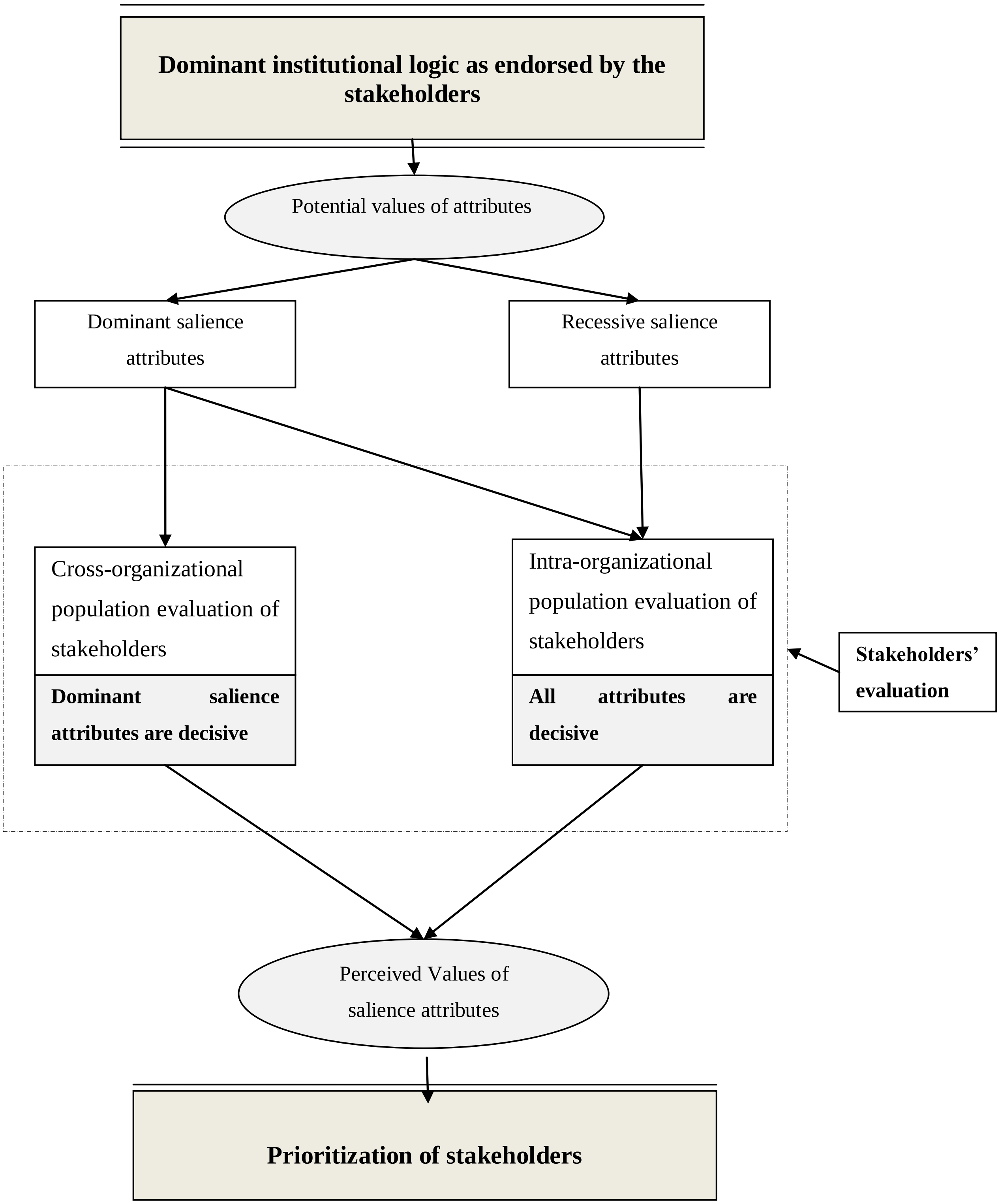
> ***Proposition 6**: In cross-organizational-population evaluation, dominant salience attributes are more decisive.*

Intraorganizational-population evaluations are comparatively simple because dominant and recessive attributes are common for various stakeholder-manager dyads. Therefore, in intraorganizational population evaluation, stakeholder salience is not affected by the institutional logic of stakeholders. Thus, we propose the following:

> ***Proposition 7**: In Intraorganizational-population evaluation, both dominant and recessive attributes are decisive.*

Stakeholder salience framework and subsequent work favor the 'reputation method' first used by Hunter (1953), which primarily relies on asking designated managers to judge or chose salient stakeholders. Staying within the premises of salience framework, however, we foster social determinism. We assert that stakeholder salience is determined by pre-existing 'maxims' of attributes.

Figure 4.1: Managerial evaluation to prioritize stakeholders



This novel perspective on the salience model is significant because it provides a reason to ameliorate the features of salience attributes. As Mitchell et al. note, "*each attribute is a variable, not a steady state, and can change for any particular entity or stakeholder-manager relationship*" (1997. p. 868). We add to it that in stakeholder organizations endorsing similar institutional logic, the pattern of absence and (degree of) presence of attributes changes less significantly than in organizations endorsing different institutional logics.

4.5. Discussion and conclusion

Our theoretical arguments contribute to the existing literature on institutional and organizational theories. In earlier work in the stakeholder salience tradition, institutional theory has mostly been considered in terms of legitimacy—i.e., the ways in which the dynamics of sectoral structuration give rise to cultural pressures that trickle down to an organization's purposive control (Suchman, 1995). However, we use institutional logic, a smart notion that embodies and reflects those broader aspects of managerial and organizational characteristics that otherwise are not easy to bring into some subjective or objective use. Thus, we employ not only earlier conceptualization of institutional theory relating the field and organizational levels of analysis (Friedland & Alford, 1991; Powell & DiMaggio, 1991; Powell, 1991) but also more recent contributions (Battalina & Dorado, 2010).

We also contribute to extant literature by identifying the crucial link between institutional logic and attributes of organizations. Building on the existing literature (Dobbin, 1994; Thornton & Ocasio, 1999; Lounsbury, 2002; Sine & David, 2003; Zajac & Westphal, 2004; Stovel & Savage, 2006; Lounsbury, 2007; Battilana & Dorado, 2010), we propose that dominant institutional logic endorsed by stakeholder organization shapes the potential value or maxim of its salience attributes. In most of the previous research, phenomenon of stakeholder salience has been viewed from inside-out perspective—i.e., managers and focal firm's view of stakeholders. We adopt outside-in approach and analyze the stakeholder attributes of salience on stand-alone basis through the lens of institutional theory. Taking illustration of NPOs and FPOs as two organizational populations that can be differentiated on the basis of institutional logic that they endorse, we show that organizations belonging to different organizational populations develop dissimilar dominant and recessive attributes. Unlike recessive attributes (e.g. power and urgency in case of NPOs), dominant attributes carry high potential value (e.g. legitimacy in case of NPOs). This formulation helps us address an important residual weakness of salience framework (Mitchell et al., 1997) which does not explain how a latent stakeholder (possessing only one salience attribute) is awarded more salience compared to a definitive one (possessing all three attributes of salience).

Our paper also extends the salience framework (Mitchell et al., 1997) by bringing to light the evaluation process of stakeholder prioritization that is largely absent in salience framework and subsequent work (Mitchell et al., 1997). We propose that just beneath the across-the-board evaluation, stakeholders are also evaluated by managers at two sub-ordinate levels—i.e., intra-organizational population level and cross-organizational population level. It is at these levels that dominant and recessive salience attributes mutely work to determine stakeholder prioritization.
We believe that our contributions to the organizational and management literature are also important in light of increasing diversity in firms. Modern-day business organizations are continuously evolving, which leads to increased hybridization of logics in those organizations: commercial organizations are taking up social functions, and organizations with social missions and visions are integrating commercial goals. However, our article has not separately focused hybrid organization. This is due to the fact that although fields are influenced by multiple competing logics (Castel & Friedberg, 2010; Friedland & Alford, 1991), a field gets organized by a dominant institutional logic (Thornton & Ocasio, 1999). This happens because organizations rely on a specific logic while presenting legitimating accounts of their activities to key constituents (Khavul et al., 2013).

Our work is not free of limitations. Our study builds on the Mitchell et al. (1997) and subsequent researchers' assertion (Eesley & Lenox, 2006, Parent & Deephouse, 2007; Neville et al., 2011) that stakeholder salience is actually dynamic and stakeholders configuration keeps on changing with the passage of time. Such continuous change in stakeholder configuration is caused by the ever changing context in which firms operate (Khavul et al., 2013). But the framework that we present does not specify and classify the contextual settings that make managers assign more salience to a latent stakeholder compared to a definitive one. This is an intriguing area that can be explored in future research.

Similarly, to improve our understanding of how logics shape attributes of stakeholders, we only consider the case of external organizational stakeholders. However, internal stakeholders are equally worthy from the salience perspective.

Suggesting avenues for future research, we feel that there is a need to empirically test our propositions. Stakeholder salience is a dynamic, changing and highly interactive phenomenon that is influenced by multiple contextual factors. One important research area is to identify and classify those special contextual settings in which fundamental propositions of stakeholder salience model do not work.

Furthermore, Mitchell et al. (1997) give due consideration to perceptual factors in the stakeholder salience model. Acknowledging the moderating influence of managerial characteristics, Mitchell et al. (1997, p. 872) assert, "*We treat managerial characteristics as a variable and suggest that it will be an important moderator of the stakeholder-manager relationship*". Previous theoretical and empirical research (Agle et al., 1999; Parent & Deephouse, 2007) has primarily focused on managerial *values*—e.g., comfortable life, helpfulness, level of wealth, lovingness, pleasure, equality, hierarchical level and role, etc. However, how the institutional logic as endorsed by the managers affects the stakeholder salience remains unexplored. It has been suggested that the interests, identity structures, values and assumptions embodied in dominant institutional logic, into which managers are socialized or trained, act as moderator that influences stakeholder salience (Battilana & Dorado, 2010, Pache & Santos, 2010). Firm managers not only act as carriers of logics but also enact them (Glynn, 2000; Zilber, 2002). Therefore, we suggest that a study examining the moderating effect of institutional logic carried by managers on stakeholder salience may also be conducted.

In the same vein, at the intraorganizational level, the modern firm's human resource configuration as a pluralistic and complex entity composed of actors carrying different institutional logics could also be investigated as a determinant of strategic choice. Utilizing Oliver's (1991) model of strategic response strategies (acquiescence, compromise, avoidance, defiance, and manipulation, listed in order of resistance to influences), we could investigate which strategy an organization would employ if faced with pressure from a stakeholder who shares the same institutional logic as that of the focal organization and vice versa. Furthermore, previous work has examined the moderating effect of managerial values and characteristics on stakeholder salience: extending this line of research, the moderating effects of bounded rationality on stakeholder salience could also be examined. Similarly, just as we have differentiated stakeholders based on institutional logic, future endeavors could differentiate stakeholders based on their governance structure to explore their effects on salience.

To conclude, review of extant literature helps us identify the key connection between dominant institutional logic endorsed by the stakeholder organization and its salience attributes. To better understand this linkage we take illustration of NPOs and FPOs—two organizational populations that can be differentiated on the basis of institutional logic that they endorse. Critical analysis of salience attributes of these two organizational forms helps us propose that various organizational forms develop attributes of dissimilar potential values or maxims. Salience attributes that carry higher potential value are termed as dominant attributes while those that carry lower potential value are called recessive attributes. Moreover, we propose that there are two levels of the overall process of stakeholder evaluation. It is at these levels that dominant and recessive attributes work to affect stakeholder prioritization. This formulation helps us address how one latent stakeholder becomes more salient than a definitive stakeholder.

Chapter 5

5. Extending the salience framework: An investigation of types of stakeholder attributes and salience[7]

Previous chapter suggests that the members of an organizational population endorsing similar institutional logic develop salience attributes of similar potential values or maxims, which are radically different from those of the members of other organizational populations. These potential values act as precursors that determine the perceived values of salience attributes for a manager. The attributes that carry high potential value are termed as dominant while those carrying lower potential value are called recessive attributes. Overall, it is proposed that the type of dominant and recessive salience attribute a stakeholder possesses depends on the dominant institutional logic that it endorses. It is suggested that power and urgency are recessive attributes in non-profit organizations while legitimacy is a dominant attribute and vice versa for for-profit organizations. Therefore, non-profit stakeholders shall win more managerial attention on the basis of legitimacy while for-profit stakeholders shall win more chunk of managerial attention on the basis of power and urgency.

In this chapter, beside other important objectives, one goal is to empirically examine the salience attributes of for-profit and not-for-profit stakeholders to understand the institutional logic-salience attributes relationship. More importantly, this chapter shows how the extant literature on stakeholder salience tradition is marred with disagreements over inclusion and impact of attributes and their types on stakeholder salience. One important reason for such dissentions is reliance of previous research on original attributes as introduced by Mitchell et al. (1997)—i.e., power, legitimacy and urgency. This chapter extends the salience framework by including various types of each attribute and empirically examines their relationship with stakeholder salience.

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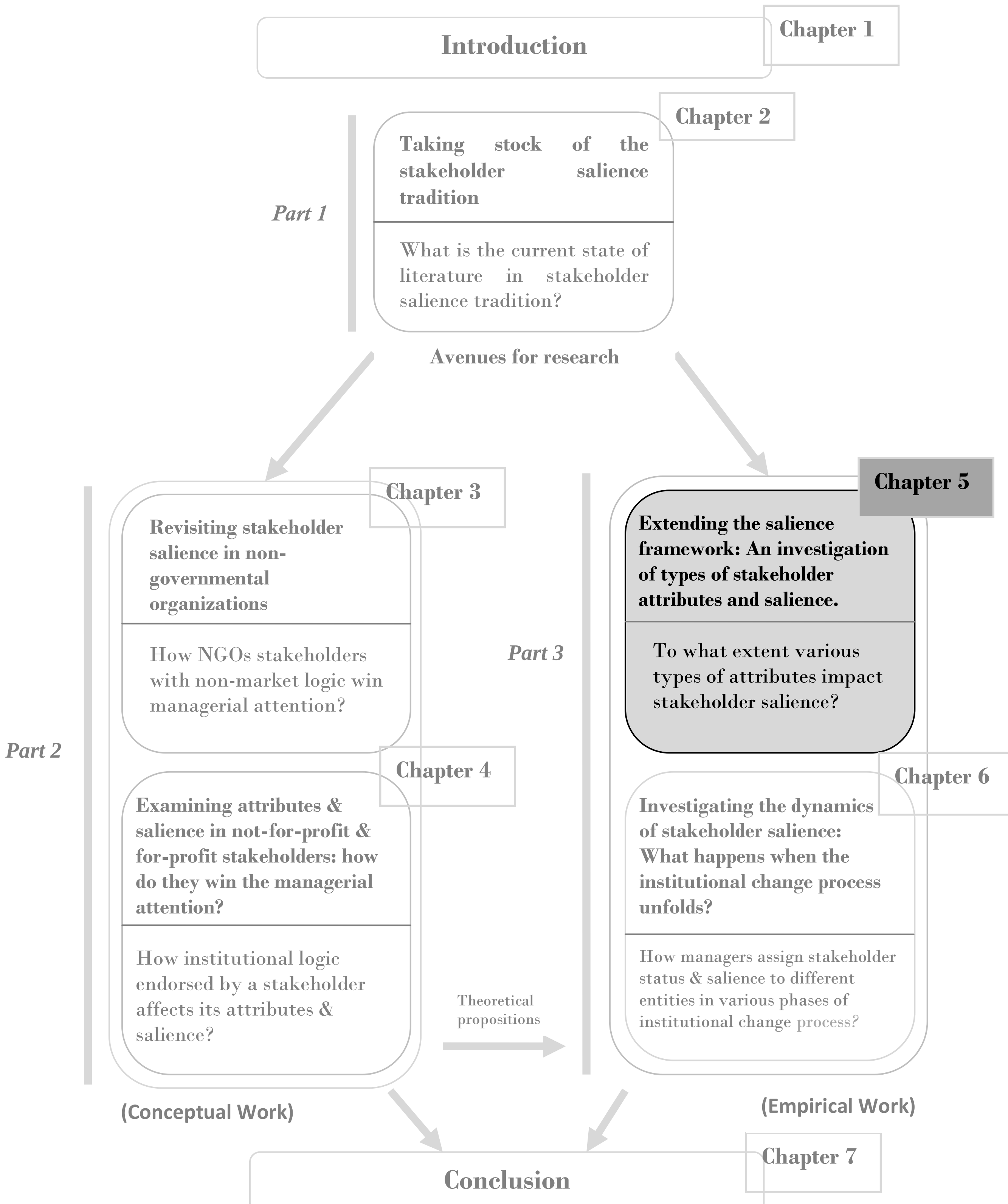
[7] Khurram, S. Extending the salience framework: An investigation of types of stakeholder attributes and salience.

Scheme of the Thesis



Introduction

Stakeholder salience model (Mitchell et al., 1997) is one of outstanding contributions to stakeholder tradition. Mitchell et al. (1997) proposed that stakeholder salience—i.e., the degree to which managers pay attention to a stakeholder—is directly related to the cumulative number of stakeholder attributes—i.e., power, legitimacy and urgency—as perceived by managers to be present. This successful proposition, then helped Mitchell et al. (1997) to form an ordinal-scale encompassing salience variables ranging from low to high and therefore, categorizing stakeholders as latent, expectant and definitive stakeholders. Consequently, the discourse on stakeholder salience and attributes has persisted and continued, and the salience model has been widely used in stakeholder literature. According to Google Scholar, Mitchell et al.'s (1997) work has been cited more than 6605 times as of January, 2015.

Despite lapse of nearly two decades of introduction of salience model (Mitchell et al., 1997) and its frequent citation there are still disagreements among researchers over inclusion of various attributes and their types in salience model. For instance, some emphasize the pragmatic form of legitimacy over the moral form while another group of researchers propose that stakeholder legitimacy is more about moral legitimacy. Similarly, some researchers propose that criticality part of urgency is a key contributor to the salience of stakeholder while others suggest that it has no relevance to salience.

Such disagreements exist because the salience attributes as introduced by Mitchell et al. (1997) have been treated as given in subsequent research. No mentionable effort has been made (*except* Parent and Deephouse, 2007) to gain deeper insights into salience tradition by differentiating the salience attributes into various types and analyzing their relevance with stakeholder salience. Parent and Deephouse (2007) differentiated power into three types—i.e., utilitarian, coercive and normative—and suggested that the more the types of power a stakeholder possesses the more salient it gets. This article extends this line of research to other attributes by asking a fundamental question: *How stakeholder salience is determined by the managers, and to what extent various attributes and their types are related to salience?* To answer this question, we employ multiple case study design (Eisenhardt, 1989; Yin, 2003) involving four microfinance organizations. This research design helps us critically examine the relevance of *attributes* and the *types of attributes* (TOAs) to stakeholder salience.

This paper is organized as follows. First of all we present the literature review focusing Mitchell et al.'s (1997) model of stakeholder salience, attributes and TOAs. Secondly, the methodology of the study is explained followed by analysis. Finally, we present summary and conclusion where we present key propositions and also discuss the limitations of the study and avenues for future research.

5.1 Literature review

Researchers had criticized stakeholder theory (Freeman, 1984) for its inability to answer an important question—i.e., *to whom do managers pay attention*?' (Mitchell et al., 1997). To answer this descriptive question, Mitchell et al. (1997) proposed a simple model of stakeholder salience. This descriptive model theoretically specifies who managers consider as stakeholders and mainly stays on stays on stakeholder identity and legitimacy (Crane and Ruebottom, 2011). Broadly speaking, stakeholder salience model attempts to define the characteristics or attributes that lead certain stakeholder's claims to win managerial attention (Mitchell et al., 1997).

5.1.1 Stakeholder salience model

As per Mitchell et al. (1997), salience which is defined as the degree to which managers give priority to competing stakeholders' claims is determined by the three attributes of stakeholders. These three stakeholder attributes are stakeholder power, legitimacy, and urgency. The central proposition of Mitchell et al.'s (1997) model of stakeholder salience is that stakeholder salience is directly related to cumulative number of salience attributes possessed by the stakeholder. This frequently cited proposition is based on an ordinal scale that ranges from low to high that categorizes stakeholders as latent stakeholders, expectant stakeholders, and definitive stakeholders.

Subsequent work has sought to verify Mitchell et al.'s (1997) stakeholder salience framework and provided support for it (Agle et al., 1999; Harvey and Schaefer, 2001; Winn, 2001; Eesley and Lenox, 2006; David et al., 2007; Knox and Gruar, 2007; Mattingly, 2007; Parent and Deephouse, 2007; Magness, 2008; Ojala and Luoma-aho, 2008; Boesso and Kumar, 2009; Gifford, 2010; Masoud and Wilson, 2011). For example, Agle et al. (1999) surveyed managers of 80 U.S. firms and found that salience is determined by the possession of salience attributes—power, legitimacy and urgency by stakeholders: customers, employees, government, shareholders, and the community. In another study while studying two organizing committees of mega-sporting events, Parent and Deephouse (2007), also found that stakeholder's possession of salience attributes is directly related to its salience.

5.1.2 Attributes of Salience

In the lines ahead, we describe the salience attributes and the literature-based differentiation of salience attributes into TOAs. Moreover, we also bring into spot light the key debates surrounding salience attributes and their types that exist in extant literature.

Power: Stakeholder salience framework (Mitchell et al., 1997) used Etzioni's (1964) classification of organizational bases of power in stakeholder salience framework. Etzioni (1964) classifies power as *coercive power*—force, threat, litigation, etc.; *utilitarian power*—granting or withholding of resources and *normative power*—symbolic influence to impose its will on the firm (Etzioni, 1964). Besides Etzioni's (1964) organizational bases of power, Mitchell et al. (1997) also adopt resource dependence and agency perspectives in stakeholder salience model (Pfeffer and Salancik, 1978). In subsequent efforts researchers further developed the theoretical bases of power attribute (Driscoll and Starik, 2004; Neville and Menguc, 2006; Pajunen, 2006).

Viewing power through the lense of social network theory, it has been suggested that stakeholders get more access and increased ability to grant or withhold access to others on the network, when its relative centrality within the network increases (Rowley, 1997; Driscoll and Starik, 2004; Neville et al., 2011). Such stakeholders possess *network centrality power*. Despite the crucial importance of network centrality power in stakeholder literature, it has not been examined as a determinant of salience. In this research, besides coercive, utilitarian and normative types of power, we have also included network centrality power to the existing list of types of power attribute.

In a previous study, Parent and Deephouse (2007) distinguished between three types of power—coercive, utilitarian and normative—as suggested by Etzioni (1964) and found that that more a stakeholder accumulates the three types of power the more salient it becomes. They have also found that of the three types of power, utilitarian power had the most significant effect on stakeholder salience. Extending this work, we differentiate power into four types—coercive, utilitarian, normative and network centrality—and expect that these four types of power affect the stakeholder salience.

Legitimacy: The notion of legitimacy in salience framework is based on a composite definition offered by Suchman (1995), that is, "*a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (p. 574). Of the three salience attributes, role of legitimacy remains quite puzzling and is in utmost need of reassessment (Neville et al., 2011). It has been termed vague, multifaceted and problematic (Driscoll and Starik, 2004; Hybels, 1995; Neville et al., 2011; Phillips, 2003; Suchman, 1995). To facilitate accurate conceptualization and measurement of legitimacy, researchers have classified legitimacy into various types based on its sources (Aldrich and Fiol, 1994; DiMaggio and Powell, 1983; Suchman, 1995). One such widely recognized classification has been offered by Suchman (1995), who classified organizational legitimacy into three types: moral, pragmatic and cognitive.

In stakeholders salience perspective, the attribute of legitimacy has been continually discussed to understand whether it is an outcome of social construction or instrumental criteria (Scott, 2001; Suchman, 1995). Some suggest that the majority of research on stakeholder legitimacy emphasizes the pragmatic form over the moral form (Driscoll and Starik, 2004; Neville et al., 2011) while another group of researchers asserts that stakeholder legitimacy is more about the moral legitimacy (Jones et al., 2007; Magness, 2008, Phillips, 2003). A well grounded research stream asserts that stakeholder legitimacy is about pragmatic assessment of stakeholder rather than normative evaluation of moral property (Aldrich and Foil, 1994). Barney (1997) suggests that a constituent is awarded stakeholder status if it makes resource contributions to the firm in the form of labor, money, etc. Likewise, Hybels (1995) notes that the resource flow from or to a stakeholder provides evidence of organizational legitimacy. Conversely, Neville et al. (2011)

assert that pragmatic legitimacy should be excluded and salience framework must be kept limited only to moral legitimacy as given by Suchman (1995). They argue that it is conceptually difficult to untangle the pragmatic legitimacy from concept of power as used in salience framework. Pragmatic legitimacy is awarded when a stakeholder extends "*exchange benefits*" to the focal firm (Suchman, 1995), therefore, pragmatic legitimacy refers to resource dependence of the focal firm on stakeholder and it is same as power (Neville et al., 2011).

Suchman (1995) acknowledges the fact that exchange benefits obtainable from the stakeholders have mainly shaped the debate on pragmatic legitimacy. But besides exchange legitimacy, the notion of pragmatic legitimacy also involves influence legitimacy and dispositional legitimacy mutually exclusive and differentiated based on source of legitimacy. Researchers suggest that functionally the exchange legitimacy is same as utilitarian power and its inclusion in stakeholder salience framework may result into double counting of the same effect. So, supposedly the exchange legitimacy is akin to power, the other two types are not. Therefore, in this study we will examine the relationship of these three types of pragmatic legitimacy with stakeholder salience to bring more clarity to this phenomenon. It must be noted that this article utilizes Suchman's (1995) and Mitchell et al.'s (1997) original conception of legitimacy. Moreover, this study is built on precisely defined distinctions of attribute of legitimacy as suggested by Suchman (1995).

Urgency: Stakeholder salience framework (Mitchell et al., 1997) conceptualizes urgency as a force that stakeholders would put on his claim and classifies legitimacy as time sensitivity and criticality of the claim. We will explain these two types in detail in analysis section.

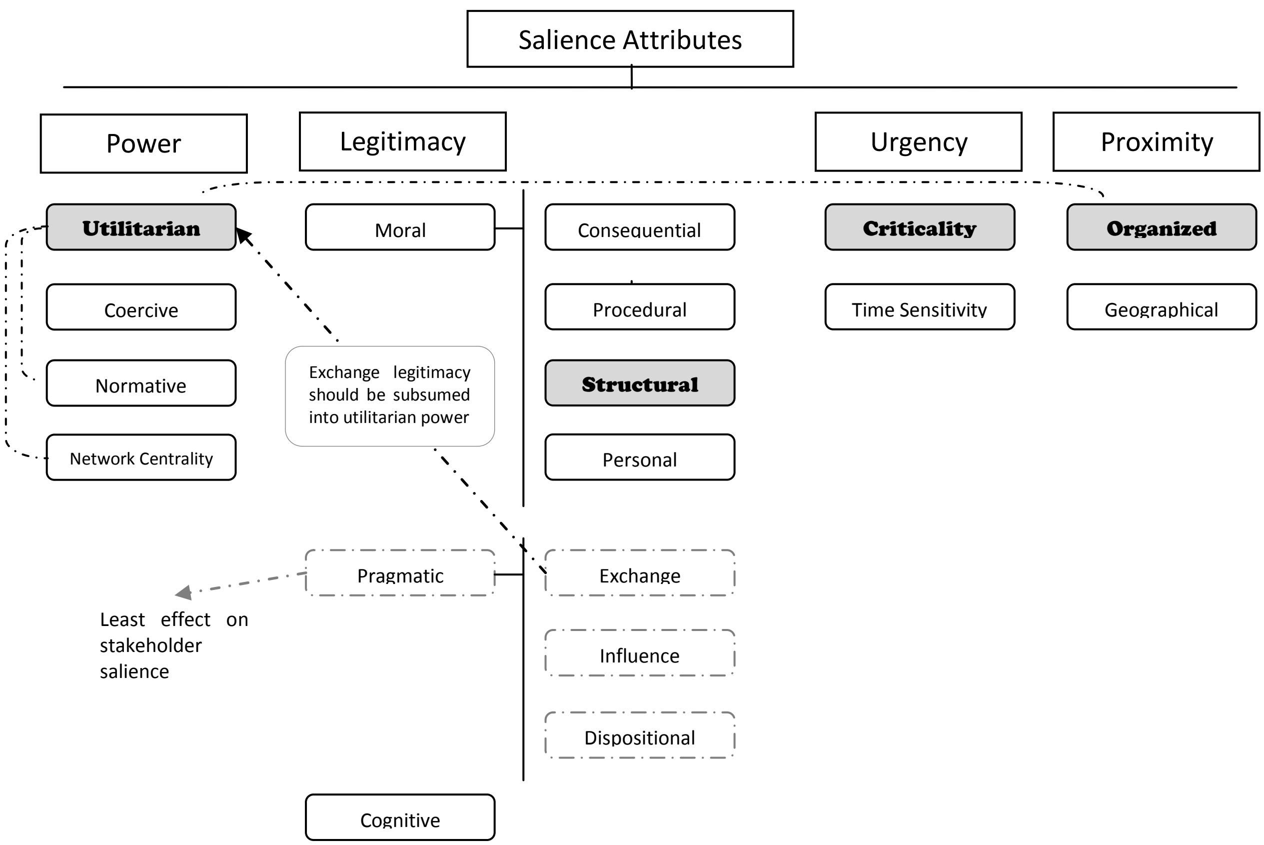
Literature review suggests that like legitimacy, urgency is also considered confusing by the researchers (Gifford, 2010) and is in need of clarification. This confusion exists due to the fact that some researchers consider urgency as a key attribute that determines salience (Agle et al., 1999) while others assert that it is irrelevant to salience (Neville et al., 2011). To extend the stakeholder salience framework (Mitchell et al., 1997) and to clarify the role of urgency, this study examines the relationship of the two components of urgency with stakeholder salience.

Proximity**:** Not only researchers in stakeholder salience tradition have focused on original attributes (Driscoll and Starik, 2004; Eesley and Lenox, 2006; Neville and Menguc, 2006;

Pajunen, 2006), but new attributes have also been introduced e.g., proximity (Driscoll and Starik, 2004). Offering a simple yet comprehensive classification of proximity, Torre and Rallet (2005) categorize proximity into two—Geographical and Organized. Geographical proximity refers to the geographical distance that separates two constituents, e.g. a manager and a stakeholder (Torre and Rallet, 2005). In line with Driscoll and Starik (2004) and Torre and Rallet (2005), we consider geographical proximity as binary variable —near and far to examine its relationship with stakeholder salience. O*rganized proximity* (Torre and Rallet, 2005) relates to the ability of organization to make its members interact easily with others through a) Membership Logic: routines, rules and norms, and b) Social logic: codes, beliefs, shared values, etc. Managers may share a common system of representations, set of beliefs, knowledge and values with stakeholders and therefore, some stakeholders may carry more organized proximity than others. The influence of organized and organized proximity on stakeholder salience has not been captured in previous research. Therefore, this research empirically examines the these two types of proximity as determinant of stakeholder salience.

Framework of stakeholder salience (Mitchell et al., 1997) is one of the frequently cited works. Despite its widespread acceptance, efforts to extend the framework by differentiating the attributes into different types and examining their contribution to stakeholder salience have been limited (*except*, Parent and Deephouse, 2007). Building on the work of Parent and Deephouse (2007), we differentiated power into four types—i.e., coercive, utilitarian, normative and network centrality as suggested by Mitchell et al. (1997) and Driscoll and Starik (2004); legitimacy into seven types—i.e., consequential, procedural, structural, personal exchange, influence, dispositional, and cognitive as suggested by Suchman (1995); urgency into two types—i.e., criticality and time sensitivity as suggested by Mitchell et al. (1997) and proximity into two types—i.e., geographical and organized as suggested by Torre and Rallet (2005). As shown in **Figure 5.1**, therefore, we extend the salience framework by involving 16 different types of 4 salience attributes and examine their relationship with stakeholder salience.

Figure 5.1: Salience attributes and their types.



Notes:

a. Utilitarian power, structural legitimacy, criticality and organized proximity seem to have highest impact on stakeholders' salience among the types of power, legitimacy, urgency and proximity respectively.

b. Utilitarian power appears to have direct relationship with normative & network centrality powers and organized proximity.

c. Exchange legitimacy has similar effect on stakeholder salience as that of utilitarian power. Having excluded exchange legitimacy; other types of pragmatic legitimacy have least effect on stakeholder salience.

5.2 Methodology

Different research strategies have different ways of collecting and analyzing empirical evidence. The type of research strategy employed depends on form of research question and extent of control over behavioral events (Yin, 2003). Case studies are valuable when "*how or why*" types of explanatory questions are asked and when relevant behaviors cannot be manipulated in examining the events (Yin, 2003).

Moreover, we decided to employ case study design due to the support that this method gets from Mitchell et al. (1997) who asserted that "*we call for empirical research that answers the questions ..... do the inferences we make herein hold when examining* ***real*** *stakeholder manager relationships? Are there models of interrelationships among the variables identified here (and possible others) that reveal more subtle, but perhaps more basic, systematics?"* (p. 881). Therefore, in order to examine the stakeholder manager relationships in **real life context** (Yin, 2003) we chose to work with in-depth multiple case studies (Eisenhardt, 1989; Yin, 2003, Parent and Deephouse, 2007). This method helps us investigate how managers assign salience to various stakeholders. Above all, multiple case studies provide increased external generalizability by incorporating varied contexts and yield strong analytical conclusions (Yin, 2003).

Based on comparative case study methodology our research follows largely the qualitative method suggested by Miles and Huberman (1994). We mainly relied on words—i.e., a matrix display and an analysis (Miles and Huberman, 1994; Harvey and Schaefer, 2001). Although in single case study design, case is treated in full detail, "*multiple cases offer the research a [. . .] deeper understanding of processes and outcomes of cases, the chance to test (not just develop) hypotheses, and a good picture of locally grounded causality"* (Miles and Huberman, 1994), p. 26.

5.2.1 Data

Empirical research in the stakeholder salience tradition used three notable methods of data collection—i.e., surveys, interviews and archival records. All of three methods of data collection have advantages as well as drawbacks. For instance, the use of *surveys* to collect data on salience attributes has been criticized for its involving pre-defined set of stakeholders (Parent and Deephouse, 2007). This may result into excluding crucial stakeholders or including insignificant stakeholders. Moreover, data collected through mono-source may also affect the results. Another limitation of survey research is that it involves short time frame. *Archival material* offers an opportunity to examine the phenomenon of stakeholder salience over the long term. However, sole reliance on this method is considered less helpful. The phenomenon of stakeholder salience is about *managerial perception* (Mitchell et al., 1997) which cannot be captured through this method. Likewise, structured *interviews* pursue a consistent line of inquiry and offer perceived casual inferences of stakeholder relationships (Yin, 2003), but they may result in bias due to poorly constructed questions and can also lead to inaccurate information due to poor recall.

Keeping in view the advantages and disadvantages of each method, this study aimed to collect evidence through i) archival materials and ii) semi-structured interviews. Archival material relating stakeholders' relationships of case study organizations was collected from multiple sources including assessment reports, annual performance reports of case study organizations, publications of Pakistan Microfinance Network (PMN), State Bank of Pakistan's (SBP) annual and Quarterly reports, newspaper clips, websites and communications material etc. Prior to conducting interviews with managers of case study organizations, archival material comprising 2400 pages was collected to map the stakeholders' relationships of case study organizations. Archival material served the purpose of triangulation and proved quite helpful in corroborating and augmenting findings of our interviews. During the interviewing process, memos consisting of 31,900 words were also taken. These memos comprised of two sections: methodological and analytical.

After identification of interviewees, prior permission was sought from each interviewee. During this initial contact interviewees were informed about the scope and purpose of research. Interviewees facilitated in the identification of other important individual who can be interviewed. But accessing the suitable people and gaining their confidence was a difficult job. Standardized and structured protocols guided all the interviews (**See Appendix 2**). Three different protocols were used to conduct interviews where each protocol contains questions designed separately for managers of case study organizations, their stakeholders and independent analysts. Interviews resulted in 108,827 words.

In total 33 semi structured interviews were conducted between 2012 to 2013 with managers at case study organizations, their stakeholders, relevant government functionaries and independent analysts (**See Appendix 1**). Interviews were conducted either in English or Urdu (national language of Pakistan) depending on the preference of interviewees. Some interviewees preferred to speak in Urdu but they also used words of English in their interviews. All interviews were tape recorded by professional assistant and were translated and transcribed by the author who knows both English and Urdu languages. To further improve the quality of evidence, transcripts were also reviewed by an expert in both languages. We kept the review process of translated interviews quite systematic. After each interview was translated and transcribed, reviewer listened to the audio version of that interview and side by side examined the transcribed text to note down any discrepancy. In the next phase, reviewer and the translating author discussed to resolve the issue area in translation.

5.2.2 Research context and cases

In this study four microfinance instiutitions (MFIs) Rural Community Development Society (RCDS), Development Action for Mobilization and Emancipation (DAMEN), Agha Khan Rural Support Program (AKRSP) and National Rural Support Program (NRSP) were sequentially examined. A Pilot study was conducted with RCDS and then we moved to DAMEN, AKRSP and NRSP for deeper understanding and to find the patterns iterating in different cases. These MFIs are considered a good laboratory for our research, because all of them started from almost similar position as Non governmental organizations (NGOs) and commenced commercial microfinance activities yet developed differently. Though the selected MFIs are different in many respects, yet all of them have the almost similar history that makes them comparable and analyzable.

As per available statistics, active borrowers of Pakistan's microfinance sector stood at PKR 2 Million, Gross Loan portfolio is PKR 33.1 Billion and total asset base stood at PKR 60.5 Billions (Pakistan Microfinance Review, 2012). We selected the cases that are representatives of the field and carry a substantial share of the Microfinance sector of Pakistan. The four cases that we have included carry over 38 percent of the total asset base of the entire sector, cater to 32 percent of the total clientele of the sector and carry 34 percent of the sectoral gross loan portfolio (Pakistan Microfinance Review, 2012).

Our choice of cases has also been influeneced by the fact that no mentionable study has been conducted to understand the attributes' types-salience relationship in microfinance sector particularly in developing country's context. The stakeholders' configuration in this sector has been rapidly changing over the last decade. The sector that was once dominated by philanthropists and social activists is now under the influence of much larger institutional stakeholders like banks, apex lenders and international organizations etc. Thus providing an interesting contextual setting to understand how TOAs have contributed towards stakeholders' salience. Another consideration while selecting case studies from the Microfinance sector of Pakistan was accessibility to staff at various hierarchies so that managers at all levels could be interviewed. During the literature review and archival analysis of the microfinance sector, it was decided that instead of pre-determining the set of stakeholders; managers of the organizations should be asked who they consider as salient stakeholders.

All of the case study organizations have started as NGOs then converted into commercial microfinance institutions and then two of them i.e. AKRSP and NRSP have transformed into scheduled commercial banks. This study empirically investigates the stakeholders' relationships of AKRSP and NRSP in their pre-banking phase when they worked as non-banking microfinance institutions like RCDS and DAMEN.

Boards of Directors (BODs) govern the overall functions of each organization and provide them strategic guidance to achieve their objectives. The functional organograms of case study organizations reveal that two of four MFIs i.e. RCDS and DAMEN have another body above their BODs that is called General Body or Governing body while the remaining two—i.e., NRSP and AKRSP have their BODs working at the top most level. The numbers of members at BODs of these organizations vary from 8 to 14. These members have diversified experiences and belong to different sectors. Chief Executive Officers and top management stand responsible to BODs.

Field Operations Organogram suggests that operations at the field level are administered by the Operation department located at Head Offices of these organizations. From bottom to top, field office hierarchy shows that Credit Officers also called Business Development Officers act as the face of the organization and deal with clients. They report to Branch managers. In a district, Branch Managers report to the Area Manager who in turn stands responsible to Regional Manager who looks after field level functions of the organization in one geographical region consisting of two or more districts. These Regional Managers report to the Head of Operations at Head Offices.

Relationship management with various stakeholders is the discretion of Head office where the top management provides guidance, direction and facilitation to staff members in the light of vision, mission and policies as determined by BODs. From the beginning, these organizations have been growing and moving ahead by setting some milestones for them in the form of five to ten yearly strategic plans. This process of strategic planning involves considerable consultation process where inputs are taken from clients at the field level, then discussed at departmental level with staff and passed on to the management. Top management after consultation with diversified stakeholders like lenders, donors, government, partner organizations, vendors, networks, etc. present recommendations on the strategic plan to BODs that examines and approves or disapproves the strategic plan. Once the strategic plan is finalized and approved, these organizations would work to achieve the milestones as set in these strategic plans by adequately managing the relationships with various stakeholders.

Case 1. The first MFI that we examined as a pilot case is RCDS. It is based in Pakistan and started its operations in 1995. BODs oversee the functioning of the organizations and reports to Governing Body which consists of various stakeholders of the organization. Management of organization lies in the hands of Chief Executive Officer. Organizational functions are performed by six specialized departments: Human resource development, Finance and Administration, Information Technology, Liaisoning, Operations and Programs monitoring, evaluation and Research, each headed by the program Manager. These managers are assisted by staff working at various hierarchies.

Case 2. The headquarter of DAMEN is situated in Punjab, Pakistan. It was established in 1992. Like RCDS, DAMEN also has a General body at the top which is assisted by BODs. Executive Director leads the management team of the organization. Internal Audit, Field Operations, Finance and Administration, IT, Human and Institutional Development are major departments that are located at headquarter. These departments are headed by Directors who are assisted by staff located at both headquarter and in field offices.

Case 3. AKRSP was started by the Agha Khan Foundation in 1982 and started its Microfinance operations in 1983. It started from Northern areas of Pakistan and gradually moved to other parts of the country. AKRSP's Microfinance wing was later transformed into a scheduled Microfinance bank, which is now known as the First Microfinance Bank. With BODs at the top, organizational functions had been distributed over specialized departments and the heads of these departments reported directly to the head of the organization.

Case 4. NRSP is one of the largest microfinance providers in Pakistan. Head office of NRSP is situated in Islamabad, Pakistan. It was established in the year 1991 with the mandate to alleviate poverty. BODs monitor the functioning of the organization. Top management consisting of heads of eleven different departments stands responsible to the Chief Executive Officer and General Manager of the organization. NRSP transformed its microfinance portfolio into full-fledged scheduled bank called NRSP Bank in the year 2011.

These case study organizations provide micro-credit to micro and medium sized entrepreneurs for enterprise development, livestock building, capacity building, etc. These organizations also facilitate their clients in saving accumulation. The core function of case study organizations is to act as intermediaries as they take funds from whole sale national and international lenders, charge their operational and financial expenses and lend them onwards to micro-borrowers. In doing so, these organizations have been working in close interaction with several stakeholders like commercial banks, Microfinance Networks, Government, donors, advocacy groups, vendors, etc. These organizations have developed their Human resource and operations manuals as required under the regulatory framework of national laws.

5.3 Analysis

Analytical strategy of this paper is aimed at examining central components of stakeholder salience, particularly examining relationship between TOAs and stakeholder salience. We analyzed the text—i.e. transcripts of interviews and archival material to understand what managers really perceived or thought about stakeholders relationships. Mitchell et al. (1997) emphasize the importance of managerial perception of stakeholders' salience attributes. Likewise, Harvey and Schaefer (2001) assert that managers do not respond about stakeholders outside their perceptions. Previous studies (Agle et al., 1999; Parent and Deephouse, 2007) have investigated the stakeholder attributes and salience from the perspective of managers. In the same fashion, we record managerial perception of the attributes and salience of stakeholders. Therefore, basic data for this study is the *managerial perceptions recorded in words* that are translated, transcribed and analyzed.

Analysis had begun at the field level while conducting interviews. Memos were taken immediately after spending time in interviews setting. Continued exercise of writing memos and transcribing interviews with a focus on stakeholder salience and attributes increased our familiarity with the manager-stakeholder relationships. All the information collected from archival material, interviews and memos were collected, listed and saved in separate files. Analysis consisted of searches for themes reflecting stakeholder attributes and their types and within case and inter-case comparisons (Eisenhardt, 1989; Miles and Huberman, 1994). Themes represented the conceptual definitions of various attributes and their types as given by Etzioni (1964), Suchman (1995), Mitchell et al. (1997) and Torre and Rallet (2005) (**See Appendix 3**). This process was repeated thrice to ensure that all essential information gets expressed. Keeping Miles and Huberman (1994) advice in mind that *"[. . .] although words may be more unwieldy than numbers they render more meaning than numbers*", we decided to rely mainly on words instead of generating numbers using content analysis.

We conducted matrix display and analysis (Miles and Huberman, 1994) where matrix tables are shown ahead in this section. This helped us to discern and present information on interrelationships between salience and TOAs as well as interrelationships between various TOAs more systematically. In a previous study, Harvey and Schaefer (2001) studied the relationships of six UK water and electricity firms with their green stakeholders using matrix display and analysis.

In order to establish the quality of this research design, special attention was paid to ensure that the protocols of interviews are in conformity with theoretical concepts as given in the literature (Etzioni, 1964; Mitchell et al., 1997; Suchman, 1995; Torre and Rallet, 2005). To ensure construct validity, multiple sources of information were used—i.e., interviews and archival material. In order to boost the external validity of this research, we employed replication logic supported by careful and rigorous use of concepts given in literature. Broader and comprehensive database of the four case studies was compiled. Uniformly administered field procedures and persistent use of protocols in all of case studies helped in ameliorating the reliability of this study. Validity and reliability of qualitative data of retrospective nature are built through asking straight and simple questions from respondents who have personally been part of the phenomenon under study (Golden, 1992; Miller et al., 1997). Therefore, we gave priority to those respondents who had spent considerable time in the field of microfinance in Pakistan.

As was done by Parent and Deephouse (2007), during interviews we asked managers at case study organizations to identify and plainly rank the stakeholders. This way all the identified stakeholders were ranked by managers in order of salience (**See Table 5.1**). Managers identified around 15 major stakeholder groups. Apex lender—i.e., Pakistan Poverty Alleviation Program (PPAF), donors and clients were regarded as most salient stakeholders by most of the managers. PPAF is the apex whole sale lender of funds to MFIs in Pakistan. In addition to subsidized loans for micro-financing, PPAF also extends grants for infrastructure and social sector development projects. The donors as a stakeholder group include variety of domestic and international organizations that provide grants and technical assistance to MFIs. Clients have been identified by managers as another important stakeholder group. Generally, poor are considered clients of MFIs. But actually these are productive transitory poor that form the cliental of MFIs, as MFIs do not lend to chronic or ultra poor. Commercial banks are important as they are involved in cash management of MFIs and also provide loans to MFIs for onward lending to clients. Microfinance networks include Pakistan Microfinance Network (PMN), South Asia microfinance network and microfinance summit campaign.

It is important to note that MFIs follow the integrated approach where they not only perform commercial microfinance activities but are also engaged in grant based activities that aim at societal welfare e.g., health, education, infrastructure development, relief and advocacy etc. For the social development activities, MFIs mobilize and organize local communities into community organizations (COs) or village organizations (VOs) and provide financial and technical assistance to these organizations.

Table 5.1: Stakeholder salience as percieved by the managers

Stakeholders	Salience Rank 1	2	3	4	5	6	7	8	9
Apex Lender	Int. 2, 3, 4, 5, 7, 8, 9, 10, 14, 15, 16, 17, 27, 30, 31, 33	Int. 6, 11, 12, 13, 18, 23, 24, 26							
Donors	Int. 3, 7, 19, 20, 21, 25, 28	Int. 4, 8, 9, 24	Int. 2, 3, 15, 22, 31	Int. 23					
Clients	Int. 6, 11, 18, 22, 23, 25	Int. 5, 10, 14, 31, 33	Int. 3, 12, 13, 16, 19, 20, 21, 24, 27, 28	Int. 7, 9, 26	Int. 17		Int. 2, 3		
Commercial Banks	Int. 14, 29	Int. 2, 3, 7, 15, 16, 17	Int. 4, 5, 8, 18, 25, 26	Int. 20	Int. 13, 23	Int. 6			
Staff		Int. 22, 28	Int. 14	Int. 10, 11, 12, 15, 17, 18, 27	Int. 26	Int. 2, 8, 19	Int. 13		
Government		Int. 27	Int. 23, 33	Int. 5, 21, 25, 28, 31	Int. 4, 12, 19				
Microfinance Networks	Int. 32		Int. 11, 17	Int. 2	Int. 3, 8, 9, 12	Int. 4, 13, 16	Int. 18		
Board	Int. 12, 13, 24, 26	Int. 25		Int. 3, 16, 19	Int. 18	Int. 9			
Competitors			Int. 7, 10	Int. 6, 8		Int. 18			
MNCs/Partners			Int. 9	Int. 4					
Anti-MF compaigners						Int. 17	Int. 8	Int. 3, 18	
Media						Int. 3	Int. 12		Int. 18
Management	Int. 24			Int. 13	Int. 16				
Auditors & Consultants					Int. 2, 22		Int. 4		
Village Organizations		Int. 21							

Note: Domestic as well as foreign networks are included in Microfinance Networks. Commission agents are included in stakeholder category of staff. Moreover, Consultants, Accountants and other agencies to whome MFIs outsource their work are in one category

5.3.1 Power

In our research it became clear that managers regarded stakeholders with various types of power as most salient[i] (Please **See Table 5.2**). In the lines ahead we analyze the managerial perception of stakeholders' possession of four types of power—i.e., utilitarian, coercive, normative and network centrality power.

Utilitarian power—i.e., discretion or ability to grant and withhold, goods, services, funds, access to financial resources, access to technical or physical resources which can be considered as material rewards—is possessed mainly by apex lender and donors[ii]. An important differentiation here is that apex lender provides both grants as well as soft loans to the microfinance sector while donors only provide grants. Managers revealed that apex lender and donors contribute to the sector in many ways: they provide funds for onward lending, help in meeting operational cost, provide technical support and facilitate organizations in capacity building[iii]. Except AKRSP all other organizations are heavily dependent for funds on apex lender[iv]. One manager at RCDS exemplified his organizations financial dependency on apex lender like this[v]:

> "Our primary stakeholder is PPAF. We have to follow the requirements and procedures set by PPAF. For example, if PPAF wants us to have some particular system put in place to get eligible for funding, we have to make our systems like that."

Other managers also testified to the utilitarian power of lender apex and donors by revealing the conditions which if not met bring funding from these major stakeholders to halt. For example, if portfolio at risk (PAR) goes beyond 5% of Gross loan Portfolio; organizational financial self-sufficiency drops down from 100 percent; organization has transparency and responsibility issues or organization does not meet social performance criteria, material support to such organization is stopped[vi].

As shown in **Table 5.1**, managers tended to consider clients as another salient stakeholder which has been assigned second or third salience rank by most of the managers. Prior to converting to MFIs when our case study organizations were operating as NGOs, they had communities from rural areas and urban slums as one of their stakeholders. However, after start of microfinance, communities converted into clients. Earlier grants aimed at societal welfare and poverty alleviation moved from these organizations to communities but now funds flow two ways. MFIs lend micro loans to clients and collect back the principal with interest in installments from these clients. This gave utilitarian power to clients as well because MFIs for their smooth functioning depend on the timely repayment of loan installments from clients[vii]. Managers also considered that clients are assuming more utilitarian power due to progressive loaning method prevalent in microfinance industry. When clients start with an MFI as a borrower he is generally given a loan of smaller monetary value. On full repayment of the loan and interest he graduates for a loan of bigger denomination. This is giving rise to more utilitarian power with the clients and higher credit risk[viii].

Many managers explicitly confirmed the importance of commercial banks for their organizations[ix]. Banks perform two major functions for microfinance organizations. Firstly, they are responsible for cash management and secondly they also lend to MFIs. However, in case of RCDS and DAMEN managers regarded commercial banks as marginal holders of utilitarian power[x]. This is because; there is unresolved problem of legal structure of Microfinance institutions. Many of MFIs like RCDS and DAMEN are registered under Societies Act XXI, 1860 of Pakistan. This doesn't allow commercial financial institutions to make clean lending to these organizations. These organizations have been recommended to get registered under Companies Ordinance 1984 with Securities and Exchange Commission of Pakistan (SECP). Once these organizations get registered with, they would be able to get loans from commercial banks against their receivables. NRSP and AKRSP are registered under Companies Ordinance 1984. Respondents from these organizations regarded commercial banks to possess strong utilitarian power as they have commercial liabilities from several commercial banks[xi]. Managers predicted the growing influence of commercial banks because they are being involved by apex lender and donors in verification of financial reports by commercial banks and also because apex lender is encouraging banks to initiate large scale commercial lending to MFIs.

Respondents also mentioned the confusion in stakeholder relationships that prevails at sectoral level[xii]. The three major stakeholders that are perceived to possess utilitarian power—i.e., apex lender, donors and commercial banks have quite different and mutually divergent requirements that MFIs have to meet to qualify for funds. Commercial banks and to greater extent apex lender actually gauge the financial worth of MFIs—their solvency and liquidity in particular. On the contrary donors have less financial considerations they would rather examine MFIs more in terms of social criteria. In our research we observed that managers at MFIs are growing more concerned about smoother relationships with apex lender and commercial banks which clearly indicates that the future format of microfinance sector will be set more on the basis of financial considerations.

As shown in **Table 5.1**, managers identified staff as one of important stakeholders[xiii]. Few managers testified that staff possesses the utilitarian power[xiv]. As a matter of fact, nature of relationship between staff and MFIs is totally different from that of staff in commercial banks. Unlike commercial banks the clients of MFIs are numerous. The only way to recognize a client is through a field staff. A field staff member identifies and evaluates hundreds of clients and then disburses loans to them and ensures its timely recovery. Therefore, field staff has been recognized by respondents to financially affect the organization[xv]. One of mid-level managers put it this way[xvi]:

> "A field staff member manages too many clients and this makes him very important for us. Field staff cannot be easily fired from the organization. This situation arises when organization has no or less direct linkage with debtors."

Although government has been identified as one of the salient stakeholders by our respondents[xvii] but largely the influence of government has been considered very marginal[xviii]. An interesting but less frequent role of the government in terms of its utilitarian influence over MFIs is explained by one of the respondent like this[xix]:

> "We have to face financial problems due to involvement of the government. You know when there are floods or disasters the government announces right off telling that nobody needs to pay back the loan installments. That is not the direct involvement into the microfinance sector but it affects us. Clients tell us that government has told us not to pay back the loan installments."

Other than this the role of government appears quite marginal in the sector. Under the heading of coercive power we will analyze the reasons for marginal role of government as well as possession of coercive power by stakeholders.

As shown in **Table 5.1 and 5.2**, it appears that stakeholders with strong utilitarian power such as apex lender and donors are the most influential and salient stakeholders of MFIs studied and this did not vary among MFIs. This confirms the findings of Parent and Deephouse (2007) who have suggested that utilitarian power has the highest impact on stakeholder salience.

Coercive power—i.e., thing, activity or procedure which affects the body; physical sanctions; force, threat, sabotage, violence, enforcement through government machinery, courts, and/or legislation—is not clearly possessed by any single stakeholder. Although few managers from AKRSP and NRSP considered the potential coercive power of Securities and Exchange Commission of Pakistan[xx] which registers and regulates the non-banking companies in the country, but there is no government agency with clear mandate to regulate these organizations. So, one very peculiar thing that we noted about the RCDS and DAMEN is that they themselves demand that they should be regulated, as opposite to other sectors where generally organizations tend to stay away from the government. This is because of the fact that sector is highly fragile, vulnerable and exposed and there are no legal covers to mitigate the credit risk[xxi]. For example one respondent mentioned that[xxii]:

> "All defaults are not that the clients cannot pay, it is because he does not want to pay. Right, So in all cases like these banks have access to the banking courts, banks can even access central bank of the country but MFIs have no place to go as we have no legal rights."

Many managers maintained that absence of regulator makes them easy prey to anti-microfinance campaigners, politicians and religious leaders[xxiii]. Several instances were noted where a politician announced waiver of loans of these MFIs[xxiv]. Similarly, religious scholars also attempt to provocate the clients not to pay back their debt with interest which is prohibited in Islam[xxv]. MFIs are working on their operational and financial self-sustainability, but at the same time they claim that they are meant for poverty alleviation[xxvi]. This mission drift also activates MF campaigners and the ultimate need for regulator.

In this high credit risk scenario, although apex lender considers itself a quasi-regulator but it does not have any coercive power over these organizations. Its mandate allows it to only monitor and provide MFIs with grants and soft loans on the basis of certain financial and social benchmarks and a standard of performance. As one of respondent from apex lender stated[xxvii]:

> "All the microfinance institutions that we have worked with are pretty independent. We only provide them with funds based on certain principles and values that we believe in. So we don't sit on anybody's Board. They are all independent institutions we only provide them with certain benchmarks and international standards. In order to PPAF support they have to adhere to those standards and then we keep on monitoring them."

Normative power—i.e., association which renders prestige and esteem; affiliation rendering love and acceptance, publicizing image etc.—is possessed clearly by five major stakeholders. These include: apex lender, donors, commercial banks, microfinance networks and clients[xxviii]. Therefore, not surprisingly all stakeholders that have been perceived as most salient by the managers (please See **Table 5.1**) are considered to possess normative power. Respondents regarded that afore-mentioned stakeholders play an important role in bolstering their image. Managers suggested that apex lender and donors are mostly internationally recognized and association with them brings considerable prestige to them[xxix]. As one respondent stated that[xxx]:

> "You see when we prepare some presentation or prepare our annual report etc. we include our donors … This boosts our image and credibility."

Commercial banks have also been considered by several managers worthy of association[xxxi]. When MFI secures commercial liability and engages with commercial financial institutions on non-subsidized market based principles such engagement adds to its reputation as it is considered vibrant, financially solvent and operationally sustainable organization[xxxii]. Normative power by clients is uniquely possessed in microfinance sector; respondents explicitly stated that they tend to associate themselves with those clients who establish themselves as successful entrepreneurs[xxxiii]. Such clients and their lending MFIs are identified and given awards annually in an international level ceremony. Likewise, managers regard networks as important stakeholders who act as face of the entire sector and carry ability to publicize their image[xxxiv].

Although most of the managers did not explicitly assigned normative power to the media, they stressed the inter-linkage of apex lender, donors, banks and network with media. Managers considered media just as channel through which powerful stakeholders influence their image[xxxv]. As one of the respondent suggested[xxxvi]:

> "They advertise through media and influence it."

It seems to us that stakeholders with normative power, such as apex lender, donors, commercial banks and clients are by far the most salient stakeholders of the MFIs that we studied (Please **See Table 5.2**).

Network centrality power—i.e., centrality in the network of stakeholders with more reach to players so that a stakeholder can block or grant access of the others on the network—is clearly possessed by the apex lender, donors, commercial banks and microfinance networks[xxxvii]. Respondents plainly suggested that being an apex body, PPAF is closely involved in most of the activities going on in the sector and maintains close relationships with government, microfinance networks, donors and international organizations like World Bank etc[xxxviii]. Similarly, they represent Pakistan on the Small Enterprise Education and Promotion Network (SEEP) and Microcredit Summit Campaign etc. Managers also considered commercial banks to possess very extensive contacts as they have specialized departments to handle relationship management. Although, commercial banks can indirectly affect the network on which MFIs are situated[xxxix], they are considered by managers to be situated on a network different from that of microfinance[xl]. Moreover, managers maintained that since the primary objective of networks e.g. Pakistan microfinance network is to manage the network of MFIs, therefore, they ought to possess network centrality power[xli]. The role of networks is quite extensive and works at three levels: Pakistan microfinance network plays an important role at national level; South Asia microfinance network works at the level of south Asia; microfinance summit campaign and social performance task force play their role in network management at international level[xlii]. These networks are mutually associated and carry substantial power to facilitate or block access of others. One of the managers suggested that even if investors come to Pakistan to invest in microfinance sector they get routed through us[xliii]. A bird's eye view of possession of stakeholders' possession of network centrality power reveals that clients as a stakeholder group are on periphery of Microfinance web—most marginalized with no network centrality power.

Table 5.2: Stakeholder power types as percieved by the managers

	Apex Lender	Donors	Clients	Commercial Banks	Staff	Government	Microfinance Networks	Board	Competitors	MNCs & Partners	Anti-MF compaigners	Media	Management	Auditors & Consultants	Village Organizations
Utilitarian	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 23, 24, 26, 27, 30, 31	2, 3, 4, 6, 7, 8, 9, 15, 19, 20, 21, 22, 23, 24, 25, 28, 31, 33	Int. 5, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19	2, 3, 4, 5, 7, 8, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25, 26, 29	Int. 2, 8, 13, 18	Int. 25, 31				Int. 4				Int. 22	Int. 21
Coercive						4, 5, 19, 21, 23, 25, 27, 28, 31				Int. 22	Int. 8				
Normative	Int. 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 23, 24, 26, 27, 30, 31	Int. 2, 3, 4, 7, 8, 9, 20, 21, 22, 23, 24, 25, 28, 31, 33	Int. 5, 6, 7, 14, 16, 17, 19, 20, 25, 31	Int. 2, 3, 4, 5, 7, 8, 14, 16, 17, 18, 23, 26, 29		Int. 12, 23, 27, 33	Int. 2, 3, 4, 8, 9, 11, 12, 13, 16, 17, 18, 32	Int. 3, 19, 25, 26	Int. 3, 7, 8	Int. 9, 22	Int. 3, 17, 18	Int. 3, 12, 18			
Network Centrality	Int. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 23, 26, 27, 30	Int. 3, 4, 6, 7, 8, 9, 15, 19, 20, 21, 22, 23, 24, 25, 28, 33		Int. 2, 3, 4, 5, 7, 8, 14, 15, 16, 17, 20, 23, 26, 29		Int. 5, 12, 19, 23, 27, 33	Int. 2, 3, 4, 8, 9, 11, 12, 13, 16, 17, 18, 32	Int. 3, 12, 13, 19, 24, 25, 26	Int. 3, 6, 7, 8, 10, 18	Int. 9, 22		Int. 3	Int. 13		

Besides identification of stakeholders possessing network centrality power, managers also identified experiential learning as antecedent to network centrality power suggesting that more experienced stakeholders are better placed on the network[xliv]. Moreover, our analysis suggests that stakeholders with network centrality power, particularly apex lender and donors are perceived as salient stakeholders by managers at case study organizations.

5.3.2 Legitimacy

As discussed above, legitimacy is broadly classified into moral, pragmatic and cognitive forms (Suchman, 1995). In order to extend the stakeholder salience tradition (Mitchell et al., 1997), we consider various types of moral, pragmatic and cognitive legitimacies to understand their relationship with stakeholder salience. Therefore, managerial perception of four types of moral legitimacy—i.e., consequential, procedural, structural and personal; three types of pragmatic legitimacy—i.e., exchange, influence and dispositional legitimacy and the cognitive legitimacy of various stakeholder groups is presented in the lines ahead (Please **See Figure 5.1**).

5.3.2.1 Moral legitimacy

Consequential and procedural legitimacy are two important forms of moral legitimacy. Consequential legitimacy is related to the assessment of consequences of stakeholder's outputs. If a stakeholder's outputs are considered to have positive social value, it is granted consequential legitimacy by the managers at focal firm. Likewise, if procedures and techniques adopted by the stakeholder are considered socially acceptable, it attains procedural legitimacy in the eyes of managers of focal firm.

Apex lender and donors were highly regarded as stakeholders with consequential and procedural legitimacy[xlv]. Apex lender has two distinct types of operations: first one is the financial services side of their work, here it deals with provision of subsidized funds to MFIs for microfinance and provides other services that are linked to business & income generation. Secondly apex lender deals in public goods and services. These public goods and services are the social development activities that are basically related to health, education, infrastructure building, water management and more recently apex lender is also involved in disaster mitigation and recovery, relief and rehabilitation and projects of renewable energy. Managers tended to assign consequential and procedural legitimacy to apex lender mainly for its social services[xlvi]. Likewise, donors operations were also regarded by managers to be consequentially and procedurally legitimate[xlvii]. Donors were considered to be actively participating in variety of social welfare activities and giving voice to marginalized communities. However, procedural legitimacy of donors was also questioned on the basis of need of responsibility with procedural legitimacy. A respondent[xlviii] stated that:

> "Once institutions get more responsible they may add more value to society. Although donors are legal entities but they operate more in informal paradigm, they are not formally accountable to anyone."

Overall the public service and social welfare related background of the donors and apex lender explains why most of the managers assigned consequential and procedural legitimacy to these two salient stakeholders.

Surprisingly, few managers have also assigned consequential and procedural legitimacy to the clients[xlix]. Managers maintained that by kick-starting or expanding an enterprise, their clients not only employ more people with them but also better contribute to their poor families through incremental income. In discussing legitimacy managers were noted to speak of communities and clients interchangeably. This is due to the fact, our case study organizations also form the community organizations or village organizations at the village and union council level that assist in societal welfare projects and awareness raising programs[l]. So, keeping this social welfare role in mind managers tended to assign consequential and procedural legitimacy to clients/communities.

As shown in **Table 5.3**, few managers assigned consequential and procedural legitimacy to the less salient stakeholders e.g., government, staff and board etc., in the overall scheme of stakeholder relationships, operations and output of the most salient stakeholders—i.e., donors, clients and apex lender—were perceived to be of higher social value.

Structural legitimacy is conferred to a stakeholder group when it is considered to possess such structural characteristics that make it fall into a morally favored taxonomic category. It is suggested that procedural and structural legitimacies overlap with each other because the "*organizational structures largely consist of stably replicated procedures"* (Suchman 1995, p. 581). But since procedural legitimacy involves discrete routines viewed in isolation while structural legitimacy involves permanent features that prove that the entire system of relevant activities is able to recur consistently over time, therefore, they differ from each other (Suchman, 1995).

As shown in **Table 5.3**, most of the managers tended to assign structural legitimacy to apex lender, donors, and commercial banks. Other stakeholders were either rarely considered to be structurally legitimate or remained unassigned[li]. Managers asserted that the primary purpose of existence of apex lender and donor organizations is to perform such tasks that are morally favoured. Moreover, apex lender has maintained a full-fledged operational department and three tier monitoring system which contionusly monitor the social repercussions of its partnerships with MFIs. Through the MFIs, apex lender has instituted a regular system of getting feedback of social outcomes of its intervention that is termed as poverty score card[lii]. Managers considered international donors to have strong systems, equipment, trained staff and well maintained evaluation departments that regularly inspect the outcomes of their social tasks[liii]. Some managers also assigned structural legitimacy to microfinance networks for their better liaison between important stakeholders and keeping vigilant eye over their activities[liv].

Our study helps us uncover some important antecedents of attribute of structural legitimacy. Managers regarded, age, experience, financial soundness, size of organization, level of technological robustness, exposure and local knowledge as key antecedents of structural legitimacy[lv].

In the extant literature, scholars have generally viewed legitimacy as stakeholders' capacity to continually perform social tasks via existence of specialized wing and persistence and stability to contribute in societal welfare etc. (Suchman, 1995). However, we noted that unlike conventional organizational features—e.g., existence of department which monitors social activities or yearly social audit programs etc., the legitimacy earning structural features of an organization can also be classified on 'formal' and 'informal' lines. Managers asserted that MFIs have their sensors in the form of field staff or commission agents. They always sense and predict the contingencies and uncertainties. Theses staff of MFIs act as early warning system. They smell and report if they feel organization is doing something that is not morally favored[lvi]. Future efforts can investigate this phenomenon to extend Suchman's (1995) work on legitimacy.

As shown in **Table 5.1 and 5.3**, it appears that stakeholders with sophisticated organizational structure such as apex lender, donors, commercial banks and microfinance networks are perceived to possess structural legitimacy by the respondents.

Personal legitimacy refers to association of iconic personalities with stakeholder organization in BOD, employees, through hiring for advertisements, or by building partnerships. As shown in **Table 5.3**, several managers assigned personal legitimacy to salient stakeholders like apex lender and commercial banks[lvii]. Though rarely but BODs, competitors and donors were also assigned personal legitimacy by managers[lviii]. Analysis in terms of level—i.e., BODs, employees, celebrities hired for advertisements and at founder's level—identification of iconic figures by respondents portrays an interesting picture. Managers asserted that in not-for-profit stakeholders—i.e., apex lender and donors—presence of iconic personalities affects the salience more than in for-profit stakeholders like commercial banks and competitor organizations. In for-profit stakeholders, respondents identified professionally experienced and expert individuals at the level of board of director or employees[lix]. Managers suggested that to better manage the image, for profit organizations would rather prefer to hire iconic personalities and celebrities as brand ambassadors. While in case of not-for-profit stakeholder organizations, respondents identified iconic personalities at board and employees levels[lx]. Moreover, managers tended to assign personal legitimacy to the stakeholders where founding member had charismatic personality[lxi].

Overall, it seems to us that personal legitimacy affects stakeholder salience. Admittedly, this effect can potentially grow in case of non-profit stakeholders.

Table 5.3: Stakeholder types as percieved by the managers

		Apex Lender	Donors	Clients	Commercial Banks	Staff	Govern-ment	Microfinance Networks	Board	Competitors	MNCs & Partners	Anti-MF compaigners	Media	Management	Auditors & Consultants	Village Organizations
Types of moral legitimacy	**Conseqential**	Int. 2, 4, 5, 7, 8, 9, 10, 13, 14, 15, 16, 18, 23, 24, 26, 27, 30, 31	Int. 4, 6, 7, 8, 9, 19, 20, 21, 22, 23, 25, 28, 31	Int. 19, 22, 24, 25, 26, 27, 31		Int. 19, 22, 26, 28	Int. 5, 19, 23, 27	Int. 18	Int. 13, 18, 19, 24, 25, 26		Int. 9			Int. 13, 24		Int. 21
	Procedural	Int. 2, 4, 5, 7, 8, 9, 10, 13, 14, 15, 16, 18, 23, 24, 26, 27, 30, 31	Int. 4, 6, 7, 8, 9, 19, 20, 21, 22, 23, 25, 28, 31	Int. 19, 22, 24, 25, 26, 27, 31		Int. 19, 22, 26, 28	Int. 5, 19, 23, 27	Int. 18	Int. 13, 18, 19, 24, 25, 26		Int. 9			Int. 13, 24		Int. 21
	Structural	Int. 3, 4, 5, 6, 7, 8, 9, 11, 14, 15, 16, 18, 23, 26, 27, 30, 31	Int. 2, 3, 4, 6, 7, 8, 9, 15, 19, 20, 21, 23, 25, 28, 31, 33		Int. 2, 3, 4, 5, 7, 8, 13, 14, 15, 16, 17, 23, 25, 26, 29		Int. 12	Int. 2, 3, 11			Int. 4, 22		Int. 3		Int. 2	
	Personal	Int. 2, 4, 8, 16, 17, 18, 26	Int. 2, 8, 21		Int. 2, 8, 14, 16, 17, 18			Int. 8, 32	Int. 13, 19, 25, 26	Int. 3, 7, 8, 18	Int. 4				Int. 2	
Types of pragmatic legitimacy	**Exchange**	Int. 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 17, 18, 23, 24, 26, 27, 30, 31	Int. 2, 3, 4, 9, 19, 22, 23, 24, 25, 28		Int. 2, 3, 8, 13, 14, 17, 18, 26, 29											
	Influence	Int. 2, 3, 26, 27, 30, 31						Int. 2, 3, 4, 6, 9, 10, 11, 19, 20, 21, 25, 26, 31						Int. 13, 24	Int. 2, 4	Int. 2, 3, 4, 6, 9, 10, 11, 19, 20, 21, 25, 26, 31
	Dispositional	Int. 9	Int. 9								Int. 1					
Cognitive Legitimacy	**Cognitive**	Int. 2, 5, 6, 8, 11, 13, 18		Int. 2, 5, 6, 9, 10, 11, 13, 14, 16, 18	Int. 4, 5, 13	Int. 8			Int. 18							

5.3.2.2 Pragmatic legitimacy

Exchange legitimacy refers to a situation when stakeholder receives support from focal firm's mangers because of expected value of its policy initiatives, strategies and operations for focal organization. As shown in **Table 5.3**, most of the managers explicitly stressed a direct exchange relationship between their organisations and apex lender, donors and commercial banks[lxii]. Managers viewed higher expected value of policies, strategies and operations of these stakeholders for their organizations. This is with the exception of AKRSP that does not work with apex lender; therefore, respondents from AKRSP did not stress direct exchange relationships with apex lender[lxiii].

In extant literature exchange legitimacy has remained a controversial phenomenon. Since, it is awarded when a stakeholder extends exchange benefits to the focal firm (Suchman, 1995), therefore, exchange legitimacy indicates resource dependence of the focal organization on the stakeholder. Researches, therefore, suggest that exchange legitimacy is same as utilitarian power (Neville et al., 2011). Responses from the managers in our case indicate an equation of exchange legitimacy and utilitarian power. Several respondents who considered apex lender, donors and commercial banks to possess utilitarian power also assigned exchange legitimacy to these stakeholders[lxiv].

Influence legitimacy arises when stakeholder is supported by the focal firm because firm thinks that it is responsive to its larger interests. Influence legitimacy is granted to a stakeholder when, for example, it incorporates focal firm into its policy making structures or adopts focal firm's standards of performance as its own. Several respondents stated that due to their heavy reliance on donors, lender apex and commercial banks etc. they normally solicit policy inputs and advice from these stakeholders[lxv]. They suggested that while making long term strategic plans, designing policies or even in some operational matters they have to consult these stakeholders. But apex lender, donors and commercial banks do not include case study MFIs into policy making matters, rather MFIs have to adopt standards of performance of these powerful stakeholders.

However, several managers assigned influence legitimacy to domestic microfinance networks and community organizations[lxvi]. Financial and operational reliance of microfinance networks and community organizations on MFIs explains why these two stakeholders tend to incorporate MFIs into their policy making. As a matter of fact, MFIs mobilize communities to form village or union council level organizations. These small sized community organizations heavily depend on financial and technical assistance from the MFIs. Similarly, microfinance networks—as their name suggest—are club of MFIs that depend on membership fee and support of MFIs.

Therefore, we may suggest that stakeholder would incorporate focal firm into its policy making structure or adopt its standards of performance as its own when focal firm has utilitarian power over it. Moreover, it appears that influence legitimacy does not act as a determinant of stakeholder salience.

Dispositional legitimacy: Focal firm shall consider those organizations to possess dispositional legitimacy that are honest, trustworthy, decent, and wise. Managers did not clearly labeled any single stakeholder as honest or dis-honest, trustworthy or untrustworthy, decent or indecent etc. Rather, managers tended to evaluate stakeholders more in terms of organizational interests and mutual dependencies.

Business of microfinance is built around social capital and organizations do not secure any physical collateral to in order to lend to micro-borrowers. A manager suggested that in case of willful default by the client he is not considered honest or trustworthy by the organization[lxvii]. Therefore, he loses dispositional legitimacy but simultaneously assumes more urgency. We noted here the mutually inverse relationship between dispositional legitimacy and attribute of urgency. This has profound theoretical implications because contrary to the stakeholder salience framework's fundamental proposition (Mitchell et al., 1997), a stakeholder even after losing an attribute grows more salient. Moreover, it seems that the stakeholders possessing dispositional legitimacy are not the salient stakeholders.

Table 5.4: Types of urgency and proximity as percieved by the managers

		Apex Lender	Donors	Clients	Commercial Banks	Staff	Govern-ment	Microfinance Networks	Board	Competitors	MNCs & Partners	Anti-MF compaigners	Media	Manage-ment	Auditors & Consultants	Village Organizations
Urgency	Criticality	Int. 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16, 17, 23, 24, 26, 27, 31	Int. 2, 3, 4, 7, 8, 9, 15, 19, 21, 22, 23, 24, 25, 28, 31, 33	Int. 25	Int. 2, 3, 8, 13, 14, 15, 16, 17, 18, 26, 29	Int. 2, 14, 18	Int. 4		Int. 16, 18					Int. 16		
	Time Sensitivity	Int. 2, 7	Int. 7				Int. 4									
Proximity	Geographical															
	Organized	Int. 2, 3, 4, 5, 6, 8, 9, 11, 12, 14, 15, 16, 17, 18, 23, 24, 26, 27, 31	Int. 2, 3, 9, 19, 21, 23, 25, 28, 31, 33	Int. 5, 6, 11, 18, 19, 20, 21, 23, 25, 26, 27, 28	Int. 2, 3, 7, 14, 16, 18, 29	Int. 15, 22	Int. 12	Int. 4, 12	Int. 3, 12, 13, 24, 26	Int. 3, 6, 7, 10, 18	Int. 9			Int. 13, 24, 16		

5.3.2.3 Cognitive legitimacy

When stakeholder possesses cognitive legitimacy it is ‘‘taken for granted’’. Such stakeholder is considered as necessary or inevitable. Although, managers considered several stakeholder groups to possess cognitive legitimacy[lxviii] but managerial perception remained bewildered. Managers evaluated stakeholder groups more in terms of alternatives and substitutability of stakeholders. Overall, clients were regarded by several managers as necessary or inevitable[lxix].

We observed that phenomenon of cognitive legitimacy is better explained when a stakeholder group e.g. clients is assessed rather than a single constituent within the group e.g. single client. Not all the stakeholders possessing cognitive legitimacy were ranked as most salient stakeholders by the managers.

5.3.3 Urgency

It is the degree to which stakeholder claims demand immediate attention of the mangers or more simply it is the force that a stakeholder puts on his claim. Salience framework (Mitchell et al., 1997) classifies legitimacy into two: time sensitivity and criticality. Time sensitivity represents the degree to which delay in attending the claims is unacceptable to the stakeholder while the criticality refers to the significance that a stakeholder assigns to its claim (Mitchell et al., 1997).

As shown in **Table 5.4**, our respondents mainly regarded the demands of apex lender, donors and commercial banks as urgent[lxx]. This is with the exception of managers from AKRSP who considered claims of donors more important as they are not affiliated with apex lender[lxxi]. Moreover, managers thought that they considered claims from donors, apex lender and commercial banks important to attend in the given time frame.

Although clients were considered by several managers to possess utilitarian power, however their demands were considered less urgent. Some managers asserted that clients and staff cause higher degree of urgency but it happens less frequently[lxxii]. Respondents suggested that in case of a loan default by a client and particularly a collective default on the part of group of clients makes the situation abruptly urgent. Emergent situation of similar scale also develops if a field staff member quits or turns against the organization. This is because, each staff member of MFIs manages the loan portfolio of hundreds of clients and it becomes very difficult for MFIs to re-connect with all the clients. Under such emergent circumstances case study organizations cannot meet their obligations towards other important stakeholders. Therefore, managers regarded the demands from apex lender, donors and commercial banks as permanently urgent while claims from staff and clients as occasionally urgent.

To differentiate the time element of urgency from criticality we plainly asked managers whose demands they would try to meet first out of all the identified stakeholders if all demands have the similar deadline. Managers in general suggested that they will prefer those tasks that if done will cause benefit and if not done will cause harm—i.e., critical claims shall be handled first[lxxiii]. Moreover, some respondents were also of the view that to tackle the stakeholder it is important to tackle the claim of the stakeholders[lxxiv]. They suggested that they will first attend the claims of highest significance irrespective of the stakeholders behind the claims. Overall, it appears that criticality of claims affects the stakeholders' salience more than time sensitivity.

5.3.4 Proximity

Proximity is classified by Torre and Rallet (2005) into two types—i.e., geographical and organized. Organized proximity is the ability of the organization to make its members interact easily with others through norms, codes, beliefs, shared values and rules etc. while, geographical proximity is about *near and far*.

As shown in **Table 5.4**, in terms of ***organized proximity*** our respondents tended to regard several stakeholders as proximate that included clients (communities)[lxxv], donors[lxxvi], apex lender[lxxvii] and commercial banks[lxxviii]. In addition to it, managers also considered management[lxxix], Board[lxxx] and competitors[lxxxi] as stakeholders with organized proximity. As MFIs intermediate between lenders e.g. apex lender, commercial banks etc. and clients, therefore, alignment with norms, codes, beliefs and values of both these salient stakeholders is considered very important. Managers noted that norms, codes, beliefs and values at the level of community are quite different from that of lender apex and donors[lxxxii]. Head office staff deals more frequently with apex lender, donors and commercial lenders while field staff remains more engaged with the clients. Since, respondents at the head office level are tended to share norms, codes, beliefs and shared values, rules etc. with apex lender, donors and commercial banks[lxxxiii], therefore, managers at head office level considered these stakeholders more proximate. On the other hand, staff at the field offices regarded clients more proximate[lxxxiv]. As one respondent[lxxxv] stated that:

> "At Head office level we have more interaction with donors while at field level offices we have more interaction with community. Now when we recruit field staff we prefer local people, because they are more acceptable to communities. For example our staff at Layia speaks the same language, have the same norms as that of community this makes us more acceptable."

We suggest that higher frequency of interaction and acceptability might be the antecedents of organized proximity. Moreover, managers attempt to get proximate with the stakeholders who they perceive to possess more power, particularly utilitarian power.

Field staff-to-clients organized proximity and head office staff-to-commercial lenders' organized proximity also points towards the widely prevalent confusion that we observed at the case study organizations. This confusion has its roots in total identity schism prevailing in microfinance sector. The microfinance sector has adopted the commercial logic and BODs and management of organizations are focusing more on the operational and financial sustainability. On the contrary the mission as proclaimed by these MFIs is based on welfare logic—i.e., poverty alleviation. We observed that these NGOs-converted MFIs still work under the influence of values, norms, belief system and codes that come from social sector. As one respondent[lxxxvi] suggested that:

> "Although, we have adopted the commercial approach to MF but our norms and values are not yet commercial. We have a social mission. All our manuals, procedures, rules, methods, by-laws etc. are governed by the social mission but we are trying to execute commercial agenda."

Our observation of identity schism and remarkable variation in managerial perception of stakeholder proximity suggests possible mutual correlations between these two variables. Furthermore, it also confirms the finding of a notable previous study by Battilana and Dorado (2010). In their comparative case study of two pioneering commercial microfinance organizations, Battilana & Dorado (2010) recorded identity schism between carriers of two different logics – not-for-profit and for-profit. We also noted that field level staff socialized in development logic perceives stakeholders proximity quite differently compared to head office staff.

Managers also considered top management and BODs to possess organized proximity. However, they are seen more as agents who influence and mold organizational members perception of stakeholders' proximity[lxxxvii]. Competitors were another stakeholder group that managers regarded to possess organized proximity[lxxxviii]. Our respondents revealed a tendency to get proximate to the stakeholders who they perceive are close to their competitors[lxxxix]. This makes us view the concept of organized proximity through the lense of institutional theory. DiMaggio and Powell (1983) suggested that three types of institutional pressures—i.e., coercive, mimetic and normative—increase the homogeneity of organizational structures in an institutional environment. Of our particular interest here are mimetic and normative pressures. Mimetic pressures make the firms to imitate the successful firms while, normative pressures come from similar approaches of individual and groups associated with the firm. We propose that organized proximity of stakeholders is also affected as a result of mimetic and normative institutional pressures on the organization. This proposition is based on our observation that as a result of mimetic pressures managers at our case study organizations attempted to get more proximate to specific stakeholders.

Internal stakeholders like, management, staff and BODs were relatively more proximate stakeholders in terms of ***geographical proximity*** compared to the rest of the stakeholders. Since, we could ourselves identify stakeholders for their relative geographical distance from the managers; we did not pose the questions relating geographical proximity. It appears that the geographical distance did not affect managerial perception of stakeholder salience as managers had assigned salience to stakeholders irrespective of their geographical proximity. However, those stakeholders that were perceived to possess the organized proximity were also perceived as salient by the respondents.

5.4 Summary and conclusion

In the analysis section we have examined the types of power, legitimacy, urgency and proximity of the stakeholders that were identified as salient by managers of the four MFIs in

Pakistan. The overall picture suggests that possession of various types of salience attributes helps stakeholders win managerial attention. In summary we propose the following:

1. Most salient stakeholders such as apex lender, donors and commercial banks are considered to possess more types of power. Stakeholders that possess other types of power but not the utilitarian power are considered relatively less salient. Therefore, we suggest that utilitarian power brings far more salience than other types of power. Moreover, stakeholders that possess utilitarian power are more likely to possess normative and network centrality power.

2. Most salient stakeholders are considered morally legitimate. Such stakeholders such as apex lender, donors and clients are perceived to possess consequential and procedural legitimacy. Structural legitimacy is possessed by the salient institutional stakeholders who have sophisticated organizational structures. Moreover, structural legitimacy earns relatively more salience than other types of moral legitimacy. Personal legitimacy has moderate affect on stakeholder salience. However, this effect can grow in case of non-profit stakeholders.

   Age, experience, financial soundness, size of organization, level of technological robustness, local knowledge and exposure are key antecedents of structural legitimacy.

3. Pragmatic legitimacy is not relevant to stakeholder salience. Salient stakeholders such as apex lender, donors and commercial banks possess exchange legitimacy. However, based on the equation of responses, we suggest that exchange legitimacy is similar to utilitarian power and its inclusion into stakeholder salience model may result into double counting of same effect. Influence and dispositional legitimacies do not affect the stakeholder salience. Moreover, a stakeholder is assigned influence legitimacy when focal firm carries utilitarian power over it.

4. Claims from most salient stakeholders are considered highly urgent. Moreover, criticality of claims affects the salience more than time sensitivity.

5. Most salient stakeholders appear to possess organized proximity but are not geographically proximate to the managers. Moreover, organized proximity is affected by the mimetic and normative institutional pressures on the organization. Higher frequency of interaction and

acceptability are the key antecedents of organized proximity. Moreover, stakeholders that possess utilitarian power are highly likely to possess organized proximity. Key results are summarized are summarized in **Fig 1b**.

Parent and Deephouse (2007) differentiated power into three types—i.e., utilitarian, coercive and normative—to examine the relationship between stakeholder salience and various types of power. This study extends this line of research to other attributes—i.e., legitimacy, urgency and proximity.

Overall, all four attributes (Mitchell et al., 1997; Driscoll and Starik, 2004) were found to effect the managerial perception of stakeholder salience. Stakeholders that were perceived by the managers to possess more TOAs—e.g., apex lender, donors and commercial banks—were assigned highest salience ranks by the managers. Conversely, the stakeholders that were perceived by the managers to possess less TOAs were assigned lower salience ranks by the managers. Notwithstanding, geographical proximity was noted to have no clear relationship with stakeholder salience. Similarly, in line with Neville et al.'s (2011) proposition of excluding pragmatic legitimacy from salience framework, we noted that various types of pragmatic legitimacy are least related to stakeholder salience.

Our analysis reveals that in the largely unregulated field of microfinance in Pakistan, no single stakeholder was clearly perceived to possess coercive power. Government was considered least salient by managers because of its insignificant role in the field. Notwithstanding the case of microfinance sector, interviewees perceived Government as one of the most salient stakeholders in the banking sector where it strictly enforces financial regulations and penalizes the Banks that transgress. This observation points towards the need to choose a single constituent, e.g. Government, and conduct a deeper investigation in future to understand sector wise variability in stakeholder's salience

To qualify for a conclusion, we must recognize the limitations of this study. First of all, this research is biased towards group homogeneity as it assumes that various stakeholders in a group—i.e., clients, donors, commercial banks etc. are homogenous. There is a need to recognize heterogeneity in stakeholder groups and more sub-groups could be included to further the scope of salience framework.

There are disagreements among researchers over the impact and efficacy of types of power attribute. For example, Harvey and Schaefer (2001) maintain that coercive power has the highest impact on stakeholder salience because, among the three definitive stakeholders in their study, government was more salient than other two stakeholders. On the contrary, Parent and Deephouse (2007) and our findings suggest that utilitarian power is most important determinant of salience among power types. Such a disagreement can be expected in the types of other salience attributes and it can be attributed to dissimilar field or industry being analyzed. Therefore, as suggested above future research could focus a single constituent and investigate variability in its salience in different fields where it is recognized as a stakeholder.

Financial regulations, practices, standards, etc. related to microfinance sector vary from one country to another. For instance, in Pakistan microfinance organizations cannot raise deposits without attaining status of scheduled commercial bank but in neighboring country India they can. Therefore, future endeavors can compare results of this study with cases chosen from different regions. Results of this study can be literally applied to microfinance organizations, but as they carry same organizational features in terms of stakeholders' relationship management as possessed by other organizational forms, therefore, stakeholder theory that forms the basis of this research will help identifying the cases to which results of this study will be generalizable (Yin, 2003).

Organizational fields undergo an institutional change process (Khavul et al., 2013). Such an institutional change process may bring some stakeholders closer while others may move apart across organizational field (Khavul et al., 2013), thus, altering the salience profile of stakeholders. Therefore, those constituents who are perceived as stakeholder today may not be assigned stakeholder status tomorrow. Therefore, as emphasized by Mitchell et al. (1997) it can be quite rewarding to develop a dynamic understanding of salience framework vis-à-vis the institutional change process.

In conclusion, our multiple case study design aims to examine salience model (Mitchell et al., 1997). The primary objective was to differentiate salience attributes into various types and study the relationship between salience and types of attributes. For this we have collected data through archival material and semi-structured open-ended interviews. We propose that salient stakeholders are the ones that possess more types of various salience attributes. Moreover, we suggest that among the types of power; utilitarian power had the highest impact on stakeholder salience. Likewise, structural legitimacy, criticality and organized proximity have higher impact on salience compared to other types of legitimacy, urgency and proximity respectively.

Chapter 6

6. Investigating the dynamics of stakeholder salience: What happens when the institutional change process unfolds?[8]

Previous chapter addressed an important gap that relates to dissention persisting in stakeholder salience tradition over the inclusion and impact of various attributes and their types. We differentiated four salience attributes—i.e., power, legitimacy, urgency and proximity—into various types and empirically examined their relationship with stakeholder's salience. In previous chapter, we identified those attributes' types that have higher impact on stakeholder salience compared to other types of power, legitimacy, urgency and proximity respectively. We found that more the types of various attributes possessed by the stakeholders; the more salient it is perceived by the managers. Moreover, we suggested that the pragmatic legitimacy is not relevant to stakeholder salience. We also found that stakeholders with non-market logic win more managerial attention on the basis of types of moral legitimacy.

Unlike the static analysis presented in previous chapter, this chapter takes a dynamic perspective on stakeholders' salience. Phenomenon of stakeholder salience is transitory in nature (Mitchell et al., 1997) and a stakeholder that possesses only one salience attribute at one point of time can capture a manager's attention by acquiring the missing attributes in another point of time. Therefore, this chapter aims to understand how stakeholder's status, salience and attributes are transformed when organizations undergo an institutional change process. Moreover, previous conceptual work alludes to possible associations among salience attributes and strongly emphasises the need to empirically examine the mutual relationship of salience attributes and their types. This chapter fills this gap and also examines how interaction of various salience attributes and their types is affected at different phases of institutional change process.

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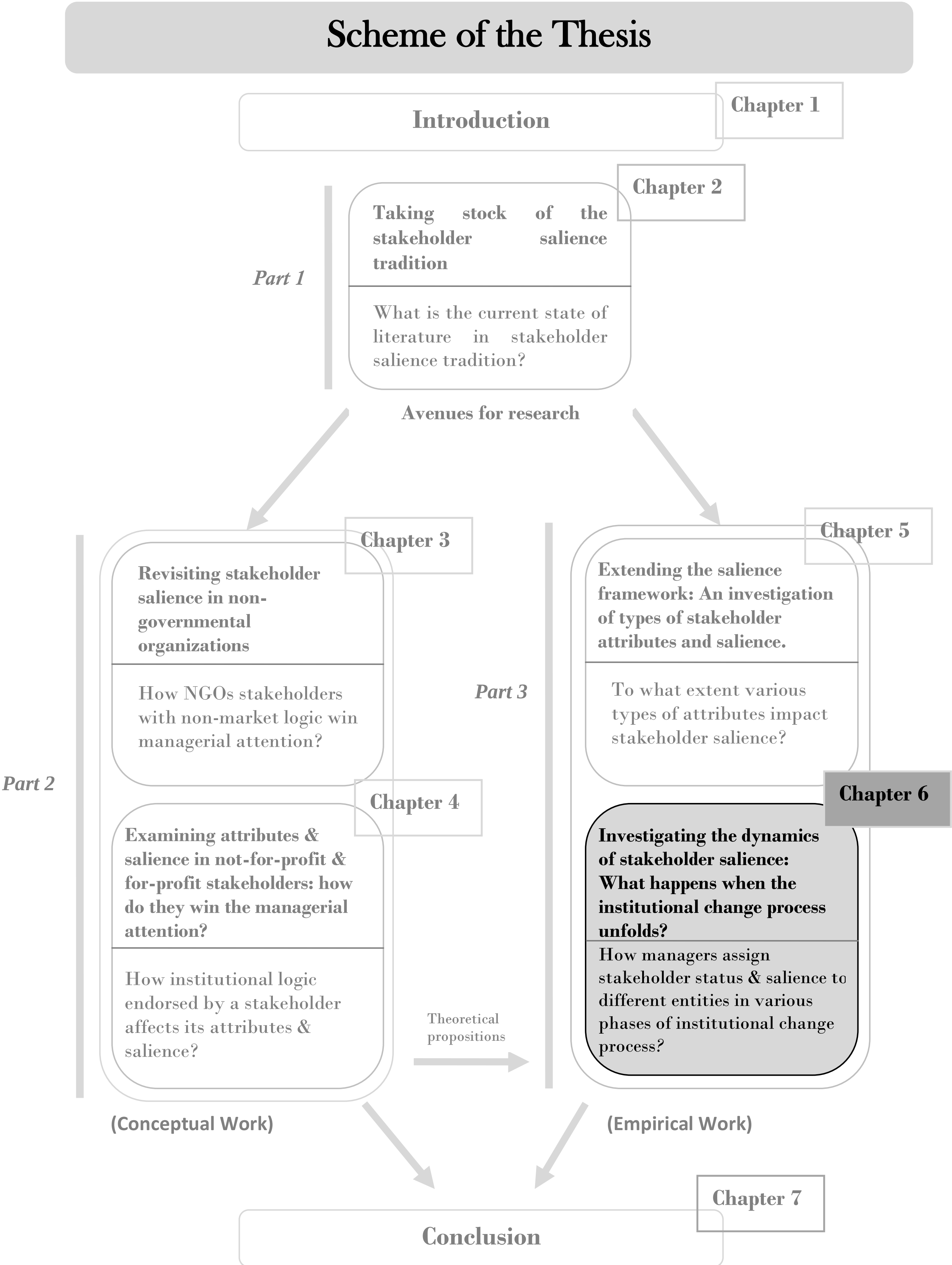
[8] Khurram, S., & Charreire Petit, S. Investigating dynamics of stakeholder salience: What happens when institutional change process unfolds?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Introduction

With a potential market of three billion clients, microfinance is one of the most rapidly growing industries in the world; leading microfinance organisations are growing by 20 percent per annum (International Finance Corporation, 2013). During the last few decades, rapid growth has accompanied a robust process of institutional change in these organisations. Previous research findings suggest that microfinance organisations, which once were predominantly non-governmental and focused on development, have transformed into microfinance institutions with hybrid logic (i.e., welfare and commercial) and now include banks with a commercial logic (Battilana and Dorado, 2010; Kent and Dacin, 2013; Khavul et al., 2013). Because of this intense process of institutional change, many constituents have moved closer, whereas others moved apart, within and across organisational fields (Khavul et al., 2013). This has altered the salience profile of microfinance organisations; i.e., the stakeholders that were salient yesterday may not be salient today. In this paper, we examine the dynamics of stakeholders' salience in the field of microfinance using a partial equilibrium analysis of the three mutually distinguishable phases of the institutional change process.

Mitchell et al.'s (1997) stakeholder salience model is one of the most frequently cited contributions to stakeholder research. As per Google Scholar, it has been cited over 6000 times as of October 2014 and over 100 times in Journal of Business ethics alone. The model has received reasonable empirical support from subsequent researchers (Agle et al., 1999; Boesso and Kumar, 2009; David et al., 2007; Eesley and Lenox, 2006; Knox and Gruar, 2007; Magness, 2008; Parent and Deephouse, 2007). Mitchell et al. (1997) stress the importance of developing a dynamic understanding of the salience framework.

However, despite the passage of more than a decade, empirical research to understand the dynamics of stakeholder salience has remained limited. In particular, there have been no studies examining the transience of stakeholder salience addressing multiple points in time. Moreover, previous research studies that have attempted to analyse the dynamic aspect of the stakeholder salience framework have either investigated single and relatively short historical reference periods or have focused on a limited, pre-defined set of stakeholders. To fill that gap, this empirical study aims to adopt a wider observation window to record individual managers' perceptions of changes in stakeholders' salience in the three above-mentioned phases of the institutional change process. Taking a dynamic perspective on the stakeholder salience that is the centre of this study's attention, the design of this study permits broader inclusion of all constituents that managers perceive as salient stakeholders. In doing so, we longitudinally examine the phase-wise transience of stakeholders' salience vis-à-vis a change in the number of their salience attributes by addressing the following research question: How do managers assign salience to stakeholders during different historical periods of the institutional change process?

Most of the previous work takes attributes of salience —power, legitimacy and urgency—as given. Less effort has been put into extending the salience framework to include the types of each attribute. We note only one study that differentiates power into three types—i.e., utilitarian, coercive and normative—to analyse the relationship between types of power and stakeholder salience as perceived by managers (Parent and Deephouse, 2007). We extend this line of research to legitimacy (pragmatic, moral and cognitive; Suchman, 1995), urgency (criticality and time sensitivity; Mitchell et al., 1997) and an additional attribute of proximity (organised and geographical; Driscoll and Starik, 2004; Torre and Rallet, 2005). By addressing various types of each salience attribute, this empirical research also examines the mutual association of various types of attributes and the impact of the institutional change process on their association.

To advance the stakeholder literature both theoretically and empirically, we have chosen four microfinance organisations for our multiple case study analysis. We examine more than 400 manager-to-stakeholder relationship dyads in terms of 4 salience attributes (power, legitimacy, proximity and urgency)—and 16 different types of these 4 attributes—to test our hypothesis. In highly dynamic industries, such as microfinance, in which constituents' priorities and expectations are rapidly changing, an in-depth stakeholder analysis such as this one is warranted. Our findings suggest that stakeholders' status and salience change as institutional process unfolds in the field. We found that change in stakeholder's salience is directly related to change in stakeholder attributes. Moreover, we note that mutual associations exist between various salience attributes and their types which depend on the stage that organization has reached during institutional change process. Our findings have important implications for managers of non-governmental organisations, microfinance institutions, banks and stakeholders.

6.1 Literature Review

We based our empirical research on Mitchell et al.’s (1997) framework of stakeholder salience. According to salience framework, stakeholder salience is directly related to the cumulative number of attributes of salience—i.e., power, legitimacy and urgency—as perceived by managers to be possessed by a stakeholder. We add *proximity* (Driscoll and Starik, 2004) to the existing list of salience attributes and include different types of each salience attribute. We explore the transience of stakeholders’ salience in terms of changes in salience attributes and types during three historical periods, each punctuated with a distinct institutional logic.

6.1.1 Stakeholder Salience and Attributes

Different approaches to stakeholder identification and prioritisation have been discussed in the research on stakeholder theory. These approaches have been categorized into two – instrumental and normative – on the basis of their instrumental power, normative validity and descriptive exactness (Donaldson and Preston 1995). The normative approach (Clarkson et al., 1994) attempts to include as stakeholders all of those constituencies that participate in cooperative efforts. The instrumental approach challenges the normative approach by adopting a constricted view of stakeholders and supports the economic perspective of the stakeholder theory (Hill and Jones, 1992; Jones, 1995).

Primarily grounded in Freeman’s (1984) management framework, Mitchell et al. (1997) offer a middle way between the above-mentioned perspectives. After analysing a sizeable body of research that had introduced, supported or challenged various definitions of stakeholder, Mitchell et al. (1997) formulated the salience framework. First, they assert that to narrow the definition of stakeholder, a stakeholder’s *power* to influence firm behaviour regardless of the legitimacy of the stakeholder’s claim should be taken into account. Second, a stakeholder’s legitimacy emanating from mutual exchange, legal contract status, legal rights and moral rights associated with procedures and the consequences of firm functions should also form the basis of stakeholder identification. Third, the degree to which a stakeholder claim demands a manager’s immediate attention should be included in the sorting criteria termed the salience framework (Mitchell et al., 1997; Agle et al., 1999). Therefore, Mitchell et al. (1997) suggest that stakeholders can be identified and prioritised on the basis of their possession of three traits or attributes—power, legitimacy and urgency. Defining salience as the degree to which managers would give priority to competing stakeholders' claims, Mitchell et al. (1997) suggest that the more a stakeholder accumulates these attributes, the more salient it is considered by the focal firm's managers. The stakeholder salience model (1997) has been empirically tested and has gained the support of other researchers (Agle et al., 1999; Boesso and Kumar, 2009; David et al., 2007; Eesley and Lenox, 2006; Knox and Gruar, 2007; Magness, 2008; Parent and Deephouse, 2007).

Salience attributes and their types: To mobilize various hypotheses that involve central components of salience framework (Mitchell et al., 1997) we first lay a theoretical foundation by a) defining various salience *attributes* b) explaining the literature based differentiation of *types* of these attributes c) highlighting some key ambiguities in the usage of attribute of *legitimacy*.

6.1.1.1 Power

In light of previous work (Dahl, 1957; Pfeffer, 1981; Salancik and Pfeffer, 1974; Weber, 1947), power is conceptualized in salience framework (Mitchell et al., 1997, p. 865) as "*the ability of those who possess power to bring about the outcomes they desire*". The notion of power applied in this framework is built on social agency, resource dependence and transaction cost perspectives (Mitchell et al., 1997). Searching for a typology of power bases that offers a sorting logic to create exhaustive and mutually exclusive categories, Mitchell et al. (1997) picked Etzioni's (1964) classification of organizational bases of power. It suggests that a stakeholder may carry ability to use *coercive power*—force, threat, litigation, etc.; *utilitarian power*—granting or withholding of resources and/or *normative power*—symbolic influence to impose its will on the firm (Etzioni, 1964; Mitchell et al., 1997).

Subsequent researchers have attempted to further develop the theoretical foundations of power attribute (Driscoll and Starik, 2004; Neville et al., 2011; Neville and Menguc, 2006; Pajunen, 2006). Recently, it has been suggested that attribute of power should also be viewed in terms of social network theory (Neville et al., 2011). It is proposed that firms are subject to increased attention when network density increases. Furthermore, when a stakeholder's relative centrality within a network increases, stakeholder obtains increased access to other network constituents and gains the ability to grant or block access to others within the network (Driscoll and Starik, 2004; Rowley, 1997). This indicates an influence that stakeholders' location on network may have on stakeholder salience (Neville et al., 2011). We suggest that stakeholders that are more centrally located on the network are assigned higher salience compared to those that are not. In this study, in addition to the utilitarian, coercive and normative power (Etzioni, 1964; Mitchell et al., 1997) we also take network centrality power (Driscoll and Starik, 2004; Rowley, 1997) as a fourth type of power.

6.1.1.2 Urgency

It is the degree to which stakeholder's claims demand immediate attention of the mangers or more simply it is the force that a stakeholder puts on his claim. Salience framework (Mitchell et al., 1997) classifies urgency into two: time sensitivity and criticality. Time sensitivity represents the degree to which delay in attending the claims is unacceptable to the stakeholder while the criticality refers to the significance that a stakeholder assigns to its claim (Mitchell et al., 1997).

6.1.1.3 Proximity

Although a sizeable body of research has focused original attributes, researchers have also propounded new attributes— frequency of contact (Luoma-aho, 2005a) and proximity (Driscoll and Starik, 2004). This empirical study includes *proximity* as a fourth attribute of salience in addition to three original attributes as proposed by Mitchell et al. (1997).

Various disciplines offer different definitions and classifications of proximity that involve concepts such as inter-individual relationships, kinship, neighbourhood, institutions, space, etc. (Bellet et al., 1998 cf. Torre and Rallet, 2005). For instance, Kirat and Lung (1999) classify proximity as institutional, organizational and geographical. Driscoll and Starik (2004) suggest that proximity incorporates the near and the far, the short- and the long-term, and the actual and the potential. In another study, Torre and Rallet (2005) offer a simple but comprehensive classification of proximity. They categorize proximity into two— Geographical and Organized. Geographical proximity is about *near and far* while, organized proximity is the ability of the organization to make its members interact easily with others through rules, values, norms, codes, beliefs and shared representation etc.

Review of literature on proximity suggests that geographical proximity has been awarded considerable importance and most of the classifications of proximity include geographical component in one way or the other. Geographical proximity expresses the geographical distance that separates two constituents (Torre and Rallet, 2005), e.g. a manager of the focal firm from a stakeholder. In agreement with Driscoll and Starik (2004) and Torre and Rallet (2005), we consider geographical proximity as binary—near and far. Therefore, it is not objectively conceptualized in kilo-meters rather it relates to judgment made by a manager on the nature of geographical distance from the stakeholder. This judgment consists of converting the parameters associated with geographical distance into a statement of near and far (Torre and Rallet, 2005). Driscoll and Starik (2004) have proposed that manager's judgment on the nature of geographical distance, i.e. *near or far* from a stakeholder is related to stakeholder salience (Driscoll and Starik, 2004).

But it is worthwhile to ask that does geographical distance matter anymore? With sophisticated communication technologies and swifter modes of travel available, geographical distances have squeezed down. Moreover, stakeholders may be located in close geographical proximity, but managers at the focal firm may not have close relationships with the stakeholders. Therefore, there is a need to empirically test the relationship between geographical proximity and stakeholder salience.

Managers at a focal firm may share a common system of representations, set of beliefs, knowledge, codes, rules, norms and values with stakeholders. These factors embedded in social relations are generally tacit and have not been captured in previous work on stakeholder salience attributes. A stakeholder can be considered to possess organized proximity when it shares with a manager the same system of representations, set of beliefs, codes, values and norms which makes it easier for them to interact. In the words of Torre and Rallet (2005, p. 50) "*two researchers belonging to the same scientific community will cooperate more easily because they share not only the same language, but also the same system of interpretation of texts, results, etc.".* The common belief system, representations, codes, rules, norms and values minimizes the possible divergent interpretations of the rules (Torre and Rallet, 2005). This type of proximity known as *organized proximity* (Torre and Rallet, 2005) is defined as the ability of organization to make its members interact easily with others through a) Membership Logic: routines, rules and norms, and b) Social logic: codes, beliefs, shared values, etc. Torre and Rallet (2005) have applied notion of organized proximity at intraorganizational level where organizational members are expected to have higher organized proximity due to shared membership and social logics. But this study extends its scope and applies it to manager-stakeholder relationships and focuses mainly on social logic.

6.1.1.4 Legitimacy

Salience framework (Mitchell et al., 1997) builds on Suchman's (1995) definition of legitimacy. This sociologically construed definition contains several central descriptions that fit to salience framework. Suchman (1995) defines legitimacy as "*a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions"* (p. 574). Suchman (1995) classified legitimacy into three types: moral, pragmatic and cognitive. It has been suggested that favourable normative evaluation of the firm gives rise to moral legitimacy; self-interested or instrumental evaluation of the firm results into pragmatic legitimacy while the diffusion of beliefs, knowledge in such a way that they are taken-for-granted results into cognitive legitimacy (Aldrich and Fiol, 1994). In the lines ahead we define and provide literature based differentiation of various types and sub-types of legitimacy.

6.1.1.4.1 Moral legitimacy

The moral legitimacy at its core is sociotropic as it is based on judgements as to whether a given organisational activity is the right thing to do or not (Suchman, 1995). These judgements are guided by the socially constructed value system of evaluators that reflect whether engaging in a particular organizational activity will effectively promote societal welfare. Therefore, moral legitimacy goes beyond self-interests. Stakeholder organizations can extract it by amply demonstrating their affiliation to socially accepted and desirable value and norms.

There are four applicable forms of moral legitimacy—i.e., consequential, procedural, structural, and personal legitimacy. Firstly, consequential legitimacy relates to evaluation of consequences of organizational outputs. For example, positive evaluation of social value of stakeholder's products or outputs grants consequential legitimacy to a stakeholder in the eyes of managers at focal firm. Secondly, procedural legitimacy refers to adoption of procedures and techniques that are considered socially acceptable. Thirdly, structural or categorical legitimacy involves a situation when stakeholder organization is perceived to be worthy of support as it possesses such structural characteristics that make it fall into a morally favored taxonomic category. Suchman (1995) notes that procedural and structural legitimacies overlap at their margins because the "*organizational structures largely consist of stably replicated procedures"* (p. 581). However, they differ from one another as procedural legitimacy involves discrete routines viewed in isolation while structural legitimacy involves organizational features that show that entire system of activity carries the ability to recur consistently over time. For example, a company would be perceived to possess procedural legitimacy if it is found to inspect its social performance but if it maintains a formal social performance monitoring department or keeps a committee at Board of Directors level for this purpose it would be assigned structural legitimacy. Fourthly, an entity is conferred personal legitimacy by virtue of its charismatic leaders or association with iconic personalities.

6.1.1.4.2 Pragmatic legitimacy

In the case of pragmatic legitimacy, an entity tries to satisfy the expectations of its immediate audience. Although, this immediacy involves broader social, economic and political interdependencies wherein audience view organizational actions affecting their well being, but most often this immediacy involves some form of direct exchange between organisation and audiences (Suchman, 1995). From the perspective of focal firm-stakeholder relationships, managers of focal firm as audience scrutinize and observe stakeholder behaviour to gauge the consequences of any line of activity of stakeholder for their firm. Suchman's (1995) and later work reveals that exchange benefits offered by the stakeholders have mainly dominated and shaped the discourse on pragmatic legitimacy. Suchman (1995) acknowledges this fact and states that *"studies of pragmatic legitimacy have focused almost exclusively on exchange and influence effects"* (p. 578). However, the concept of legitimacy has not just been kept limited to exchange legitimacy. There are two other forms—i.e., influence legitimacy and dispositional legitimacy—mutually exclusive and differentiated based on source of legitimacy. Influence legitimacy is viewed as "*more socially constructed legitimacy*" (Suchman, 1995, p. 578). It is assigned to a stakeholder when it incorporates focal firm into its policy-making structures or adopts focal firm's standards of performance as its own. Dispositional legitimacy is assigned when stakeholders "*have our best interests at heart*," that "*share our values,*" *or that are "honest," "trustworthy," "decent," and "wise" ... kinds of dispositional attributions*" (Suchman, 1995, p. 578).

6.1.1.4.3 Cognitive Legitimacy

Instead of moral or self-interested evaluation, this form of legitimacy is based on cognition. In line with Jepperson (1991), Suchman (1995) suggests that cognitive legitimacy is conferred to an entity when it is considered necessary or inevitable based on some taken-for-granted socio-cultural account. Institutionalists provide an explanation for such inevitability by asserting that besides making disorder manageable institutions transform disorder into inter-subjective 'givens' which submerge the possibility of disagreement (Powell, 1991; Zucker, 1983 cf. Suchman, 1995). For social actors, alternative accounts become unthinkable thus making legitimated entity unassailable (Suchman, 1995). Cognitive legitimacy is seen as most subtle and powerful source of legitimacy and though, few entities by the virtue of technological or policy-related advantage my attain it, largely it remains out of reach of organizations (Suchman, 1995).

Of the three salience attributes, role of legitimacy in salience framework remains quite puzzling and is in utmost need of reassessment (Neville et al., 2011). It has been termed vague, multifaceted and has been used fairly loosely (Driscoll and Starik, 2004; Hybels, 1995; Neville et al., 2011; Phillips, 2003; Suchman, 1995). There are two significant issues around Suchman's (1995) notion of legitimacy as conceptualized in stakeholder salience framework (Mitchell et al., 1997). Firstly, the relationship between various types of legitimacy and stakeholder salience is not clear and secondly, differences exist among scholars on the level at which legitimacy should be conceptualized and operationalized.

6.1.2 Relationship between types of legitimacy and stakeholder salience

Since the introduction of salience framework (Mitchell et al., 1997), researchers have continually discussed the legitimacy to understand whether it is an outcome of social construction or instrumental criteria (Scott, 2001; Suchman, 1995). Some suggest that the majority of research on stakeholder legitimacy emphasizes the pragmatic form over the moral form (Driscoll and Starik, 2004; Neville et al., 2011) while another group of researchers asserts that stakeholder legitimacy is more about the moral legitimacy (Jones et al., 2007; Magness, 2008; Phillips, 2003). Similarly, recent research questions the Suchman's (1995) classification of legitimacy for its inclusion of cognitive legitimacy (Phillips and Malhotra, 2008). It is argued that cognitive legitimacy does not take into account the way evaluation is made, rather it considers the extent of deliberation and cognition needed to make a judgment, hence, it is not relevant to stakeholder salience (Neville et al., 2011). Therefore, it is still not clear whether various types and sub-types of legitimacy are related to stakeholder salience or not.

6.1.3 Measurement of legitimacy

Another important issue which needs to be acknowledged is the difference in levels at which legitimacy theory deals. At the macro-level, legitimacy and institutionalization become synonyms and theory deals with institutions as a whole—e.g. Govt, capitalism etc. This tradition emphasizes the ways in which field level dynamics put cultural pressures that transcend purposive control of any single organization (Suchman, 1995). Just beneath institutional level operates the organizational level where theory adopts a managerial perspective and is called strategic legitimacy theory. Here, legitimacy is seen as organizational resource and emphasis lies on the ways in which organizations manipulate and deploy evocative symbols to generate societal support (Suchman, 1995). Mitchell et al. (1997) have acknowledged this fact that social system within which legitimacy is attained is a system with more than one level of analysis that makes legitimacy difficult to operationalize. Still, the usefulness of legitimacy in successfully identifying salient stakeholders gives it a prominent place in theory of stakeholder salience. In stakeholder salience model legitimacy is theoretically treated from the Suchman's (1995) perspective of organizational legitimacy (Adele Santana, 2012; Mitchell et al., 1997). Just like power and urgency, it is considered as a variable which may be present or absent and can be reliably measured (Mitchell et al., 1997, p. 873).

Importance of the concept of legitimacy has been universally acknowledged (Mitchell et al., 1997; Donaldson and Preston, 1995; Freeman, 1984) but when it comes to the measurement of legitimacy, researchers are largely left to their own (Phillips, 2003). In a broader organizational management field, various scholars have measured legitimacy using variety of indirect measures (Bansal and Clelland, 2004; Deephouse and Carter, 2005; Elsbach, 1994;

Massey, 2001; Reuf and Scott, 1998). These studies measured legitimacy from different sources, for example, Bansal and Clelland (2004) used media accounts as a source to assess environmental legitimacy of corporations. After collecting media stories relating to 100 firms, each article was coded as zero for neutral, one for negative and two for its positive impact on firm's environmental legitimacy. Other sources used to assess legitimacy included public perception (Elsbach, 1994; Massey, 2001), credential associations (Reuf and Scott, 1998), media and regulatory body's ratings (Deephouse and Carter, 2005) etc. In most of these studies, notion of legitimacy has been operationalized at institutional level to study field level dynamics.

In the stakeholder salience framework (Mitchell et al., 1997) traces of theoretical dichotomy relating operational level of legitimacy continue to persist. Empirical research in stakeholder salience tradition manifests two disparate perspectives on measurement of legitimacy. A less prevalent perspective suggests that *public perception* is more accurate gauge of legitimacy as it is granted in terms of social values and norms (Eesley and Lenox, 2006). Being a legitimate entity implies broader societal perception that the entity is desirable or appropriate (Adele Santana, 2012). This perspective upholds Suchman's (1995) view of legitimacy as a desirable social good which is much larger and more shared than a mere self-perception. For example, Eesley and Lenox (2006) measured the legitimacy using public opinion surveys that have ranked various stakeholders groups on the basis of degree to which they are viewed as legitimate arbitrators of environmental issues. In this research financial assets were used as proxy measure of power of stakeholder group while urgency was treated as binary variable. One major weakness of this approach is that it does not record managers perception in measuring salience attributes.

On the other hand, the dominant perspective suggests that *managerial perception* better measures the power, urgency and legitimacy. This perspective is defended on the grounds that while highlighting the importance of managers, Mitchell et al. (1997) assert that a theory of stakeholder salience must "*explain to whom and to what managers actually pay attention*" (p. 854). It is asserted that managerial perception is the centre piece of stakeholder salience framework (Parent and Deephouse, 2007) and Mitchell et al. (1997) acknowledged the immense importance of managerial perception in evaluation of attributes. Undoubtedly, managerial perception of stakeholders' attributes is influenced by the larger societal perception (Adele Santana, 2012), but empirical results suggest that managerial perception can be different from societal perception and managers may even manipulate societal perceptions depending upon firm's interests (Dirscoll and Crombie, 2001).

Owing to the centrality of managerial perception in understanding salience-attribute relationships, majority of empirical investigations in salience tradition have gauged legitimacy and other salience attributes using managerial perception as a source. With the exception of few studies that indirectly assessed managers opinion and responses through secondary data and records (Magness, 2008; Driscoll and Starik, 2004; Jeurissen, 2004; Ryan and Schneider, 2003) majority of empirical studies in stakeholder salience tradition directly inquired managers through surveys (Agle et al., 1999; Buanes, et al., 2004; Knox and Gruar, 2007; Mattingly, 2007; Bosseo and Kumar, 2009; Masoud and Wilson, 2011) and interviews (Driscoll and Crombie, 2001; Gifford, 2010; Harvey and Schaefer, 2001; Jiang and Bansal, 2003; Parent and Deephouse, 2007; Winn, 2001; Winn and Keller, 2001). For example, Agle et al., (1999), surveyed CEOs of 80 large US firms using a 7-point Likert scale for measuring power, legitimacy and urgency. While Parent and Deephouse (2007) interviewed managers of organizing committees of mega sporting events to assess the possession of salience attributes by stakeholders. In this empirical study we follow the same approach to measure salience attributes and record managerial perception of power, legitimacy, urgency, proximity and their types.

Summing up, in this empirical analysis, we extend the salience framework by including various types of power, legitimacy, urgency and proximity (see Figure 6.1). We include four types of power (utilitarian, coercive, normative and network centrality power) (Etzioni, 1964; Mitchell et al., 1997; Neville et al., 2011), eight types of legitimacy (consequential, procedural, structural, personal, exchange, influence, dispositional and cognitive) (Suchman, 1995), two types of urgency (criticality and time sensitivity) (Mitchell et al., 1997), and two types of proximity (geographical and organised) (Torre and Rallet, 2005). To conduct an authentic test of the dynamic aspect of the stakeholder salience model, we accept the definitions of power, legitimacy and urgency and their types as set forth in the literature (Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997). We also accept the definition and categorisation of proximity as offered by Torre and Rallet (2005) and extend the application of organised proximity to focal firm manager-stakeholder relationships (see Appendix 1).

6.1.4 The transitory nature of stakeholder salience

Mitchell et al. (1997) base their model of stakeholder salience on a dichotomous representation of salience attributes but emphasise that stakeholder salience is transitory in nature. They suggest that no salience attributes are fixed in time but rather, that they are actually variables that may be either present or absent (Mitchell et al., 1997). A stakeholder may hold power at one point in time but may not another. Likewise, a constituent may have a legitimate claim at one point in time but not another. Therefore, the salience model is actually dynamic in nature, and a constituent that possesses only one salience attribute can capture a manager's attention by acquiring the missing attributes.

The phenomenon of dynamics relates to understanding "*how change process influences consequences (late in time) in relationship to antecedents (earlier in time)"* (Windsor, 2010, p. 79). One of the objectives of this study is to understand how antecedents (salience and attributes) are transformed into consequences (salience and attributes) when organizations undergo an institutional change process. Institutional environments change over time as government regulations, societal upheavals, competition and numerous other factors destabilize them (Greenwood et al., 2002). Institutional change process forces the taken-for-granted logics to be reassessed (Kent and Dacin, 2013). Institutional logics are defined as "*socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material substance, organize time and space, and provide meaning to their social reality*" (Thornton and Ocasio, 1999, p. 804).

Institutional logics are made up of complex sets of interrelated schemas, casual explanations, symbols, norms and other cognitive elements (Van Dijk et al., 2011). As institutional change process takes course one logic (e.g. commercial logic) may displace the other (e.g. development logic) over the period of time (Kent and Dacin, 2013). It is important to mention here that "*institutional change differs from organizational change by focusing on higher order unspoken social rules that govern the structure of institutions in common"* (Halal, 2005, p. 11). As North (1990) states that unlike organisational change that focuses design, teamwork, leadership etc., institutional change transcends organisational change to focus on the underlying social rules or norms that define how various societal functions—e.g., business, education, government etc.—are structured and governed (cf. Halal, 2005).

It must be noted that this study does not attempt to examine the process of institutional change; rather, it primarily relies on previous research (Battilana and Dorado, 2010; Khavul et al., 2013) that has already examined the process of institutional change in the microfinance sector.

It is suggested that as institutional change processes have unfolded, Non-governmental organizations (NGOs) with dominant development logic have transformed into Microfinance Institutions (MFIs) with hybrid logic (development and commercial) and then into microfinance banks with a dominant commercial logic (Khavul et al., 2013; Kent and Dacin, 2013). During the institutional change process, actors within and across the field engage with one another. This engagement of actors during the institutional change process moves some actors closer together within and across the organisational field, whereas others are pushed away (Khavul et al., 2013). This institutional change process may accompany a discernible change in stakeholders' status. Therefore, one of this article's objectives is to explore the effect of institutional change process on managerial perceptions of stakeholder status.

Mitchell et al. (1997) state that "*In this theory, we suggest a dynamic model, based upon the identification typology, that permits ... managerial perception to explain how managers prioritize stakeholder relationships*" (p. 854). These authors emphasized the development of dynamic understanding of stakeholder salience model. However, subsequent studies have taken dynamic features of salience attributes as given and efforts to empirically test the transient nature of stakeholder salience are scarce. Existing empirical work that focuses on the dynamic aspects of stakeholder salience model either examine a relatively shorter period of time (Agle et al., 1999; Harvey and Schaefer, 2001) or examine a pre-defined, limited set of stakeholders focusing on a particular issue (Winn and Keller, 2001; Jeurissen, 2004). Another study that examines the phenomenon of stakeholders' salience notes changes in the possession of salience attributes during the life cycle of the organising committees of two mega-sports events (Parent and Deephouse, 2007). However, that study neither observes changes in salience and attributes nor does it examine the statistical relationship between salience and attributes at multiple points in time. Another significant limitation of that study acknowledged by the authors themselves is its limited empirical generalisability because it can only be applied to temporary mega-event organisations and to small festivals and events.

Therefore, there is a need to empirically test the transient nature of the stakeholder salience model. We adopt a wider observation window covering a longer historical period at multiple points of time and allowing broader inclusion of all constituents perceived by managers as salient stakeholders. We expect that if Mitchell et al.'s (1997) central proposition remains valid from a dynamic perspective, then a shift in a stakeholder's salience from one period to another must accompany a corresponding change in the possession of a number of salience attributes. Therefore, we expect the following:

Hypothesis 1: Change in stakeholder salience is directly related to change in cumulative number of salience attributes possessed by the stakeholder.

6.1.5 The inter-relation of salience attributes

Although Mitchell et al.'s (1997) model of stakeholder salience offers considerable potential for research into the manager-to-stakeholder relationship, empirical studies uncovering the association among salience attributes and their types remain virtually non-existent. Recent research emphasises the need to explore the mutual relationship of salience attributes and their types and considers it an important part of the future research agenda (Neville et al., 2011). Acknowledging the existence of associations among salience attributes, Mitchell et al. (1997) suggest that each attribute's contribution to salience is contingent upon interaction with other attributes. In particular, they point to attributes of power and legitimacy that are entwined and may take legitimate and illegitimate forms of power. Although Mitchell et al. (1997) acknowledge that salience attributes can be mutually associated, the construction of the salience framework largely takes salience attributes as independent of one another and values them autonomously. This treatment of salience attributes causes Mitchell et al. (1997) to base their model on a simple addition of attributes (Neville et al., 2011). In other words, the salience framework does not offer any explanation of which attributes and their types are associated and how they impact managerial perceptions of stakeholder salience.

However, we do find some traces of information in subsequent theoretical work that alludes to the possible existence of inter-relationships among various salience attributes and their types. For instance, it is proposed that in their efforts to gain pragmatic legitimacy, organisations may give incentives to self-interested audiences, but this may have a negative effect on moral legitimacy (Suchman, 1995). Another study offers a similar argument and proposes that an organisation's deliberate attempts to augment pragmatic legitimacy may have a net negative impact on salience because such attempts may be disapproved by their audiences (Ashforth and Gibbs, 1990). Furthermore, Suchman (1995) suggests that different types of legitimacy may reinforce one another but may also engage one another in a conflict and may negate each other. Therefore, we expect the following:

Hypothesis 2a. Various types of each salience attribute are associated with one another.

Likewise, we also note theoretical propositions that suggest connections among various types of the salience attributes of power, legitimacy and urgency. For example, Neville et al. (2011) propose that the unnecessary use of coercive power (vandalism) by protestors may destroy the moral legitimacy of their claims. However, this demonstration of coercive power may bring more media coverage and help build the urgency of the claim. Similarly, exchange legitimacy, which relates to stakeholder support for a particular organisational policy because of its expected value to stakeholders (Suchman, 1995; Neville et al., 2011), may be subsumed into the stakeholder's utilitarian power. Therefore, we also expect the following:

Hypothesis 2b. Various types of each salience attribute are associated with types of other salience attributes.

We also expect that as institutional change process unfolds, both the salience of stakeholders and association of various types of salience attributes are affected. Therefore, we hypothesise the following:

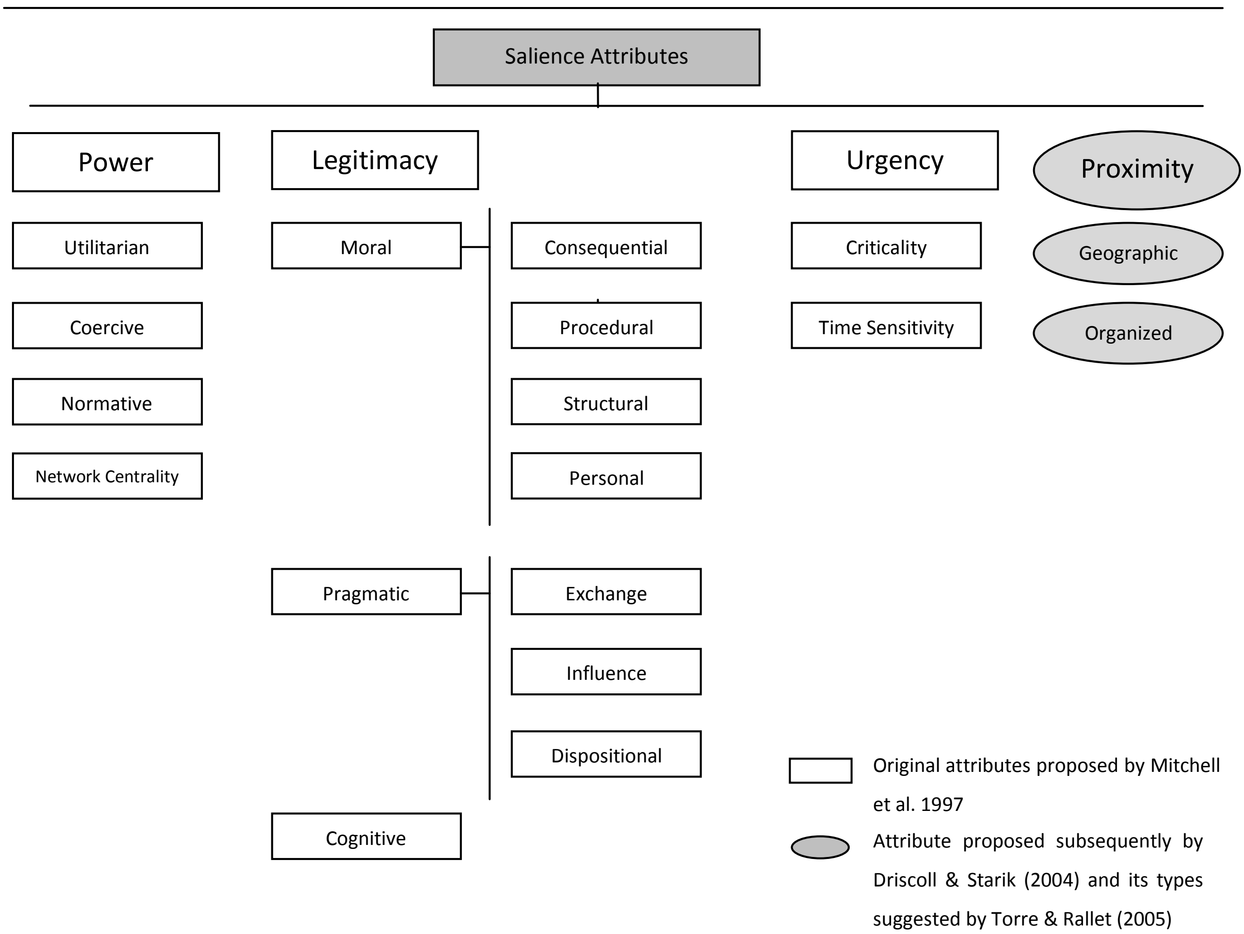
Hypothesis 2c. The degree of association of various types of salience attributes is affected by the process of institutional change.

In short, theorising and assessing attributes as independent, autonomous and lacking an inter-relationship may be inaccurate and over-simplified (Neville et al., 2011). We suggest that the mutual relationship between salience attributes and their types can be quite complex. Through the use of a multiple case study analysis, we uncover the associations among various types of salience attributes and differentiate these attributes on the basis of the nature of their associations.

6.2 Methodology

We employed an exploratory multiple case study design (Eisenhardt, 1989; Yin, 2003) to investigate how managers assign salience to various stakeholders during three distinct periods and how manager-assigned salience changed from one period to another. Multiple case studies offer powerful analytical conclusions and expanded external generalisability by incorporating varied contexts into research design. Although comparative case studies yield compelling evidence and are considered more robust (Yin, 2003), they demand extensive resources and time. However, the personal contacts of one of authors in Pakistan's financial sector made it somewhat easier to undertake this task.

Figure 6.1: Stakeholder salience attributes and their types.



Note: Mitchell et al. (1997) had kept their arguments limited only to moral, pragmatic and cognitive types of legitimacy. We extend the salience framework (Mitchell et al., 1997) by including various sub-types of moral, pragmatic and cognitive legitimacy as introduced by Suchman (1995).

Our choice of case study design comes from Mitchell et al. (1997) who state that "*we call for empirical research that answers the questions ..... do the inferences we make herein hold when examining real stakeholder manager relationships? Are there models of interrelationships among the variables identified here (and possible others) that reveal more subtle, but perhaps more basic, systematics?*" (p. 881). It is suggested that case study approach is most suitable way to empirically examine the dynamic phenomenon of stakeholder salience (Gifford, 2010, Parent and Deephouse, 2007; Winn, 2001). We agree to this assertion, as case study extends the opportunity to examine the actual manager-stakeholder relationships with its real life context (Pettigrew, 1973; Stake, 1995; Yin, 2003).

Moreover, inter-relationships among variables identified in salience framework (Mitchell et al., 1997) that reveal subtle and more basic systematic are better uncovered through in-depth case study approach (Eisenhardt, 1989; Yin, 2003, Parent and Deephouse, 2007). Above all, case study approach is helpful in understanding institutional change process vis-à-vis stakeholder salience because of its ability to capture evolving phenomenon in rich detail which other methodologies cannot do as they ‘‘skim the surface of processes rather than plunging into them directly’’ (Langley, 1999, p. 705).

Case study design is selected on the basis of suitability of case(s) in illuminating a phenomenon and for extending relationships and logic among variables (Eisenhardt, 1989; Graebner and Eisenhardt, 2004). Case studies can involve a single case or multiple cases (Yin, 2003). Theoretical sampling of single case study is simple as single case is chosen because it is considered extreme, unique, longitudinal, revelatory or critical in testing a theory (Yin, 2003). For example, Karra et al. (2006) mention the following reasons for their choice of single case study "*We chose to study Neroli for three reasons. First, the case has rare or unique qualities that make it a logical candidate for theoretical sampling [. . .]. Second, Karov provided a very high level of access to the firm [. . .]. Third, the firm was only slightly more than a decade old at the time of the study, and the founder was still the CEO of the company. This was significant because it increased the likelihood that the details of the founding of the firm and its early development remained fresh in the minds of the founder and other interviewees*" (p. 865). But a single longitudinal case study like this may not be a strategic research site to study institutional change process vis-à-vis stakeholder salience. Institutional environments change over longer period of time and such change happens slowly (Khavul et al., 2013). For example, AKRSP was founded in 1982 (See Table 6.1) and it went through various phases of institutional change process. It was difficult to find a set of managers in 2012-13 that have witnessed and can easily recall all important events in AKRSP's life history.

A single case study based method of qualitative research termed as Gioia method (Gioia and Chittipeddi, 1991; Corely and Gioia, 2004; Gioia et al., 2012) has recently won the support of scholars and of management journals. Designed to ensure higher revelation and richness, this method involves choosing single case study for its revelatory potential and richness of data. However, unlike, conventional research, this method begins cycling between data, concepts and literature later in analysis stage. It is suggested that "*knowing literature intimately too early puts blinders on and lead to prior hypothesis bias (confirmation bias)*" (Gioia et al., 2012, p. 21). Although, this method is quite helpful in discovery of new concepts, for our study which aims to empirically examine well-recognized theoretical framework grounded in previous literature (Mitchell et al., 1997) this method has not been considered suitable. Moreover, as Gioia et al. (2012) state that "*we follow wherever informants lead us"* (p. 20), this method is known for its flexibility in interviewing process and interview questions keep on changing as the research progresses. This does not suit us as we kept the questionnaire standardized to conduct inter-interview comparisons.

Moreover, MFIs are highly complex phenomenon that has economic and socio-cultural perspectives (Chaves and Gonzalez-Vega, 1996). We avoided single case study design because choosing single case study of a MFI might have been criticized for its uniqueness and artifactual economic and socio-cultural conditions surrounding it and could have generated scepticism (Yin, 2014). Another potential weakness of single case design is that case may not match the initial expectations and may not turn out to be something initially thought of (Yin, 2014). So, one concern was that if a single case does not turn out as predicted and stands contradictory, then we have to retest propositions with another set of cases.

Therefore, we heard out to Yin (2014) suggestion that "*The first word of advice is that, although all designs can lead to successful case studies, when you have the choice (and resources), multiple-case designs may be preferred over single-case designs*" (p. 63). Therefore, keeping in view the resources and contacts of one of the authors in Pakistani financial sector and desire to reap substantial analytical benefits of higher external validity we have employed multiple case study design.

Multiple case study design is considered suitable under the following conditions. Firstly, when study is built on a well founded theoretical framework (Eisenhardt and Graebner, 2007). In our case it is well-recognized stakeholder salience framework (Mitchell et al., 1997). Secondly, it is considered robust when key information is largely accessible. In our study, cases were chosen where access to key informants as well as archival material was possible. Thirdly, a robust multiple case study design demands coverage of multiple perspectives within each case. Here we had the opportunity to interview managers at various hierarchical levels, stakeholders and independent analysts to enhance the credibility of insights obtained. In previous work, managers were interviewed at corporate and business unit levels to study cross-divisional collaboration (Martin and Eisenhardt, 2010). Similarly, to ensure coverage of multiple perspectives, Graebner (2009) inquired both sellers and buyers in study examining acquisitions.

Table 6.1: Year wise developments and changes in institutional status

T1 - As NGO			T2 - As MFI	T3 - As Bank		
Name	Year of Creation	Legal Status	Year Microfinance commenced	Year of transfor-mation	Name after transfor-mation	Legal Status
Agha Khan Rural Support Program (AKRSP)	1982	Not for Profit (Companies Ordinance 1984)	1984	2002	First Micro-finance Bank	Commercial Microfinance Bank (Microfinance Ordinance 2001, Companies ordinance 1984)
National Rural Support Program (NRSP)	1991	Not for Profit (Companies Ordinance 1984)	1993	2011	NRSP Bank	Commercial Microfinance Bank (Microfinance Ordinance 2001, Companies ordinance 1984)
Development Action for Mobilization & Emancipation (DAMEN)	1992	Not for Profit (Societies Act XXI 1860)	1998	In process		
Rural Community Development Society (RCDS)*	1995	Not for Profit (Societies Act XXI 1860)	1998	In process		

* The phenomenon of Stakeholder salience is examined in T1 taking DAMEN and RCDS, in T2 taking all four cases and in T3 FMFB and NRSP Bank only.

Although, choice of case study design is made in terms of its advantages and disadvantages, selection of case study design also depends on the objectives of study. As our primary objective is to understand similarities in prioritization of stakeholders by various managers in different institutional contexts, therefore, we have used multiple case studies involving replication logic. In multiple case studies with replication logic, "*in aggregate*" if "*all cases turn out as predicted*" provide compelling support to the initial propositions (Yin, 2014, p. 57). Four case studies were chosen in a sequential manner. The study's design and scope allowed each case to offer a time- and space-specific context. All of the selected organisations had begun as NGOs and then assumed the status of MFIs, subsequent to which two of them transformed into MFBs (Microfinance Banks) (See **Table 6.1**).

We employed a two-tail design (Yin, 2003) in which cases were divided into two groups. Two cases—i.e., First Microfinance Bank (FMFB) and NRSP Bank—were chosen because they recently transformed from MFIs into banks (before conversion they were known as the Agha Khan Rural Support Program (AKRSP) and the National Rural Support Program (NRSP), respectively). These organisations enjoy substantial market share along with other contextual peculiarities. Another set of two cases—i.e., the Rural Community Development Society (RCDS) and Development Action for Mobilisation and Emancipation (DAMEN)—were deliberately chosen because they engaged in commercial microfinance, having converted from NGOs into MFIs. The rationale for the two tail-case design of this inquiry of historical orientation lies in our interest in interviewing *managers* who have been involved in "before and after" transformation scenarios (Yin, 2003). After a review of archival material, we began with RCDS and then moved to DAMEN to understand the dynamic perspective on stakeholder salience "before and after" the transformation from an NGO into an MFI (Mitchell et al., 1997).

To understand the same phenomenon, we then analysed the "before and after" conversion scenarios of stakeholder salience in the cases of FMFB and NRSP Bank, which provided a completely different institutional context with much more powerful and different types of stakeholders involved and interacting with each other. Unlike DAMEN and RCDS, FMFB and NRSP Bank operate in much complex institutional context. Both of these organizations have international organizations like, Japan International Cooperation Agency, International Finance Corporation and Acumen fund etc. as their shareholders. Furthermore, FMFB is part of Agha Khan Development Network (AKDN). It is a group of development agencies which mainly works in the areas of education, health, rural development, culture and broader economic development. The AKDN is currently working in over 30 countries around the globe and has over 80,000 employees (www.akdn.org). One of AKDN agencies deals in Microfinance that is called Agha Khan Agency for Microfinance. FMFB is owned by this agency. FMFB in Pakistan cooperates and interacts with several other organizations that belong to AKDN. Revealing interaction of FMFB with other organizations of AKDN, Products Manager at FMFB said:

> "Well, you see we do things in coordination with AKDN agencies. For example, AKDN's helicopter services facilitates our senior management in their movement; our employees benefit from AKDN's health services and as you know Jubilee Life Insurance Company is Agha Khan's company, therefore, we take only Rs. 350 as premium form our clients and Jubilee Life Insurance Company provides them the credit insurance and life insurance."

Similarly, though NRSP started off as an independent Not for profit organization registered under Companies ordinance, 1984 (Table 6.1), it was provided seed money and technical assistance by the Government of Pakistan. It has several retired government functionaries associated with it and is identified close to the Government. This shapes NRSP's context differently brining several important national and international players in close contact with it.

Another dimension which is very important to this study is difference in time specific context. Study's design is such that each set of cases offers distinct time specific context as well. As shown in Table 6.1 and Figure 6.2, these cases existed in different forms at different times. Different institutional contexts of cases offer an opportunity to examine dynamics of stakeholder salience vis-à-vis institutional change process.

Our research design involved collecting qualitative data through interviews and archival material. However, we conducted both qualitative and quantitative data analyses. We generated numbers from words to conduct a quantitative data analysis (Parent and Deephouse, 2007). For our qualitative analysis, we relied on words—i.e., a matrix display and an analysis (Miles and Huberman, 1994; Harvey and Schaefer, 2001)

6.2.1 Research Setting

In this article, we investigate the dynamic perspective of the stakeholder salience model involving three discernible periods, each marked by a distinct institutional logic, in the Asian country of Pakistan.

With 191 million inhabitants and a population density of 230 inhabitants per square kilometre, Pakistan is the sixth most populous country in the world (Population Reference Bureau, 2013). Pakistan's working population is estimated at 110 million, or 60 percent of its total population; this gives Pakistan the ninth-largest labour force in the world (Ministry of Finance Pakistan, 2013). The proportion of the population living in income poverty is 22.3 percent, but multi-dimensional poverty is estimated at 49 percent (UNDP, 2013). This makes Pakistan an attractive target market for microfinance, with 30 million clients (Shahnaz and Tahir, 2009). Pakistan also makes a relevant case for our study because of its analysable institutional context, which has evolved into the third-best business environment in the world for microfinance after Peru and Bolivia (The Economist, Intelligence Unit, 2013). Because it has one of the best regulatory frameworks, practices and supporting institutional frameworks for microfinance in the world, Pakistan is considered one of the top enabling environments for microfinance.

In terms of its global context, Pakistan's financial sector does not operate in isolation; however, our research required data collection to be restricted to a single country (Greenwood and Suddaby, 2006; Ruef and Scott, 1998). This is due to considerable variation in financial regulations, practices, standards and institutional frameworks from one country to another even within the same region (Khavul et al., 2013). This led us to analyse the dynamics of stakeholder salience through case studies chosen from a single country.

Figure 6.2 shows the time-line of the lives of our case study organisations divided into the three phases of the institutional change process: T1, T2 and T3. Below, we describe these three periods of institutional change process vis- à-vis the shift in salience of important stakeholders.

In the post-world-war era, the failure of development assistance in reducing poverty and widespread income disparities led to the prevalence of movements such as Basic Human Needs (BHN) and Integrated Rural Development (IRD) (Dichter, 1999). From the 1970s onwards, this thinking took hold in Pakistan and the country witnessed an upsurge in NGOs. Several prominent NGOs, including our case study organisations, were formed during these times. That period, which we call **T1**, saw an upsurge in funding from government and international development agencies and the emergence of NGO coalitions (Asian Development Bank, 2009).

With their focus concentrated on socio-economic development, our case study organisations employed diversified and multifarious interventions primarily guided by IRD and BHN. Interviews and a review of the archival material reveal that before engaging in commercial microfinance, those NGOs were primarily involved in emergency and relief initiatives, social-sector development—i.e., health and education, building and maintaining community-productive infrastructure—and advocacy work primarily related to human and democratic rights.

To carry out these tasks, our case study organisations reported that their primary financial dependence was on international organisations, donors, corporations and government-led programs. Cash was once moved through commercial banks. Vendors, suppliers, media and partner organisations were other important stakeholders that supported and coordinated with these organisations to help underserved community partners. In this first era (T1) after being created as NGOs, our case study organisations focused purely on development and welfare. As detailed in Figure 6.3, this development-oriented field was primarily dominated by stakeholders such as donors, international organisations, sociologists, social workers, development practitioners, etc.

Gradually, our case study organisations realised that multi-faceted developmental activities and aid programs demanded more resources than were being supplied. Alleviating poverty was too great a challenge. Interviewees at our case study organisations also noted that during T1, community members would demand loans to kick-start or expand their income-generating activities. Formal financial institutions that considered the poor un-bankable were reluctant to make small loans to poor clients. This reluctance was primarily due to agency problems emanating from the high transaction costs of administering micro loans along with information asymmetries that made micro financing less profitable. In the meantime, the success of Grameen Bank helped poverty-alleviation practitioners to re-think a commercial mechanism to fight poverty. By employing the group-lending methodology of microfinance, they not only thought that they would cater to the financial needs of populations typically excluded by mainstream banking institutions (Dichter, 1999; Yunus, 2007) but also hoped to secure global attention to their development work from donors, governments, and the media. This new thinking also influenced our case study organisations. Next began a new era, which we call **T2**, when our case study organisations started microfinance programs integrated into multi-faceted, grant-based programs that they had earlier started under IRD and BHN during T1 (See Fig 6.1 and 6.2). These organisations started to grant smaller loans to community members.

Interviews and archival material reveal that market-based principles of microfinance management were applied when case study organisations promoted joint lending to self-selecting groups. This led those organisations to manage and operate commercial microfinance in parallel to charity- and grant-based welfare activities. Because organisations are always in a process of "becoming" (Tsoukas and Chia, 2002) and therefore are subjected to strong institutional change process, some of the stakeholders in this development-oriented field setting have moved closer while others have moved apart.

During T2, our case study organisations relied not only on grants but also on borrowed money to lend onward, thus intermediating between lenders and poor clients by covering their operational and financial costs. In addition to the stakeholders mentioned in T1, the onset of commercial microfinance activity at our case study organisations brought an influence by new constituents such as social investors, apex wholesale lenders, international organisations, commercial banks, insurance companies and other financial institutions.

Beginning commercial microfinance activity at our case study organisations institutionalised the new norms, practices and values necessary to gain acceptability with a new set of constituents after those organisations' transformation from NGOs into MFIs. Internally, personnel with academic qualifications and experience in banking and finance were hired. The organisations' board were reconstituted to include not only members with experience in development but also members with exposure to banking.

Figure 6.2: Time line of important developments in life of case study organizations with important stakeholders identified

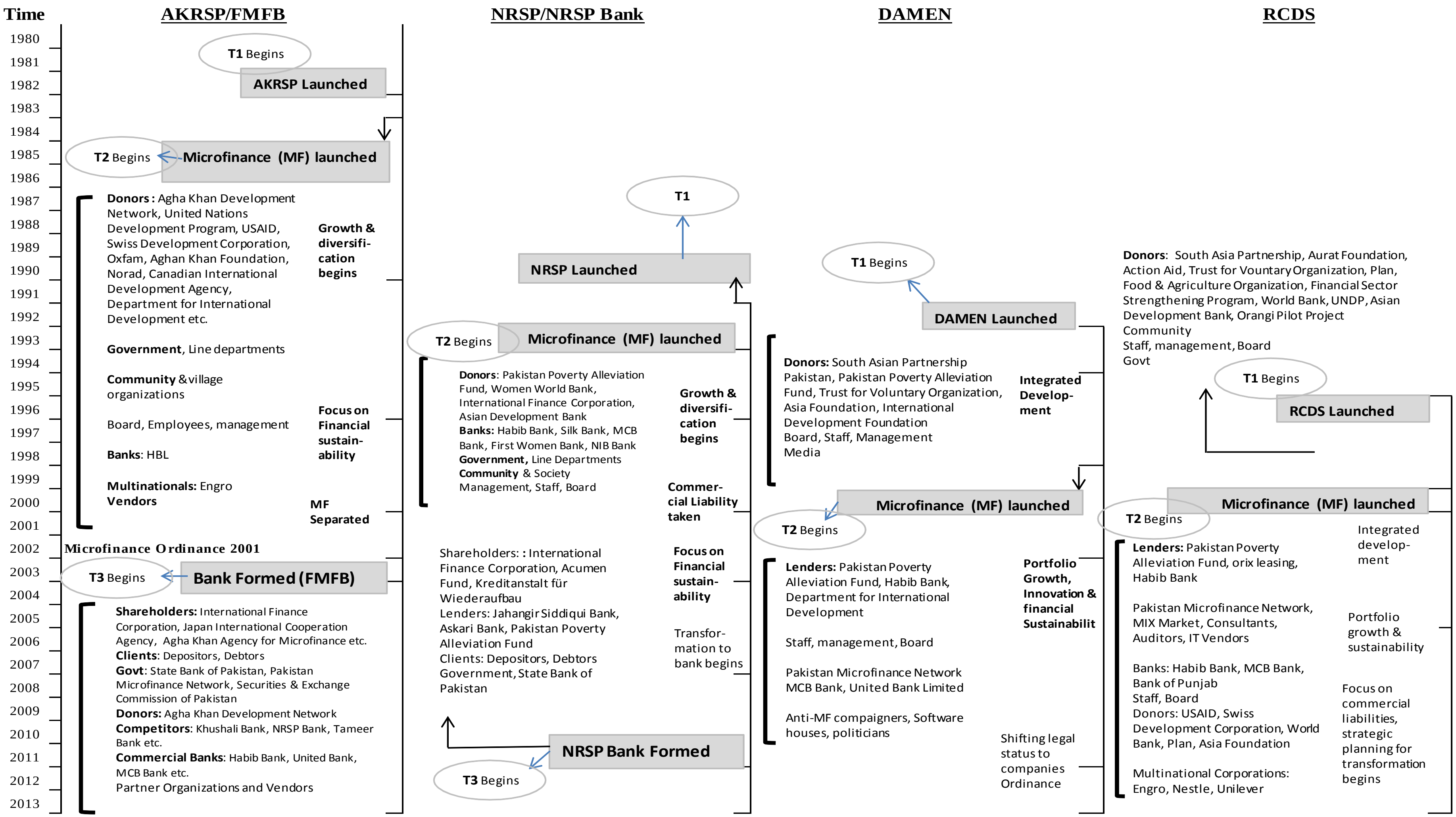
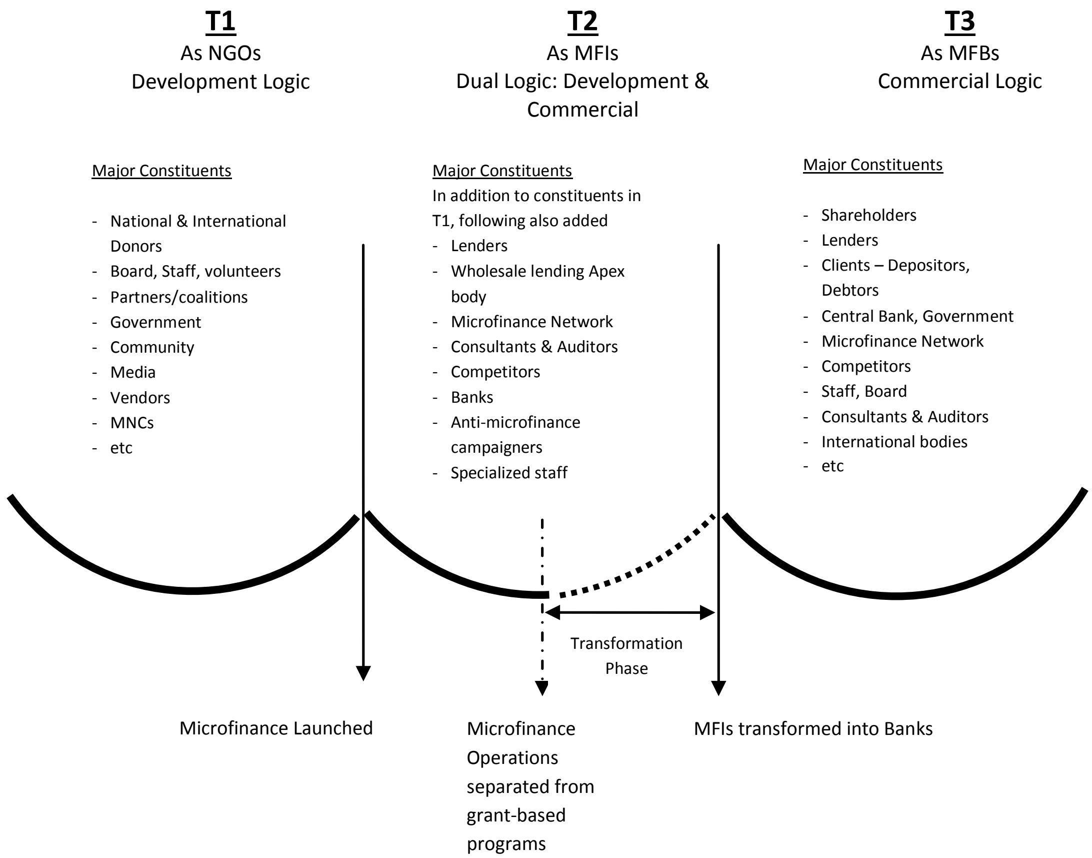


Figure 6.3: Phases of institutional change process and Map of important stakeholders



The commencement of commercial microfinance at these predominantly welfare-oriented NGOs marked the beginning of a new phase characterised by both development and commercial focuses. Our investigation revealed that after conversion into MFIs, our case study organisations received support for their commercial microfinance activity from all constituents, including government, donors, lenders, the media, international organisations etc. It was emphasised that competitive interest rates, the capacity to extend outreach and efficiency guaranteed that MFIs were able to do much more than NGOs to provide financial services to the poor. During T2, after assuming the status of MFIs, our case study organisations reported a focus on two important goals: a) extending outreach; and b) achieving sustainability. Outreach relates to an inclusive banking system and envisions the goal of extending financial services to as many clients as possible. Outreach refers to the number of clients served, whereas financial and operational sustainability relates to generating enough revenues for an MFI to cover the operational and financial expenses incurred in the intermediation process (Kent and Dacin, 2013; Rosengard, 2004).

The post-microfinance-launch era presented a mixture of opportunities and threats. This mixture determined our case study organisations' future courses of action and resulted in the emergence of a new set of stakeholders with which the organisations had to interact.

The interviews and review of the archival material suggest that increased outreach during T2 presented two substantial internal challenges to the case study organisations: a) borrower defaults and b) funding scarcity. After commencing commercial microfinance, continued episodes of loan defaults proved that MFIs in a non-banking status were much too fragile and vulnerable. Unlike banks, MFIs had no legal protection/cover to take back their non-performing loans. Additionally, it was realised that to support their outreach agenda, the organisations needed a continuous supply of cheap funds for which they would have to accept deposits and assume commercial liabilities that would serve as long-term funding sources. Under Pakistan's regulatory framework, however, unless MFIs transformed into banks, they could not accept deposits. Beyond, rapid growth in the sector and continued episodes of collective defaults had caused the central bank and the government to realise that the completely unregulated microfinance sector could potentially generate systemic risk. This realisation brought Pakistan's government and central bank into a much-needed facilitation mode, which helped the transformation of our case study MFIs into banks.

While in the T2 period, MFIs had eyed several other opportunities to convert into a bank. Our investigation suggests that Pakistan not only is an untapped microfinance market but also has huge potential for loaning to medium-sized enterprises. Therefore, our case study organisations identified this market segment as worthy of engagement after their conversions into banks.

After commencing microfinance, our case study organisations reported an increased frequency of interaction with commercial banks related to credit disbursement, recovery, cash transfers and management of time, current accounts, etc. By coordinating more closely with banks, MFIs observed the banking sector's operating modalities and learned the best practices that they could employ in their own lending activities. This high frequency of engagement with commercial banks created learning channels between two organisational fields that had played an important role in MFIs' conversion into banks.

It was also noted by our interviewees that unlike during T1 and T2, which involved a focus on social performance, during **T3** the focus shifted to financial performance. Our case study organisations reported that they experienced more acceptance and appreciation from various stakeholders if they could prove strong financial standing. We also found that apex institutions such as Pakistan's central bank, the Consultative Group to Assist the Poor (CGAP), the MIX market, the World Bank and the International Fund for Agricultural Development, etc., which played roles as institutional entrepreneurs, had established norms and direction for the entire field of microfinance towards a format in which commercial banking logic was considered more legitimate than development logic. Although MFIs had certain privileges in the form of tax-exempt status, the number of opportunities outweighed the benefits of tax exemption and motivated our case study organisations to transform into banks.

With robust institutional change processes unfolding, all of our case study organisations moved away from a predominantly developmental logic to hybrid logic (both development and commercial) and then to a commercial logic. They transformed from NGOs to MFIs and then, two of our case study organisations—i.e., AKRSP and NRSP—transformed again, becoming scheduled banks called FMFB Bank and NRSP Bank, respectively and becoming licensed by Pakistan's central bank (see Table 6.1). DAMEN and RCDS are in the process of becoming banks. Data reveals that after their transformation into banks during T3, FMFB and NRSP Banks were influenced by entirely different stakeholders—the donors of the developmental paradigm were replaced by shareholders and communities with clients (depositors and borrowers), and boards that once consisted of development practitioners became dominated by bankers.

In summary, when robust institutional change processes unfolded, they caused remarkable changes in the configuration of salient stakeholders in the field. A field with an institutional terrain that had been dominated by philanthropists, donors, not-for-profit organisations, government welfare departments, social activists, sociologists, etc., found itself contested-over by powerful stakeholders and ultimately dominated by commercial bankers, central bankers, business graduates, auditing firms, depositors and savers, government finance departments, etc. (see Figure 6.3). We suggest that the managers of our case study organisations may not assign higher salience to the same stakeholders as they did in the past. Utilising Mitchell et al.'s (1997) model of stakeholder salience; we explore how salience assigned by managers to various stakeholders evolved over a period of institutional change during three consecutive historical periods, each marked by a different dominant institutional logic. This study's focus is not on tracking the institutional change process or identifying and specifying the prevailing logic in the field of microfinance because that task has already been accomplished in previous studies (e.g., Khavul et al., 2013; Kent and Dacin, 2013). Instead, we concentrate on understanding the *dynamics of stakeholder salience* during three discernible periods in terms of *changes in salience attributes*. Therefore, our study presents the dynamic stakeholder salience perspective and its contingency upon prevailing institutional logics.

6.2.2 Data Collection

Exploring the dynamic aspect of stakeholder salience could prove an extremely difficult task, particularly in the context of a developing country, such as Pakistan. In the Pakistani context, we found an abundance of secondary data on the microfinance sector collected and published by the Pakistan Microfinance Network, the State Bank of Pakistan and the MIX market. Conversely, secondary data on NGOs is almost non-existent. However, the case study design of our research, which mainly relied on primary data, made difficult tasks possible.

We collected data through semi structured open-ended interviews and from archival materials. Between 2012-2013, one of the authors personally conducted 33 interviews with managers of case study organisations, their stakeholders, independent analysts, government functionaries, etc. (see Appendix 3). In all interviews questions were posed to interviewees in a uniform order. Consent of the interviewees was secured prior to the interviews; however, finding the right people and gaining their confidence so that they would speak candidly about their perceptions of relationships with different stakeholders was a difficult job. During our initial contact, all of the interviewees were informed in detail about the study's purpose and scope.

Interviews were conducted in the preferred language of the interviewees—i.e., either in English or Urdu. Interviews were recorded (audio/video) by a professional assistant. Those interviews that were in Urdu (Pakistan's national language) were transcribed and translated by one of the authors, who speaks both Urdu and English. Effort was made, as much as possible to keep the sense of sentences unchanged. After translation and transcription of each interview, it was reviewed by another researcher working on a separate research project in Pakistan. She is a resident of Pakistan, so her maternal language is Urdu and she also has a Master degree in English. In a stepwise review process, she would read the English transcription of each interview while listening to the audio version of interview in Urdu. This way she highlighted/marked any sentence where she observed ambiguity. After review of each interview, the author and the reviewer discussed to resolve the issue area. These interviews resulted in a total of 108,827 spoken words. Our interviews were guided by standardised, structured protocols (see Appendix 2). We used three separate protocols to conduct interviews with managers of case study organisations, stakeholders and independent analysts. Each protocol consisted of different types of questions aimed at exploring the phenomenon under study.

We not only collected the relevant archival material to map the relationships of the case study organisations with their stakeholders prior to conducting the interviews but also used archival material to find and match the corroborative material that supported our interview findings. Therefore, archival material was used for the purpose of triangulation. Archival material consisting of more than 2,400 pages about case study organisations' relationships was collected from various sources, including the Pakistan Microfinance Network publications of the Pakistan Microfinance Review (PMR) and MicroWatch, assessment reports, annual reports of the case study organisations, SBP reports on the microfinance sector, newspaper clips, websites, communication material, national media stories, etc.

In addition to those materials, we reviewed another 31,900 words contained in memos that were written during the data-collection process. Memos were taken as a hard copy notes during and after each interview and consisted of two parts a) the methodological part and b) analytical part. In the methodological part effort was made to register the circumstantial situation before and during the interview. In this section focus was to capture the information like who interviewer is contacting during interviewing process, different steps involved in accessing the interviewees, reasons justifying selection of each interviewee, type of archival material being collected and interviewers feelings after each interviews. In the analytical part, focus was to capture information related to constructs under examination. In addition to it, idea was also to record outflow of ideas, insights and observations. Apace with the process of interviews, a soft copy of memos was developed to consolidate and organize information from hard copy notes. This process was done in parallel with interviewing process so that interviewer could easily recall all important events associated with the interview. After the first three interviews, all the data including a soft copy of memos of three interviews was sent back to lead author for review and expert opinion. This has helped in improving the content being collected through memos. Finally, in the analysis process, all pieces of relevant text were marked with codes in terms of stakeholder salience and possession of attributes. During interviewing process information related to issue areas and future research had also emerged that was also flagged during analysis of memos.

6.3 Analysis

As discussed above in the theoretical section, in this study we analyse the changes in stakeholder status and salience. Change in stakeholder status refers to changes over time to the set of salient stakeholders or networks in which some stakeholders cease to be identified as stakeholders and some new constituents assume the status of stakeholders. Conversely, when focal firm-stakeholder relationships do not cease to exist but the level of managerial attention to a stakeholder changes, we refer to that situation as change in salience. To capture these two types of changes, we employed partial equilibrium analysis. Unlike static analysis, which is characterised by an absent time dimension, partial equilibrium analysis examines an occurrence or result from one point of time to another under restricted conditions (Cerina, 2009). In this paper, we examine changes in stakeholder status and salience by depicting equilibrium as three snapshots taken through a motion picture of institutional change. One may argue that general equilibrium modelling is preferable because it simultaneously captures all changing factors. In this case, however, because our interest lies primarily in capturing changes in stakeholder salience and attributes, we considered partial equilibrium analysis suitable and practical.

Taking the stakeholder-manager relationship as a basic unit of analysis (Mitchell et al., 1997), our data analysis consisted of intra-interview coding and between- and within-case comparisons supported by interviews of stakeholders, memos written during the interview process and archival material (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 2003). Furthermore, we made comparisons among three historical periods (T1, T2 and T3) in which changes in stakeholder status, salience and attributes were examined. To analyse stakeholders' changes in status, we used an ordinal variable called *Salience Rank*, with 1 being the most salient stakeholder, 2 being the second most salient stakeholder and so on (Agle et al., 1999; Parent and Deephouse, 2007). Here, we took the average of two numbers if we observed ties between two stakeholders that managers considered equally qualified for a single rank.

While analysing change in stakeholder status together with institutional change processes, we primarily relied on a matrix display and analysis (Miles and Huberman, 1994) and worked more with *words* than statistical analysis of the numbers generated from words. Such an analysis produced more meaning and substance than numbers when we tracked entry, exit and change in stakeholder status with respect to changes in institutional logic. Matrix display and analysis helped us to present information systematically, and comparative content analysis of the three phases helped us to extrapolate from the data and discern interrelationships between stakeholder salience and institutional change processes (Miles and Huberman, 1994). Previously, Harvey and Schaefer (2001) examined the stakeholder-management approach of six UK water and electricity companies through matrix display and analysis.

We decided to take a different approach and work only with *numbers* to analyse the following issues: a) change in stakeholder salience; b) change in the number of attributes and c) mutual interaction of salience attributes. This approach resulted from our goal to empirically test, in a dynamic environment, the fundamental proposition of Mitchell et al. (1997), which correlates arithmetic ‘numbers’ of attributes with the salience assigned to a stakeholder.

We reviewed the data three times to note emerging issues and new discoveries. This repetitive data review helped us gain considerable familiarity with the information contained therein. All of the information related to manager-stakeholder relationships that we found in the interviews and archival material was consolidated in separate files. Thereafter, we coded all of the information related to stakeholders’ identification, ranking, and possession of salience attributes and types, as perceived by managers. Our interviewing and coding procedures were in line with conceptual definitions provided by Mitchell et al. (1997), Etzioni (1964), Suchman (1995) and Torre and Rallet (2005) (see Appendix 2). We repeated this process three times to ensure that all of the information contained in the data were expressed. All of the manager-identified stakeholders were coded in terms of their possession of salience attributes (power, legitimacy, urgency and proximity) and the types of those attributes (utilitarian, coercive, normative and network centrality as types of power; consequential, procedural, structural, personal, exchange, influence, dispositional and cognitive as types of legitimacy; criticality and time sensitivity as types of urgency and geographical and organised proximities). All of the stakeholders were coded on the basis of the definitions of salience attributes and their types during three historical periods (Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997; Torre and Rallet, 2005) (see Appendix 1).

We asked the interviewees to explicitly rank the identified stakeholders in order of importance for each historical period about which they were interviewed. The RCDS and DAMEN interviewees were asked to list identified stakeholders in order of importance in both T1 and T2. Likewise, the FMFB Bank and NRSP Bank interviewees were asked to rank stakeholders for both T2 and T3. In this way, we obtained a salience rank for every identified stakeholder in three periods. From this information, we created two variables—*Change in Salience rank T1-T2* and *Change in Salience rank T2-T3*—by calculating the change in salience of each stakeholder between two periods of reference. For example, the CEO of DAMEN ranked donors as most salient during T1. Therefore, donors received 1 for T1. However, during T2 donors, received a 2 because the CEO ranked donors as the second-most salient group. We recorded the change of donors’ salience from T1 to T2 as 1.

We quantified the absence and presence of types of salience attributes as given: 0, 1, 2 … 16 (Mitchell et al., 1997; Parent and Deephouse, 2007). A stakeholder perceived to possess no attribute type is assigned 0, whereas a stakeholder that possesses all of the attribute types is assigned 16. Thus, we obtained a number of attribute types possessed by every identified stakeholder during the three periods. This information helped us to create two variables—*Change in attributes' types T1-T2* and *Change in attributes' types T2-T3.* For example, the Chief Operating Officer of FMFB Bank perceived government to possess 4 attribute types in T2 and 11 in T3. Therefore, the change in government's attribute types from T2 to T3 stood at 7.

Reliability and validity of the retrospective data are established when simple questions are asked of respondents who have personally been involved in a specific situation (Golden, 1992; Miller et al., 1997). Keeping this in mind, we retained the two-tail case design of this inquiry to interview those managers who remained part of the "before and after" transformation scenarios (Yin, 2003). As discussed above, we categorised four cases into two groups. We studied the dynamic perspective of stakeholder salience in RCDS and DAMEN, which transformed from NGOs (T1) to MFIs (T2), and in FMFB and NRSP Banks, which transformed from MFIs (T2) to MFBs (T3). With the objective of interviewing managers who had been personally involved in pre and post-transformation scenarios, we did not study T1 at FMFB and NRSP Banks. This was to avoid including events from the distant past that respondents might have difficulty recalling.

To establish the quality of our multiple case study design, we selected measures that reflected changes in stakeholder salience, attributes and attribute types. We took special care to ensure that our interviewing protocols and subsequent coding process were fully aligned with concepts and definitions given in the relevant literature (Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997; Torre and Rallet, 2005). In this research, to achieve construct validity we used multiple sources of evidence, consisting of manager and stakeholder interviews, archival material and analytical memos. Furthermore, the use of replication logic backed by precise use of theoretical concepts from the literature helped us to ameliorate the external validity of our research. To enhance the reliability of our study, we ensured the consistent use of case study protocols in all of the four cases in conjunction with appropriate field procedures. We also focused on building a broader and unobtrusive database of case studies. Our multiple case study design, which involved longer observation periods and a diversified setting, helped us to minimise selectivity and reporting bias.

Qualitative research depends upon measurement (coding) to render judgments. Therefore, it is necessary to ensure inter-rater reliability. Thus, after the first three interviews, data were made available for the lead author's review and expert opinion, resulting in the identification of issues and discrepancies. This first review was very helpful in improving the coding instructions. In the second round, after four months of data collection and coding, another review of entire data set and measurements was conducted. The results of this review process revealed more than 80 percent reliability over all three periods.

6.4 Results

First, we present the results of our ***qualitative analysis***, relating changes in the salience ranks of stakeholders through matrix display and analysis.

In T1, managers identified donors, the community, the board, government, management, staff, social development forums, farming associations, competitors and the media as salient stakeholders. The manager-determined ranks of these stakeholders are provided in Table 6.2. In a grant-based paradigm with development logic, managers mentioned donors as the most salient stakeholders[xc]. Respondents believed that donors assumed the highest significance due to the financial and technical assistance that they extended to our case study organisations. Donors helped these case study organisations to develop, structure, and build staff capacity. Although several stakeholders were considered second- and third-most salient, most of the managers allotted the second and third slots to community[xci].

After the conversion of our case study organisations from NGOs to MFIs, the configuration of salient stakeholders also transformed. Respondents identified wholesale lending institutions either as the most or the second-most salient stakeholders[xcii] during T2. Multi-dimensional support provided by wholesale lenders—which included a) subsidised loans for MF, b) grants, c) technical support, and d) network building support—made wholesale lenders even more important than donors. Managers stated that communities remained equally important in T1 and T2[xciii]. An important element of changing stakeholders' configuration is that during T1, the stakeholders named as community transformed into clients during T2. During T1, communities were dependent on our case study organisations for grants and support. During T2, however, because our case study organisations had begun to make micro-loans to community members, the dependency became two-way; case study organisations were also dependent on their clients' timely loan repayments. Respondents also identified new entrants into the field—namely, commercial banks, the MF network and anti-MF campaigners[xciv].

Not surprisingly, during T3 donors and wholesale lenders moved down to positions of comparatively lesser salience. Managers reported shareholders, followed by clients, as the most salient stakeholders in the period marked by commercial logic[xcv]. Unlike T2, during which clients were only debtors of MFIs, during T3 they also assumed the role of depositors. After conversion from MFIs to banks, our case study organisations were legally permitted to take deposits. Another notable change in stakeholders' configurations that occurred during T3 relates to the government's improved salience. Pakistan's legal structure does not require strict government regulation of NGOs and MFIs. After converting into MFBs, however, our case study organisations were strictly supervised and regulated by Pakistan's central bank.

In summary, we found that managerial perceptions of stakeholder status—i.e., who managers recognise as stakeholders—is affected by the institutional change process. As organisational objectives shift and organisations re-organise their activities, several new stakeholders are perceived as stakeholders, whereas many stakeholders either became less salient or completely disappear from managerial perceptions.

We next present the findings of our ***quantitative analysis***, which aimed at investigating, from a managerial perspective, how changes in stakeholder salience between periods are related to changes in salience attributes. As suggested above, if Mitchell et al.'s (1997) central proposition remains valid from a dynamic perspective, then a shift in stakeholders' salience from one period to another must accompany a corresponding change in the possession of a number of salience attributes by those stakeholders.

Table 6.2 : Shift in stakeholder salience in three phases of institutional change process

Stakeholders \ Salience Rank	1	2	3	4	5	6	7	8	9
T1 : Stakeholder Salience Rank as identified by managers in period marked by development logic									
Donors	Int.1, 2,3,4,5,6,7,8,9,10,11, 12, 13, 14, 15, 16, 17, 18								
Community		Int. 2,3,4,6,7, 17	Int. 5, 10, 13, 14, 16			Int. 9			
Board		Int. 13, 18	Int.6,9						
Government*		Int. 9,	Int. 7						
Management		Int. 16							
Staff		Int. 14	Int. 10, 3, 18	Int. 9					
Social Development Forums					Int. 9				
Farming Associations		Int.5							
Competitors		Int. 10							
Media		Int. 12							
T2 : Stakeholder Salience Rank as identified by managers in period marked by hybrid logic									
Lender Apex	Int. 2, 3, 4, 5, 7, 8, 9, 10, 14, 15, 16, 17, 27, 30, 31, 33	Int. 6, 11, 12, 13, 18, 23, 24, 26							
Donors	Int. 3, 7, 19, 20, 21, 25, 28	Int. 4, 8, 9, 24	Int. 2, 3, 15, 22, 31	Int. 23					
Clients	Int. 6, 11, 18, 22, 23, 25	Int. 5, 10, 14, 31, 33	Int. 3, 12, 13, 16, 19, 20, 21, 24, 27, 28	Int. 7, 9, 26	Int. 17		Int. 2, 3		
Commercial Banks	Int. 14, 29	Int. 2, 3, 7, 15, 16, 17	Int. 4, 5, 8, 18, 25, 26	Int. 20	Int. 13, 23	Int. 6			
Staff		Int. 22, 28	Int. 14	Int. 10, 11, 12, 15, 17, 18, 27	Int. 26	Int. 2, 8, 19			
Government		Int. 27	Int. 23, 33	Int. 5, 21, 25, 28, 31	Int. 4, 12, 19				
Microfinance Networks**	Int. 32		Int. 11, 17	Int. 2	Int. 3, 8, 9, 12	Int. 4, 13, 16	Int. 18		
Board	Int. 12, 13, 24, 26	Int. 25		Int. 3, 16, 19	Int. 18	Int. 9			
Competitors			Int. 7, 10	Int. 6, 8		Int. 18			
MNCs/Partners			Int. 9	Int. 4					
Anti-MF compaigners						Int. 17	Int. 8	Int. 3, 18	
media						Int. 3	Int. 12		Int. 18
management	Int. 24			Int. 13	Int. 16				
T3 : Stakeholder Salience Rank as identified by managers in period marked by market logic									
Shareholders	Int. 19, 25, 27, 28, 33	Int. 20, 23, 24, 26	Int. 21, 22						
Clients	Int. 21, 22, 23	Int. 25, 33	Int. 28	Int. 19, 24, 27, 31	Int. 20		Int. 26		
Govt. Regulators	Int.20, 26, 31	Int. 19, 27, 28	Int. 33	Int. 21		Int. 25			
Microfinance Networks			Int. 19						
Staff		Int. 22	Int. 24, 27		Int. 19	Int. 20, 26			
Board of Directors	Int. 24		Int. 20, 25, 26						
Donors		Int. 21	Int. 21, 22	Int. 20	Int. 25				
Partners					Int. 22				
Commercial Banks			Int. 31	Int. 23, 25,	Int. 24, 26				
Lender Apex		Int. 31	Int. 23	Int. 24, 26					
Competitors				Int. 28					

* Domestic as well as foreign networks like Pakistan Microfinance Network, Microcredit Summit etc are included in Microfinance Networks

Table 6.3: Spearman Rank Correlations

			Δ Salience *T1-to-T2*
Spearman's Rho	Δ Attributes *T1-to-T2*	Correlation Coefficient	-0,505
		Probability	0,005
		N	29
			Δ Salience *T2-to-T3*
	Δ Attributes *T2-to-T3*	Correlation Coefficient	-0,780
		Probability	0,000
		N	43

We tested the transience of stakeholder salience against the change in salience attributes types by computing the *Spearman Rank Correlation.* A significant correlation ($r_s = -0{,}50$ $n=29$, $p< 0{,}01$) between change in salience rank and change in attributes from T1 to T2 was found. Similarly, there also existed a strong correlation ($r_s = -0{,}78$ $n=43$, $p< 0{,}01$) between change in salience and change in attributes from T2 to T3. Our findings, which are presented in Table 6.3, show strong support for Hypothesis 1, suggesting that changes in stakeholder salience are directly related to changes in the cumulative number of salience attributes possessed by a stakeholder.

With the data collected for possession of various types of each attribute during three historical periods, a post hoc analysis is conducted to see whether relationships exist among the variables that we have termed as *number of power types, number of legitimacy types, number of urgency types and number of proximity types* possessed by stakeholders, which range from 1 to 4, 1 to 8, 1 to 2 and 1 to 2, respectively. As shown in **Table 6.4,** a significant and strong positive relationship exists between number of power types and number of legitimacy types during all the historical periods under consideration. The literature suggests that power and legitimacy are entwined (Weber, 1978; Mitchell et al., 1997). Having extended the empirical analysis to involve the component parts of power and legitimacy, we find that more types of power carried by a stakeholder, the more types of legitimacy possessed by that stakeholder. Furthermore, the same holds true for other types of salience attributes, except for types of proximity, which indeed has a direct, positive relationship with other types of salience attributes, but the relationship appears comparatively weak.

To understand the mutual association among various salience attributes, we employ chi-square statistics. We cross-classify the data and create contingency tables for our nominal variables. These variables carry a sufficient number of observations and have mutually exclusive categories, which the previous literature has already defined.

However, nominal-by-nominal association chi-square is not adequate for all calculations because it actually computes the Pearson correlation. The Pearson correlation can only prove suitable when data are assumed normally distributed. In our case, however because we have dichotomous variables (present or absent), we employ a symmetric measure called the Phi correlation coefficient to examine the association of dichotomous variables. The Phi correlation coefficient can only be relied upon when chi-square's value is significant for a relationship. It shows the strength of that relationship and is a very useful tool in 2 X 2 tables, where its value ranges from 0 to 1. The chi-square test is based on underlying probabilities in each cell of a contingency table and requires that expected frequencies are not very small. If expected frequencies are smaller (less than 5), the association between nominal variables cannot be gauged with full accuracy. In such situations, Fisher's exact test is considered a suitable measure to test association in 2 X 2 tables.

The Fisher's and Phi-Coefficient values presented in Table 6.5 partly support our Hypothesis 2a-2b, suggesting that with some exceptions, the various types of each salience attribute are not only associated with one another but also are associated with types of other salience attributes. Our results show that there is a significant, positive association among following types of salience attributes during three periods: utilitarian power, normative power, network centrality power, structural legitimacy, exchange legitimacy and criticality. Conversely, coercive power, influence legitimacy, dispositional legitimacy and cognitive legitimacy were found to be independent.

As the results presented in Table 6.5 show, except for coercive power, all other types of power—namely, utilitarian, normative and network centrality powers—are directly related to one another in all three historical phases of institutional change. In addition to significant mutual relationships, they are directly and significantly related to two types of legitimacy—structural and exchange—and to one type of urgency, i.e., criticality. Of particular interest to us is the strong, direct association between utilitarian power (i.e., power to grant or withhold resources) and exchange legitimacy (i.e., exchange benefits provided by a stakeholder or supportive of a firm's interest). This is because of confusion in the existing literature about how to conceptualise legitimacy in the salience framework. Some researchers (Driscoll and Starik, 2004) emphasise pragmatic forms of legitimacy (i.e., exchange, influence and dispositional types), whereas others (Magness, 2008; Phillips, 2003) consider moral legitimacy (consequential, procedural, structural and personal types) more relevant to stakeholder salience. Neville et al. (2011) proposes that given the morally oriented purpose of legitimacy, pragmatic legitimacy is not relevant to stakeholder salience because managers grant pragmatic legitimacy if a stakeholder provides an organisation with exchange benefits. Those authors propose that one contribution of pragmatic legitimacy is already captured by the attribute of power. Our findings show that not all types of pragmatic legitimacy are directly associated with the utilitarian component of power. Therefore, there is no empirical evidence to suggest that overall pragmatic legitimacy is related to utilitarian power. However, there is strong empirical evidence supporting the proposition that exchange legitimacy is quite significantly associated with utilitarian power and can be tested for its similitude with utilitarian power in future research.

Previous research has proposed that the urgency of stakeholders is actually characterised by stakeholder willingness to exercise power; therefore, urgency should be subsumed within the power attribute (Eesley and Lenox, 2006). By involving types of power and urgency in this empirical research, we have found that of the two components of urgency—i.e., time sensitivity and criticality—it is only criticality that is found significantly and positively related to types of power in all of the three historical periods under consideration. Time sensitivity has been found

Table 6.5 : Association of Salience attributes and comparison of three historical periods

	T1			T2			T3		
	Phi Coefficient*	Probability	Fisher Exact (Sig. 2 Sided)	Phi Coefficient	Probability	Fisher Exact (Sig. 2 Sided)	Phi Coefficient	Probability	Fisher Exact (Sig. 2 Sided)
Utilitarian Power to									
Coercive Power**			0,501	-0,179	0,024				0,468
Normative Power	**0,643**	**0,000**		**0,233**	**0,003**		**0,336**	**0,009**	
Network Centrality Power	**0,684**	**0,000**		**0,207**	**0,009**		**0,406**	**0,002**	
Consequential Legitimacy	0,824	0,000		0,129	0,105		0,059	0,646	
Procedural Legitimacy	0,775	0,000		0,116	0,142		0,030	0,818	
Structural Legitimacy	**0,746**	**0,000**		**0,472**	**0,000**		**0,320**	**0,013**	
Personal Legitimacy			0,001	0,090	0,255				0,552
Exchange Legitimacy	**0,874**	**0,000**		**0,578**	**0,000**		**0,435**	**0,001**	
Influence Legitimacy	0,283	0,058		0,093	0,240		-0,041	0,753	
Dispositional Legitimacy			0,422			1,000			1,000
Cognitive Legitimacy	0,283	0,058		0,296	0,000				1,000
Criticality	**0,824**	**0,000**		**0,555**	**0,000**		**0,463**	**0,000**	
Organized Proximity	0,727	0,000		0,162	0,041		0,214	0,098	
Coercive Power									
Normative Power			1,000			0,054			0,128
Network Centrality Power			1,000			0,542			0,128
Consequential Legitimacy			0,491			1,000			0,666
Procedural Legitimacy			0,495			1,000			0,179
Structural Legitimacy			1,000			0,051			0,063
Personal Legitimacy			1,000			0,215			0,354
Exchange Legitimacy			0,489			0,067			0,667
Influence Legitimacy			0,092	-0,193	0,015				0,449
Dispositional Legitimacy			1,000			1,000			0,133
Cognitive Legitimacy			0,491			0,368			1,000
Criticality			0,491			0,099			0,249
Organized Proximity			0,501			0,003			0,140
Normative Power to									
Network Centrality Power	**0,418**	**0,005**		**0,540**	**0,000**		**0,583**	**0,000**	
Consequential Legitimacy	0,554	0,000		0,155	0,051		0,157	0,224	
Procedural Legitimacy	0,508	0,001		0,144	0,070		0,129	0,319	
Structural Legitimacy	**0,485**	**0,001**		**0,337**	**0,000**		**0,492**	**0,000**	
Personal Legitimacy			*0,039*	0,261	0,001				0,268
Exchange Legitimacy	**0,511**	**0,001**		**0,387**	**0,000**		**0,370**	**0,004**	
Influence Legitimacy	-0,045	0,763		0,046	0,558		0,207	0,109	
Dispositional Legitimacy			0,467			0,264			1,000
Cognitive Legitimacy	-0,071	0,632		-0,011	0,888				1,000
Criticality	**0,464**	**0,002**		**0,272**	**0,001**		**0,483**	**0,000**	
Organized Proximity	0,643	0,000		0,197	0,013		0,177	0,170	
Network Centrality Power to									
Consequential Legitimacy	0,687	0,000		0,245	0,002		0,157	0,224	
Procedural Legitimacy	0,640	0,000		0,234	0,003		0,129	0,319	
Structural Legitimacy	**0,614**	**0,000**		**0,531**	**0,000**		**0,698**	**0,000**	
Personal Legitimacy			0,002	0,282	0,000				0,268
Exchange Legitimacy	**0,557**	**0,000**		**0,385**	**0,000**		**0,370**	**0,004**	
Influence Legitimacy	0,215	0,150		-0,001	0,989		0,138	0,285	
Dispositional Legitimacy			0,444			0,254			1,000
Cognitive Legitimacy	0,329	0,027		-0,098	0,216				1,000
Criticality	**0,687**	**0,000**		**0,281**	**0,000**		**0,483**	**0,000**	
Organized Proximity	**0,503**	**0,001**		**0,239**	**0,003**		**0,381**	**0,003**	

Table 6.5 - Continued

	T1			T2			T3		
	Phi Coefficient*	Probability	Fisher Exact (Sig. 2 Sided)	Phi Coefficient	Probability	Fisher Exact (Sig. 2 Sided)	Phi Coefficient	Probability	Fisher Exact (Sig. 2 Sided)
Consequential Legitimacy to									
Procedural Legitimacy	**0,956**	**0,000**		**0,987**	**0,000**		**0,956**	**0,000**	
Structural Legitimacy	0,681	0,000		0,166	0,036		0,213	0,099	
Personal Legitimacy			0,003	0,055	0,488				0,566
Exchange Legitimacy	0,689	0,000		0,321	0,000				0,309
Influence Legitimacy	0,244	0,102		0,325	0,000		0,098	0,450	
Dispositional Legitimacy			0,467			0,049			0,250
Cognitive Legitimacy	0,286	0,055		-0,057	0,474				0,250
Criticality	0,732	0,000		0,263	0,001				0,755
Organized Proximity	0,734	0,000		0,204	0,010		-0,019	0,881	
Procedural Legitimacy to									
Structural Legitimacy	0,614	0,000		0,151	0,058		0,182	0,158	
Personal Legitimacy			0,002	0,027	0,734				1,000
Exchange Legitimacy	0,646	0,000		0,300	0,000				0,720
Influence Legitimacy	0,215	0,150		0,314	0,000		0,067	0,606	
Dispositional Legitimacy			0,444			0,047			1,000
Cognitive Legitimacy	0,239	0,109		-0,052	0,515				0,233
Criticality	0,687	0,000		0,245	0,002				0,515
Organized Proximity	0,684	0,000		0,190	0,017		-0,060	0,640	
Structural Legitimacy									
Personal Legitimacy			0,015	0,227	0,004				0,245
Exchange Legitimacy	**0,652**	**0,000**		**0,484**	**0,000**		**0,261**	**0,043**	
Influence Legitimacy			0,724	-0,005	0,945		0,051	0,693	
Dispositional Legitimacy			0,289			0,565			1,000
Cognitive Legitimacy	0,288	0,053		-0,009	0,906				0,450
Criticality	**0,583**	**0,000**		**0,482**	**0,000**		**0,400**	**0,002**	
Organized Proximity	**0,646**	**0,000**		**0,301**	**0,000**		**0,473**	**0,000**	
Personal Legitimacy to									
Exchange Legitimacy			0,004	0,180	0,023				0,556
Influence Legitimacy			0,659	0,034	0,667				1,000
Dispositional Legitimacy			1,000			1,000			1,000
Cognitive Legitimacy			0,225			0,768			1,000
Criticality			0,039	0,184	0,020				1,000
Organized Proximity			0,031	0,168	0,034				0,107
Exchange Legitimacy to									
Influence Legitimacy	0,177	0,235		0,175	0,027		0,067	0,606	
Dispositional Legitimacy			0,489			0,163			0,233
Cognitive Legitimacy	0,154	0,300		0,085	0,286				1,000
Criticality	**0,689**	**0,000**		**0,720**	**0,000**		**0,641**	**0,000**	
Organized Proximity	0,604	0,000		0,333	0,000		0,176	0,173	
Influnce Legitimacy									
Dispositional Legitimacy			1,000			0,598			1,000
Cognitive Legitimacy	0,148	0,322		0,097	0,222				1,000
Criticality	0,436	0,003		0,175	0,027		0,139	0,281	
Organized Proximity	0,186	0,213		0,297	0,000		0,141	0,275	
Dispositional Legtimacy to									
Cognitive Legitimacy			0,467			0,376			1,000
Criticality			0,467			0,275			0,317
Organized Proximity			0,422			0,076			0,483
Cognitive Legitimacy									
Criticality	0,286	0,055		-0,036	0,650				1,000
Organized Proximity	0,192	0,197		0,006	0,941				1,000
Criticality to**									
Organized Proximity	**0,643**	**0,000**		**0,307**	**0,000**		**0,417**	**0,001**	

*The significance of Phi was calcuated utilizing Pearson Chi-squre. In cases where Phi Coefficient has been reported, Chi-square values were found significant.
** Test variables for which expected frequency is less than 5 in a cell, Phi and Chi-squre tests are not to be used and instead Fisher Exact Test was performed.
Time Sensitivity and Geographical proximity are not-applicable as they were found constant.
Level of significance is 5%.

irrelevant to stakeholder salience. This finding partly endorses Mitchell et al.'s (1997) proposition that urgency is not related to stakeholders but rather, to stakeholder claims. Moreover, because of the significant and positive association between types of power and criticality, future endeavours should investigate the similitude between them.

Furthermore, the results presented in Table 6.5 also show strong support for Hypothesis 2c, suggesting that the degree of association of various types of salience attributes is affected by the institutional change process. The strength/degree of association changes during the three phases of the institutional change process. We also find that the association between some attributes changes from positively related to independent as the institutional change process unfolds. During T1, consequential and procedural legitimacies had significant positive association with the following attribute types: utilitarian power, normative power, network centrality power, structural legitimacy, exchange legitimacy, criticality and organised proximity. Surprisingly, those legitimacies had no association with these variables during T2 and T3. Similarly, organised proximity had significant direct association with some attributes but became association-less during T2 and T3. A comparison of the association of attributes (see Table 6.5) during T1 with other two periods show that the inter-relationship of various types of salience attributes is conditioned by the institutional setting in which they mutually interact. Organisation-endorsed institutional logic determines the status and salience of stakeholders, and each stakeholder receives managerial attention as a result of different attributes. For example, in T1, during which the field is marked by development institutional logic, donors were one of the most salient stakeholders identified by our respondents (see Table 6.2). In addition to possessing most of the types of power, donors were perceived to possess most of the types of legitimacy, including consequential and procedural legitimacies. However, during T2 and T3, as the organisational focus shifted towards the commercial side, not only did donors' salience decrease but also donor-specific attributes such as consequential and procedural legitimacy were less valued by managers.

6.5 Discussion and Conclusion

Stakeholder salience framework (Mitchell et al., 1997) is one of the substantial contributions to stakeholder literature. Mitchell et al. (1997) emphasized that stakeholder status is transitory and that stakeholders' possession of salience attributes change over time. Those authors emphasize the importance of developing a dynamic understanding of the salience framework.

That notwithstanding, we note no research study that has empirically tested the dynamic aspect of the salience framework taking multiple points of time. This is partly because "*tracking manager's stakeholder salience over time would be a better but more resource-intensive method for examining this issue*" (Parent and Deephouse, 2007, p. 16). The principle objective of this article is to empirically examine the dynamics of stakeholder salience at multiple points of time.

To accomplish this objective, we used multiple case studies of microfinance providers. With qualitative data collected from interviews and archival material, we conducted both qualitative and quantitative data analyses. Numbers were generated from qualitative data to support a quantitative analysis (Mitchell et al., 1997; Parent and Deephouse, 2007). For qualitative analysis, however, we relied on words—i.e., a matrix display and analysis (Miles and Huberman, 1994; Harvey and Schaefer, 2001). Just as Parent and Deephouse (2007) have differentiated power into three types—i.e., utilitarian, coercive and normative—and have statistically proven the mutual relationship between number of power types and salience. Our empirical analysis adds to the salience model by including not only various types of power but also various types of legitimacy, proximity and urgency. The study's findings show strong support for our hypothesis: a change in stakeholder salience is directly related to a change in the cumulative number of salience attributes possessed by a stakeholder. This study's findings show that Mitchell et al.'s (1997) central proposition remains valid from a dynamic perspective and a shift in salience of various stakeholders from one period to other is accompanied by a corresponding change in the number of salience attributes possessed by those stakeholders.

Mitchell et al. (1997) and subsequent researchers (Neville et al., 2011) emphasise the need to explore the mutual relationship of salience attributes and their types and considered that exploration an important part of the future research agenda. Although there is abundance of literature that theoretically proposes the existence of mutual association between salience attributes and their types, empirical studies uncovering such associations are virtually non-existent (Ashforth and Gibbs, 1990; Suchman, 1995; Eesley and Lenox, 2006; Neville et al., 2011). To fill this gap, we empirically examined the association among salience attributes and their types. We find that the cumulative numbers of various attribute types are directly related to one another. For example, we find that higher the total number of power types possessed by a stakeholder; the higher the number of types of legitimacy, urgency and proximity possessed by the stakeholder. This significant and direct relationship exists among all types of salience attributes during the three historical periods of analysis. Furthermore, based on the nature of the mutual association among various types of salience attributes, we categorised these attributes into three groups: i) attribute types that have a significant, direct relationship among them, which remains positively significant even when the institutional change process unfolds; ii) attribute types that hold a significant association, but this relationship does not endure as the institutional change process proceeds; and iii) attribute types that remain independent throughout the institutional change process. The analysis of mutual association of various attribute types during three historical periods reveals that not only do stakeholder status, salience and attributes vary during the three different phases of institutional change process but also the degree of mutual association is conditioned by the dominant institutional logic prevalent in the field.

Previous research states that the institutional change process moves through stages; each stage is punctuated by a dominant institutional logic (Khavul et al., 2013). It has been demonstrated in previous work that the institutional change process in microfinance began with dominant development logic, shifted to hybrid logic and then to commercial logic (Battilana and Dorado, 2010; Khavul et al., 2013; Kent and Dacin, 2013). However, the influence of the institutional change process on stakeholder salience had remained undiscovered. Building on previous work (Battilana and Dorado, 2010; Khavul et al., 2013; Kent and Dacin, 2013), our qualitative analysis demonstrates that stakeholders' status and salience change remarkably as institutional process unfolds in the field. During this process, several stakeholders cease to exist as stakeholders, whereas several new constituents assume the status of stakeholder. Overall, we find that the dominant institutional logic prevalent in the field and stakeholder salience are inter-related.

The following important limitations to our study require attention. First, as discussed above, all four case studies were collected from a single country. However, considerable variation exists in the financial regulations, standards and practices from one country to another; for example, microfinance institutions in India (Section 25, companies) can accept deposits without acquiring the legal status of commercial banks, whereas this is not the case in neighbouring Pakistan. Although our results literally apply to microfinance organisations in Pakistan but many organisational features of microfinance organisations are similar to other forms of organisations, particularly in terms of stakeholder relationship management, therefore, stakeholder theory that forms the basis of our study helps in identifying the cases to which our results are generalisable (Yin, 2003). Future research can test and compare our findings using case studies of other organisation types in other regions.

Second, our study based on partial equilibrium analysis gives a limited sense of dynamics because it involves longitudinal analysis consisting of a set of snapshots taken over time under restricted conditions (Windsor, 2010). Although partial equilibrium analysis eliminates part of the passage of time, it does not eliminate the influence of the effect of time on consequences in relation to antecedents. Future research could conduct a general equilibrium analysis that incorporates all influences into the model. Furthermore, in dynamic analysis not only outcomes but also the process itself are important. In future research, the process that renders various stakeholders salient and the way that management handles such change processes can also be studied.

Another limitation of our study relates to the bias towards group homogeneity. When considering various stakeholder groups, such as donors, commercial banks, shareholders, etc., we assume that various stakeholders within a group are the same. In future research, heterogeneity within stakeholder groups can be recognised and more subgroups can be included.

In this article, we show that the dominant institutional logic prevalent in a field and stakeholders' status and salience are mutually related. However, whether the institutional change process in an organisational field is initiated by constituents that later become salient stakeholders or whether there are other institutional entrepreneurs that initiate an institutional change process that makes a set of previously irrelevant stakeholders more salient is an intriguing question that we leave for future research.

In conclusion, this article empirically examines the dynamics of stakeholder salience in an organisational field undergoing an institutional change process. We used an exploratory multiple case study design involving case studies of four microfinance institutions. Data for the study were collected through standardised, open-ended interviews and archival material. Our findings show that the dominant institutional logic prevalent in the field and stakeholders' and salience are inter-related. More importantly, our study results show that change in stakeholder salience is directly related to changes in the attributes possessed by stakeholders. Moreover, by examining the nature of mutual association among various types of salience attributes, we find that the degree of mutual association of various attribute types is affected by the dominant institutional logic prevalent in a field.

Chapter 7

7. Conclusion: Contributions, limitations & avenues for future research

Concluding, we present the contributions, limitations and avenues for future research in paper-wise format.

7. 1 Contributions of the research project

The contributions of this research project have both theoretical and managerial significance. These contributions are presented in the lines ahead and the main findings have been summarized in Table 7.1.

7.1.1 *Paper 1*: What is the current state of literature in stakeholder salience tradition?

As discussed in detail in Introduction section and in ***Paper 1***, stakeholder salience model (Mitchell et al., 1997) is considered as a notable framework in management literature. This model was introduced around two decades ago; yet, no mentionable study took stock of previous research in stakeholder salience tradition to provide an updated benchmark. Therefore, this research project's ***Paper 1*** (Chapter 2) takes stock of previous research in stakeholder salience tradition and contributes to the extant literature in the following ways:

Firstly, it provides an organized map to scholars and facilitates future researchers by providing an informative summary kit. To facilitate researchers extract meaningful information quickly, references are synthesized and organized chronologically into tabular form. Moreover, this study also differentiates in tabular form the conceptual studies from empirical studies and provides the methods of research, data collection and key findings etc.

Table 7.1: Article wise research problems and findings

The general objective of the thesis is to understand how stakeholder status and salience is assigned to various constituents by the managers. Moreover, this thesis seeks to examine the contingency of stakeholders' status and salience on institutional change process.		
Article	**Research question**	**Main findings**
1	What is the current state of literature in stakeholder salience tradition?	In last 17 years, research work in stakeholder salience tradition has enormously multiplied and can be classified into three themes & six subthemes. Out of 21 categories of economic activities in UNISIC, research studies applied stakeholder salience model in 15 categories. Moreover, several gaps exist in extant literature on stakeholder salience tradition.
2	How NGOs stakeholders with non-market logic win managerial attention?	We propose that NGOs stakeholders win highest managerial attention when they are perceived by managers to possess: a) ability to borrow attributes from other stakeholders and b) four (not three) salience attributes. At the level of types of legitimacy, NGOs salience is not just the function of simple summation of various types.
3	How institutional logic endorsed by a stakeholder affects its attributes & salience?	We propose that members of an organizational population endorsing similar institutional logic (e.g., Not for profit) develop salience attributes of similar potential value or maxim, that are significantly different from those of members of other organizational population (e.g., for profit). Moreover, we propose that stakeholders' evaluation by managers is carried at two levels—i.e., cross-organizational population and intra-organizational population—and at these two levels salience attributes actually determine the stakeholders' salience.
4	To what extent various types of attributes impact stakeholder salience?	We suggest that not all attributes' types have equal impact on stakeholder salience. Utilitarian power, structural legitimacy, criticality and organized proximity have highest impact on stakeholder salience among the various types of power, legitimacy, urgency and proximity. Moreover, pragmatic legitimacy seems to be irrelevant to stakeholder salience.
5	How managers' assign stakeholder status & salience to various entities in different phases of institutional change process?	We establish the empirical validity of stakeholder salience framework in dynamic perspective. We found that attributes are important drivers of salience and changes in attributes of stakeholders from one phase of institutional change process to other is accompanied by corresponding change in stakeholder salience. Moreover, the stakeholder status and salience are contingent on institutional change process.

Secondly, most important contribution of this study is that it identifies the following three major themes and six sub-themes around which research in stakeholder salience tradition can be clustered:

i. *Assessment of the salience model:* Relying on different types of evidence, methodologies, and criteria of appraisal, several studies assessed the central propositions of the stakeholder salience framework. This research project identifies these studies and differentiates them into two sub-themes—studies that *empirically tested the fundamental proposition of the salience framework* and studies that used a *dynamic perspective and/or examined changes in stakeholder attributes and salience* while assessing the salience framework.

ii. *Refinement and development of the constructs and the model:* This research project identifies number of efforts that were made by researchers to re-examine the epistemological assumptions and refine the stakeholder salience model's (Mitchell et al., 1997) theoretical underpinnings. Having identified all important studies that fall under this category, these studies were further distributed into two sub-themes—studies that related to overall model and dealt primarily with *constructs* and the other group of studies that related mainly to *attributes*.

iii. *Contextual factors:* We also contribute to the extant literature on stakeholder salience tradition by identifying studies that focused contextual factors that affect the phenomenon of stakeholder salience. Work in this third stream of research has been further subdivided into two groups: *a) managerial values and characteristics, and b) broader contextual factors.*

Thirdly, this research project contributes by highlighting application areas by listing important articles that operationalized the stakeholder salience framework. Idea was to assess the application of this framework as a stand-alone tool that is used to identify, evaluate and prioritize stakeholders across diverse fields. United Nations' International Standard Industrial

Classification of All Economic Activities (ISIC) was used to categorize these articles as per the sector of economy investigated. This categorization will prove quite helpful to researchers in understanding the extent and applicability of stakeholder salience framework in their respective fields of interests.

Last but not least, at the back of thorough review of literature, this research project helps in identifying several gaps that exist in extant literature on stakeholder salience tradition. Therefore, it suggests many avenues for future research that can not only strengthen the theoretical foundations of salience framework but can be helpful in further progress of stakeholder salience thinking.

7.1.2 *Paper 2*: How NGOs stakeholders with non-market logic win managerial attention?

One of the important avenues for future research identified in ***Paper 1*** relates to unexplored stakeholder-attributes relationship. Detailed review of literature had revealed that researchers disagree about the impact of different attributes on stakeholder salience. For example, Agle et al. (1999) suggest that urgency is the best predictors of salience, while, Neville et al. (2011) think that urgency alone cannot determine the stakeholder salience. Parent and Deephouse (2007) and Yang et al. (2014), on the other hand, suggest that it is the power that has highest impact on stakeholder salience. Moreover, just as the scholars mutually disagree over the relative impact of original attributes as introduced by Mitchell et al. (1997), disagreements also exists over the types of various attributes. For instance, Harvey and Schaefer (2001) note that, among the different types of power, coercive power has the highest impact on stakeholder salience. While Parent and Deephouse (2007) suggest that utilitarian power has the highest impact on stakeholder salience.

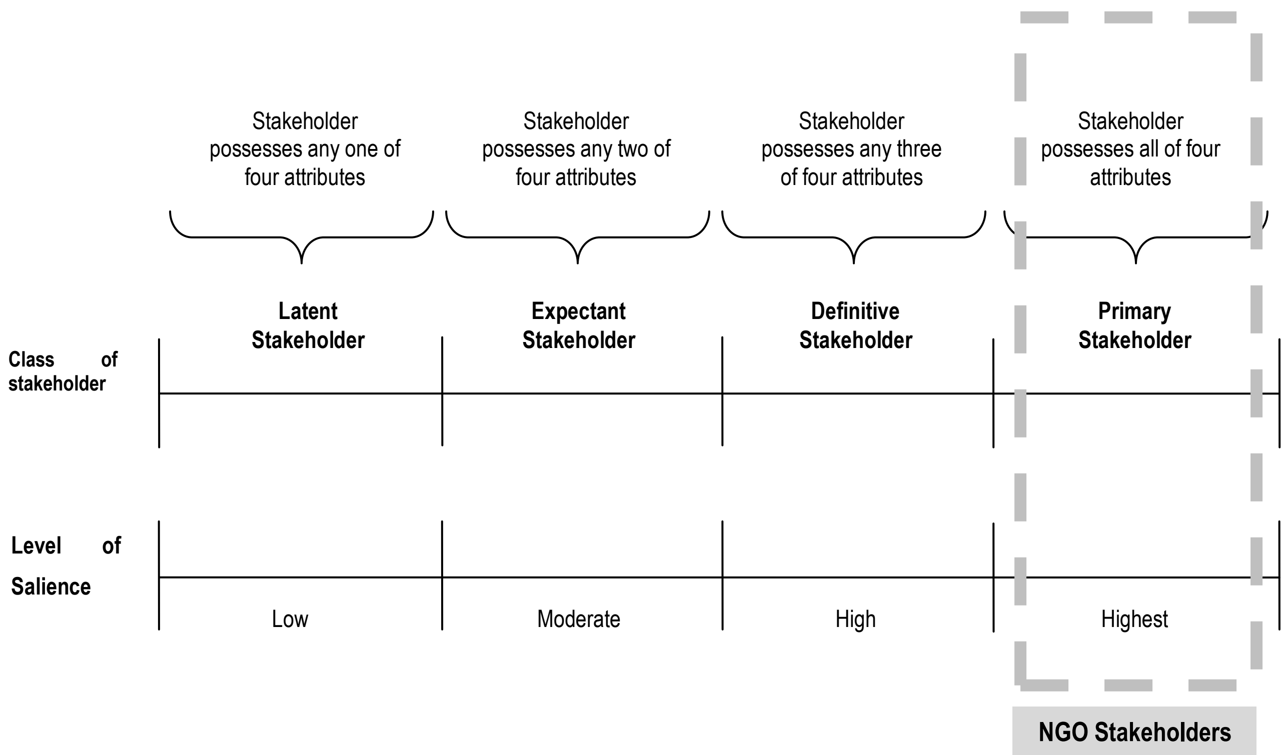
Previous studies involved different *organizational forms* with different sets of stakeholders and it was noted that there is no consensus on one single attribute that has highest impact on stakeholder salience. This makes us think that not all organizational forms get manager’s attention on the basis of some universally agreed salience attribute. So we asked, is there some connection between an organizational form and its managers’ attention-winning salience attributes? For instance we observed that, non-profit organization focuses on the public welfare so they have to possess a higher degree of legitimacy because managers may grant them salience on the basis of legitimacy. On the contrary, in the case of for-profit stakeholders, managers may be more attentive if such stakeholders display higher utilitarian power alongside legitimacy. This line of thinking made us view phenomenon of stakeholder salience through the lens of institutional theory.

Therefore, one important theoretical contribution that we make in our ***Paper 2 and 3*** is that we integrate the theoretical lenses on stakeholders and institutions and this helps us in uncovering the organizational form to attribute link. Institutional theory suggests that by shaping the identities, interests, values, assumptions, institutional forms and practices differently in various fields, dominant institutional logic shapes attributes differently in various organizational forms (Dobbin, 1994; Thornton and Ocasio, 1999; Sine and David, 2003; Zajac and Westphal, 2004; Stovel and Savage, 2006; Lounsbury, 2007; Battilana and Dorado, 2010; Chen, 2010). Similarly, stakeholder salience framework (Mitchell et al., 1997) explicates an interrelationship between salience and attributes. As both are partly related to organizational *attributes*, their combination enriches our understanding of the phenomenon of stakeholder salience. Moreover, stakeholder salience framework assumes that perceptions of the managers are variable (Mitchell et al., 1997). Likewise, recent work in institutional theory (Battilana and Dorado, 2010; Pache and Santos, 2010) applies the notion of institutional logic at the individual-actor level, suggesting that manager's perceptions vary under the effect of institutional logic that an individual actor endorses, thus, bringing salience framework closer to institutional theory.

As explained in introduction section, NGOs with non-market logic constitute a revelatory site to examine the organizational form to attributes linkage. Their ability to form networks (Doh et al., 2003), auto-evolving nature, watchdog surveillance motives and power to converge fragmented legitimacy of interest groups differentiate them from other stakeholders. They rapidly appear and vanish as they are temporal beings and act as professionals whose primary job is to grant or revoke legitimacy to business firms. Unlike other stakeholders that hold firms accountable to institutional norms, NGOs may force a total institutional change against firms (Yaziji and Doh, 2009). All these idiosyncratic characteristics confer unique attributes to NGOs that are structurally and functionally different from other stakeholders. Therefore, in our conceptual ***Paper 2***, salience of NGOs stakeholders is viewed through lens of institutional theory and we contribute important theoretical propositions.

We propose that managers differently perceive various logics and differ in their receptivity to nonmarket logics of NGOs. Moreover the managerial perception of possession and prioritization of salience attributes of a stakeholder depends on institutional logic of that stakeholder. We also propose that NGO stakeholder gets more salient when it is perceived to get hold of the four (not

Figure 7.1: NGOs Stakeholders: Possession of one, two, three and four attributes



three) types of stakeholder salience attributes—i.e., proximity, power, legitimacy and urgency (Please see Figure 7.1). Furthermore, NGO is perceived as salient when it possesses the 'ability to borrow' stakeholder attributes from other constituencies. The NGO Stakeholder's ability to borrow salience attributes (e.g. power) is higher when it has more of other attributes (e.g. urgency, legitimacy and proximity). In case of legitimacy attribute of NGOs, one type of legitimacy gets augmented when other types remain constant or decrease in intensity.

7.1.3 *Paper 3:* How institutional logic endorsed by a stakeholder affects its attributes and salience?

Building on the main arguments of the ***Paper 2***, debate is taken to the next level in ***Paper 3*** where two organizational populations—i.e., for-profit and not-for-profit—are compared which are distinguishable from one another based on the dominant institutional logic that each endorses. *Organizational populations* are defined as a collection or aggregation of organizations that are alike in some respects and in particular, classes of organizations that are relatively homogenous (Scott, 1995). ***Paper 2*** focused only the NGOs but in ***Paper 3*** all forms of non-profit organizations are considered.

But, unlike ***Paper 2*** where phenomenon of salience was revisited in NGOs, in our conceptual ***Paper 3***, the objectives are different. Here focus is to address some important residual weaknesses of stakeholder salience model. As suggested earlier, the stakeholder salience model (Mitchell et al., 1997) suggests that more the number of salience attributes are possessed by a stakeholder; the more the salience is assigned to it by the managers. On the contrary, previous research indicates several instances where a latent stakeholder was assigned more salience compared to a definitive one (Parent and Deephouse, 2007; Neville et al., 2011). Furthermore, stakeholder salience framework tacitly assumes that managers conduct a single all-inclusive evaluation to prioritize stakeholders. Simply, stakeholder salience framework and subsequent research do not offer insights into the process of stakeholder evaluation (Bundy et al, 2013; Tashman and Raelin, 2013). Therefore, ***Paper 3*** offers a conceptual framework that explains these residual weaknesses of stakeholder salience framework. Following conceptual contributions are important:

Firstly, we synthesize literature on power, legitimacy, urgency and proximity and propose that the distribution of attributes among various organizational populations is uneven. This uneven distribution, which determines and allocates the '*possession'* and '*maxim*' of each attribute, results from shared understandings that are likely to emerge to rationalize patterns of social construction (Pfeffer, 1981). Using an illustration of the two organizational populations—i.e., for-profit and not for profit—we argue that members of an organizational population endorsing similar institutional logic develop salience attributes of similar *potential values* or *maxims*, which are radically different from those of the members of other organizational populations. These potential values act as precursors that determine the *perceived values* of salience attributes for the managers. Mitchell et al. state, "*Each type of power may range from nonexistent to complete*" (1997; p. 868). So, in our conceptualization we refer to "*the complete value*" as potential value.

Secondly, in order to facilitate analysis we also introduce an identification typology of *dominant* (carrying high potential value) and *recessive attributes* (carrying low potential value). This identification typology acts as mnemonic tool that helps us promote easy recall and dialogue. Linking notions of institutional logic with potential values of salience attributes, we propose that power and urgency are recessive attributes in non-profit organizations while legitimacy is dominant attribute and vice versa for for-profit organizations. We propose that stakeholders possess dissimilar dominant and recessive salience attributes owing to the dominant institutional logic that they endorse.

Thirdly, we contribute to existing literature by bringing more clarity to stakeholders' evaluation process by breaking the single all-inclusive process of stakeholder evaluation at two sub-levels: cross-organizational population evaluation (e.g. *comparison between for-profit and not-for-profit organizations*) and intra-organizational population evaluation (e.g. *comparison between two not-for-profit organizations*). By comparing these two organizational forms, we propose that at these sub-levels dominant and recessive salience attributes mutely work to determine stakeholder prioritization.

i. We propose that at cross organizational population level, stakeholder evaluation is quite complex as stakeholders from variety of organizational populations compete to win managerial attention. In this situation, dominant attributes turn decisive. A latent non-profit stakeholder (e.g., possessing higher degree of legitimacy) in contradiction to fundamental proposition of stakeholder salience model, wins more managerial attention than a definitive for-profit stakeholder (possessing lower degree of all attributes). These situations appear when manager perceives his firm deficient/vulnerable to a particular stakeholder attribute.

ii. Furthermore, we also propose that intraorganizational-population evaluations are less complex than cross-organizational population evaluations, because in such evaluations dominant and recessive attributes are common for various stakeholder-manager dyads and both are decisive. Therefore, in intraorganizational population evaluation, stakeholder salience is not affected by the institutional logic of stakeholders. This formulation helps us address aforementioned residual weaknesses of salience framework.

One important proposition in preceding discussion links the notion of institutional logic with the salience attributes. This proposition has been empirically examined in ***Paper 4 and 5***, where besides the other core purposes of the articles, we have also examined how various stakeholders endorsing different institutional logics rely on different attributes to win managerial attention.

7.1.4 *Paper 4*: To what extent various attributes impact stakeholder salience?

As given in introduction section, ***Paper 4 and 5*** constitute the empirical work in stakeholder salience tradition. An important gap in extant literature, presented in ***Paper 4,*** is related to the disagreements among scholars over inclusion of various attributes and their types. Literature on stakeholder salience tradition is marred with pragmatic vs. moral legitimacy; criticality vs. time sensitivity debates etc. Such disagreements exist because previous research has mainly relied on original attributes as introduced by Mitchell et al. (1997). Empirical examinations to extend the stakeholder salience framework by including *types* of various attributes are virtually non-existent. There are grave theoretical and managerial implications for limited research in this area.

The core objective of stakeholder salience framework (Mitchell et al., 1997) is to answer the following descriptive question: *To whom do managers pay attention*? These authors suggest that managers will pay more attention to the stakeholders who possess power, legitimacy and urgency. But we argue that notions of power, legitimacy and urgency are too broad and include several constituents. What in power, legitimacy, urgency and newly proposed proximity makes managers pay more attention to the stakeholder? As discussed in introduction, ***Paper 4*** actually differentiates these attributes into various types as suggested in literature and empirically examines their relationship with stakeholder salience. In addressing the aforestated gap, this paper makes following important contributions:

Firstly, we suggest that among the types of power, legitimacy, urgency and proximity; utilitarian power, structural legitimacy, criticality and organized proximity have highest impact on stakeholder salience compared to other types of legitimacy, urgency and proximity respectively. Therefore, managers would assign more salience to a stakeholder with *utilitarian power, structural legitimacy, criticality and organized proximity.*

Secondly, stakeholders that are perceived by the managers to possess more *types* of salience attributes are assigned highest salience ranks by the managers. Therefore, more the *types* of various attributes are possessed by a stakeholder; the more salient it is perceived by the managers.

Thirdly, stakeholders that are not perceived by managers to possess utilitarian power, though they possess other types of power, are considered relatively less salient. Furthermore, stakeholders that possess utilitarian power are highly likely to possess normative and network centrality power. Most salient stakeholders are regarded by managers to possess more types of power. Therefore, more the types of power a stakeholder possess, the more salient it is perceived by the managers.

Fourthly, most salient stakeholders are regarded morally legitimate by the managers. Such stakeholders possess consequential, procedural and structural legitimacy. On the contrary, pragmatic legitimacy is not relevant to stakeholder salience. Although, stakeholders that are perceived by managers as salient possess exchange legitimacy, however, based on the equation of responses of our respondents, we propose that exchange legitimacy and utilitarian power have similar effect on stakeholder salience and inclusion of exchange legitimacy results into double counting of same effect. Influence and dispositional legitimacies as other two types of pragmatic legitimacy are not relevant to stakeholder salience.

We also suggest that age, experience, financial soundness, size of organization, level of technological robustness, local knowledge and exposure are key antecedents of structural legitimacy.

Fifthly, we suggest that criticality part of urgency has more effect on stakeholder salience than time sensitivity.

Lastly, organized proximity affects stakeholder salience but geographical proximity is not related to it. Moreover, mimetic and normative institutional pressures on the organization affect organized proximity. This research also identifies two important antecedents of organized proximity—i.e., frequency of interaction and level of acceptability. We also propose that organized proximity is directly related to utilitarian power.

7.1.5 *Paper 5*: How managers' assign stakeholder status and salience to various entities in various phases of institutional change process?

Having examined the relationship between salience and types of various attributes, we moved on to our next task—i.e., ***Paper 5***. As discussed in introduction section and in ***Paper 5***, Mitchell et al. (1997) asserted that "*In this theory, we suggest a dynamic model, based upon the identification typology, that permits ... managerial perception to explain how managers prioritize stakeholder relationships*" (p. 854). Although, the development of dynamic understanding of stakeholder salience model has been emphasized, efforts to empirically test the transient nature of stakeholder salience remained scarce. So the principal objective of ***Paper 5*** is to examine the dynamic perspective of stakeholder salience and most importantly the changes in stakeholder status and salience vis-à-vis institutional change process. Moreover, we also examined the institutional logic-to-attributes relationships that we had proposed in our conceptual papers above. Following are the major contributions of ***Paper 5***:

First of all, as it has been suggested that the institutional change process moves through phases and each phase is punctuated by a dominant institutional logic (Khavul et al., 2013). In case of microfinance, for example, the institutional change process began with dominant development logic, shifted to hybrid logic and then to commercial logic (Battilana and Dorado, 2010; Khavul et al., 2013; Kent and Dacin, 2013). However, the impact of institutional change process remained largely undiscovered in the previous research. We contribute to the extant literature by demonstrating that stakeholders' status and salience change remarkably as institutional change process unfolds in the field. During this process, several stakeholders cease to exist as stakeholders, whereas several new constituents assume the status of stakeholder. On the whole, we suggest that stakeholder salience is contingent on the dominant institutional logic prevalent in the field.

The institutional terrain of the field of the microfinance had once been dominated by donors, philanthropists, not-for-profit organisations, social activists, sociologists, etc., found itself contested-over by powerful stakeholders and eventually dominated by commercial bankers, central bankers, business graduates, auditing firms, depositors and savers, government finance departments, etc. These more powerful and expert actors institutionalized new norms, rules, codes, system of representations and practices and have set the overall institutional format of the field tilted towards financial sustainability. Our findings are compatible to Huault et al. (2012) idea of discreet regulators—expertise in financial sphere that actually contribute to rule setting. As Huault et al. (2012, p. 2) state that "*the growing influence of such expertise then became the driving force behind reconfigurations of power, organizational forms and command posts*".

Second objective of the study was to validate central proposition of stakeholder salience framework from a dynamic perspective (Mitchell et al., 1997)—i.e., a shift in stakeholders' salience from one period to another must accompany a corresponding change in the possession of a number of salience attributes by those stakeholders. We contribute by statistically testing the transience of stakeholder salience against the change in salience attributes in three periods—i.e., T1, T2, T3. Our results suggest that changes in stakeholder salience are directly related to changes in the cumulative number of salience attributes possessed by a stakeholder.

Thirdly, previous research has strongly emphasised the need to investigate the mutual relationship of salience attributes and their types. Exploration of inter-relationships between salience attributes and their types has been considered an important part of the future research agenda (Eesley and Lenox, 2006; Neville et al., 2011). To fill this gap, we contribute by empirically examining the associations among salience attributes and their types. In line with propositions in previous literature that suggest that power and legitimacy are entwined (Weber, 1978; Mitchell et al., 1997), we find that the cumulative numbers of various attribute *types* are directly related to one another. For instance, more types of power carried by a stakeholder, the more types of legitimacy possessed by that stakeholder. Moreover, same holds true for other types of salience attributes, except for types of proximity, which indeed has a direct, positive relationship with other types of salience attributes, but the relationship appears comparatively weaker.

Moreover, our findings suggest that the mutual associations of various attribute types during three historical periods vary. The degree of mutual association is conditioned by the dominant institutional logic prevalent in the field. On the basis of the nature of the mutual association among various types of salience attributes, we categorised these attributes into following three groups:

i) Attribute types that have a significant, direct relationship among them, which remains positively significant even when the institutional change process unfolds.
ii) Attribute types that hold a significant association, but this relationship does not endure as the institutional change process proceeds.
iii) Attribute types that remain independent throughout the institutional change process.

Our results show that there is a significant, positive association among following types of salience attributes during three periods: utilitarian power, normative power, network centrality power, structural legitimacy, exchange legitimacy and criticality. Conversely, coercive power, influence legitimacy, dispositional legitimacy and cognitive legitimacy were found to be independent.

Lastly, in our conceptual ***Papers 2 and 3***, we theoretically link notion of institutional logic with salience attributes. We propose that managerial perception of possession and prioritization of stakeholder's salience attributes depends on institutional logic of that stakeholder. This is because the members of an organizational population endorsing similar institutional logic develop similar salience attributes, which are radically different from those of the members of other organizational populations. Taking illustration of two organizational populations, we propose that power and urgency are recessive attributes in non-profit organizations while legitimacy is dominant attribute and vice versa for for-profit organizations.

Our empirical examination in ***Paper 4 and 5*** provides support to these propositions. We found that organization-endorsed institutional logic affects the status and salience of stakeholders and stakeholders win managerial attention on the basis of different attributes. Comparing two organizational populations endorsing different institutional logics, we found that during T1, stakeholders with non-profit logic e.g. donors were perceived as one of the most salient stakeholders. Donors were perceived by managers to possess most of the types of legitimacy—i.e., procedural, consequential and personal legitimacies. On the contrary, in T2 and T3, not only the salience of the donors decreased but also the donor specific attributes such as procedural, consequential and personal legitimacy were less valued by managers. We also found that, although, personal legitimacy has moderate affect on stakeholder salience, this effect can grow in case of stakeholders endorsing non-profit logic.

7.2 Limitations and avenues for future research

Our conceptual as well as empirical work is not free of limitations. First we discuss key limitations of our conceptual work along with avenues for future research.

7.2.1 Conceptual work (*Paper 2 and 3*): Limitations and opportunities for future research

As suggested above, Mitchell et al. (1997) and subsequent researchers (Eesley and Lenox, 2006, Parent and Deephouse, 2007; Neville et al., 2011) asserted that stakeholder salience is not static rather a dynamic phenomenon and stakeholders configuration is ever changing. We have explained in detail in ***Paper 5*** that such continuous change in stakeholders' configuration is linked to ever changing institutional context (Khavul et al., 2013). However, the framework that we present in our conceptual work does not identify and classify the contextual settings that make managers assign more salience to a latent stakeholder compared to a definitive one. In other words, our conceptual work does not specify those special contextual settings in which fundamental propositions of stakeholder salience model do not work. Identification and classification of such contextual setting is an important area that can be explored in future research.

Our conceptual work mainly deals at organizational and field levels where two organizational populations are compared that endorse different institutional logics. In order to improve our understanding of the role that logics play in shaping salience attributes of stakeholders, we mainly focused the external organizational stakeholders. So another limitation of our conceptual work is that it did not focus on internal stakeholders that are equally worthy of analysis.

Stakeholder salience framework (Mitchell et al., 1997) emphasized the importance of perceptual factors in the stakeholder salience model. Mitchell et al. (1997, p. 872) assert, "*We treat managerial characteristics as a variable and suggest that it will be an important moderator of the stakeholder-manager relationship*". Viewing the importance of the moderating influence of managerial characteristics, prior theoretical and empirical work (Agle et al., 1999; Parent and Deephouse, 2007) focused on managerial *values*—e.g., comfortable life, helpfulness, level of wealth, lovingness, pleasure, equality, hierarchical level and role etc. However, effects of institutional logic as endorsed by managers on the stakeholder salience remained unattended. Recent research (Battilana and Dorado, 2010, Pache and Santos, 2010) suggests that the identity structures, values, interests and assumptions embodied in dominant institutional logic, into which managers are socialized or trained, acts as moderator that influences stakeholder salience. Managers act as carriers of logics and also enact them (Glynn, 2000; Zilber, 2002). It is, therefore, suggested that moderating effects of institutional logics as carried by managers should be examined on stakeholder salience.

Modern day firms are pluralistic and complex entities that are composed of actors carrying different logics (Battilana and Dorado, 2010, Pache and Santos, 2010). Taking the analysis at intraorganizational level, human resource configuration of a firm can be examined as a determinant of strategic choice. For instance, Oliver's (1991) model of strategic response strategies—i.e., acquiescence, compromise, avoidance, defiance, and manipulation listed in order of resistance to influences—can be used to investigate which strategy a manager would employ when s/he has to face claim from a stakeholder who shares the same institutional logic as that of the manager and vice versa. Besides institutional logic, stakeholders can also be differentiated in terms of governance structure to examine the variation of their salience.

7.2.2 Empirical work (*Paper 4 and 5*): Limitations and opportunities for future research

Having presented briefly the limitations of our conceptual work, now we present the limitations and avenues for future research relating our empirical research.

First of all, our empirical work is biased towards group homogeneity. We assume that various stakeholders in each stakeholder group—i.e., clients, donors, commercial banks etc. are homogenous. But that may not be the case and stakeholders in a group may differ from one another in several aspects. Therefore, to expand the scope of stakeholder salience framework, heterogeneity in different stakeholder groups should be recognized and more sub-groups can be included in future research.

As discussed earlier, in our empirical examination we have differentiated power into four types—i.e., coercive, utilitarian, normative and network centrality power (Etzioni, 1964; Rowley, 1997; Driscoll and Starik, 2004). In future efforts, researchers can differentiate power on the basis of alternative conceptualizations. For instance, Welcomer et al. (2003) differentiated power of stakeholders on the basis of primacy, substitutability, positive discretion and negative discretion.

Although microfinance sector of any country cannot be studied in isolation, but as practices, standards and financial regulations governing microfinance sector vary from one country to another, therefore, to overcome the effects of these variation, we focused on a single country—i.e., Pakistan. Future efforts can involve case studies from more than one country to examine phenomenon of stakeholder salience. Moreover, in terms of generalizability, results of our empirical investigation literally apply to MFIs. But as the organizational approach towards stakeholders' relationship in case of MFIs is almost similar to other organizations, therefore, stakeholder salience theory that forms basis of this research will help identify the cases to which results of our research can be generalizable.

Our empirical examination is based on partial equilibrium analysis. Such analysis is criticised for giving a limited sense of dynamics because it consists of longitudinal analysis involving a set of snapshots taken over time under restricted conditions (Windsor, 2010). Though, partial equilibrium analysis does not eliminate the influence of the effect of time on consequences in relation to antecedents, it eliminates the part of the passage of time. Therefore, in future efforts general equilibrium analysis that incorporates all influences into the model can be focused. Moreover, as both processes and outcomes are important in dynamic analysis, the process that renders various stakeholders salient and the way the managers handle such change process can also be investigated in future research.

We empirically established that stakeholders' status and salience are related to the dominant institutional logic prevalent in a field. But it is not clear whether it is the stakeholders that later turn salient stakeholders, actually, initiate institutional change process in an organizational field or there are other institutional entrepreneurs that reconfigure the institutional format of field so that previously non-stakeholders or least salient stakeholders turn more salient. We leave this intriguing question for future research.

Stakeholders' coalition is another important area that future research in stakeholder salience tradition should focus. Extant research reveals that stakeholders act both individually as well in coalitions (Rowley, 1997; Frooman, 1999; Bergqvist and Egels-Zandén, 2012). Stakeholders' coalition signifies existence of interdependencies among various stakeholders (Tang and Tang, 2012). Such interdependencies may affect power relationships of stakeholders with the focal firm. Future research may explore these interdependencies in stakeholders' coalitions and their implications for stakeholders' salience.

Moderating effects of contextual factors on stakeholder salience constitutes an important theme around which research in the stakeholder salience tradition is clustered. Tang and Tang (2012) examined small and medium sized enterprises in China and found that firms operating in an emerging economy context have more options to counter stakeholders' power, suggesting effects of the broader environment on stakeholder attributes and salience. In future research firms in developing and developed economies can be compared to understand how differently firms manage power in these environments.

Despite the crucial importance of managerial perception in stakeholder salience framework, it has remained an under-researched area. More importantly, the idea of *misperception* is virtually non-existent in extant research (*except by* Tashman and Raelin, 2013). Therefore, we suggest that there is a need to examine 'how well' managers perceive stakeholders' salience and how the risk of managerial misperception can be better mitigated. After all, a descriptive understanding of stakeholder salience, i.e., how managers actually prioritize stakeholders, is what matters most to the firms. For successful stakeholder management precise managerial assessment of stakeholder attributes and salience is required. Experiments with managers in a variety of stakeholder management scenarios with uneven options for gathering and evaluating information about the stakeholders can be conducted in future.

Moreover, sole focus on manager's perception is another limitation of stakeholder salience framework. Solely relying on manager's perception in cases where constituents other than managers are involved in the decision-making process e.g., family businesses can be "*impractical and imprecise*" (Mitchell et al., 2013, p. 246). In such cases, it is not the salience to the managers but the salience to the firm that matters more. We propose that an ethnographic study to examine how salience to a firm is socially constructed in terms of the multiple perceptions of managers, shareholders and other stakeholders may be conducted in future.

Appendix

Appendix 1 : Details of respondents and interviews

Int. No#	Designation	Organization	Respondent's Type	Interview Method	Duration of Interview**	Language of Interview***	Recording ****
1	Executive Director	SAP-PK	Stakeholder	In person	00:51:50	English	Audio-Video
2	Manage Human Resources	"	"	"	01:21:32	Urdu	"
3	Executive Director	Aas Foundation	Independent Analyst	"	01:33:17	"	"
4	Manager Finance	RCDS	Case Manager	"	01:01:26	"	"
5	Manager Institutional Development	"	"	"	00:57:00	"	"
6	Manager Programs Monitoring, Evaluation & Research	"	"	"	01:08:23	"	"
7	Manager Enterprise Development	"	"	"	01:05:37	"	"
8	Manager Finance*	"	"	"	00:57:23	"	"
9	Executive Director	"	"	"	00:39:31	"	"
10	Manager	"	"	"	00:41:20	English	Audio
11	Branch Manager	"	"	"	00:45:49	Urdu	"
12	Chief Operating Officer	DAMEN	"	"	01:07:00	English	Audio-Video
13	Area Manager Lahore	"	"	"	01:02:18	Urdu	"
14	Assistant Manager Finance	"	"	"	00:41:20	"	"
15	Branch Manager	"	"	"	00:26:52	"	"
16	Senior Manager Finance & Admin	"	"	"	00:47:48	"	"
17	Manager IT	"	"	"	01:17:58	"	"
18	Senior Manager Operations	"	"	"	00:54:00	"	"
19	Chief Operating Officer	AKRSP	"	"	NA	English	Notes taken

Appendix 1 (Continued …)

Int. No#	Designation	Organization	Respondent's Type	Interview Method	Duration of Interview**	Language of Interview***	Recording ****
20	Manager External Relations	"	"	"	01:22:09	Urdu	Audio-Video
21	Manager Products	"	"	"	01:08:41	"	"
22	Manager Products	"	"	"	00:47:20	English	"
23	Chief Operating Officer	NRSP	"	"	00:54:00	"	Audio
24	Program Manager Finance	"	"	"	00:37:00	Urdu	"
25	General Manager	"	"	"	00:42:00	English	Audio-Video
26	Program Manager	"	"	"	00:45:00	Urdu	"
27	Assistant Manager	"	"	"	00:33:00	"	"
28	Regional Manager	"	"	"	00:42:20	"	Audio
29	Relationship Manager	Habib Bank Limited	Stakeholder	"	00:50:49	English	"
30	General Manager	PPAF	"	"	01:11:42	"	Audio-Video
31	Chief Operating Officer	PMN	Independent Analyst	"	00:55:52	"	Audio
32	Assistant Analyst	"	Stakeholder	"	00:48:38	"	Audio-Video
33	Additional Director	SBP	"	Phone	NA	"	Notes taken

* In case of Interview no# 4 & 8, respondent was re-interviewed.

** Time spent on taking personal profile of each respondent is included in duration of interview.

*** Interviews were conducted in preferred language of each respondent.

**** Prior permission was taken from each respondent to record the interview.

Appendix 2 : Interview Guides

Interview Guide - Microfinance Institutions

1. Which are the stakeholders that you consider are important to your firm?
   Please list down in order of importance?

2. How you see contribution of these stakeholders towards your organization?
   Is this contribution increasing with the passage of time? Or is it increasing with the growth of MF?

3. What kind of issues arose with these stakeholders?
   With which stakeholders you faced issues? How frequently these issues were raised? Which issues were tackled first?
   Did these issues arise due to the lack of trust or reliability?
   Who you had smoothest relation out of these stakeholders?

4. How you see image of your organization?
   Which stakeholders have an effect on your organization's image? Why?
   Association with which stakeholders has improved the image of your firm?
   Is the image of your organization improving now?
   Who controlled media?

5. Which stakeholders have strong network, coalition, consortium etc.? Please list them in order of importance?
   Are these stakeholders getting stronger in networks with the passage of time?

6. How your stakeholders contribute more to societal welfare? Who contributes more?
   Is this contribution rising with the passage of time?
   How your firm's and stakeholders' contribution to societal welfare were different in pre-MF era from those of today?

7. Which stakeholders are better equipped to make self-corrections?
   Who had better early warning systems?
   Are these stakeholders improving on their early warning systems?

8. Which of these stakeholders enjoys better image? Is it due to the prestigious Board members or employees?
   Where such prestigious people do you find more?

9. Who gives more valuable inputs to your organization?
   Which stakeholders would you consult in designing social and business strategies?

Which stakeholders give valuable inputs in your welfare initiatives?

10. Which stakeholders are so important that you can't survive without them?
    Which stakeholders are inevitably important to you?

11. Interaction with which stakeholders has increased over time?
    Which stakeholders are more acceptable to you?

    Who shares more norms with your stakeholders?

    Which stakeholders have closest and highest interaction with your firm?

Interview Guide - Stakeholders

1. What factors led to the decision to work with a focal firm (Microfinance provider)?
   Why did your organization affiliate itself with the focal firm?

   How is this partnership related to your needs? How it serves the needs of focal firm?

2. How you see the level of contribution of your organization towards focal firm?

3. How relationships with the focal firm were managed?
   Who managed the relationship?

4. What issues/problems developed over the course of the partnership?
   How did you behave (tactics used) for this issue?

   What was the issue's impact on the organization?

   How you ensure that your needs are met?

   How are the issues/problems resolved?

   Were there times when you thought that your needs were pushed aside in favor of another individual/organization?

5. Has image of your organization improved after working with the focal firm?
   How are the working relations between the two organizations?

   Did the media have an impact on your relationship?

   Who else had more impact on the mutual relationship between the two organizations?

6. Is your organization part of alliances, coalitions, networks or consortium?
   Have the size and number of these coalitions & networks increased?

   How these consortiums, coalitions helped the focal firm?

7. What were your expectations from this partnership in terms of societal welfare?
   Did these expectations change? Were they met?

What deficiencies remained?

8. Were there some un-wanted/sudden problems that you faced in partnership with the focal firm?
   How did your early warning system detect them?

   When such problems were more?

   How you dealt with them?

9. What was your initial perception of focal firm? Has this perception changed?
   Is it due to the prestigious Board members or employees at your organization that add to your image?

10. Has your organization given valuable inputs in designing and implementing the social/business strategy of the focal firm? How frequently you are asked for inputs?
    Have such inputs given by your organization increased?

11. How much acceptability your organization enjoys at the focal firm?
    Has this acceptability increased?

    Is focal firm acceptable at your organization? Is this acceptability increasing?

12. How is your level of interaction with focal firm?
    Has this interaction improved over the period?

    What values and norms you share with the focal firm?

Interview Guide - Independent Analysts

1. Who Microfinance providers depend most on for their functioning?
   Who MFIs try to affiliate with?
   How does this dependency on various stakeholders change?

2. What major challenges/problems did Microfinance institution faced?
   Were these challenges because of trust and reliability?
   Which are more frequent and critical challenges?
   Which issues are rising?
   Do you see any change in the role of Govt.?

3. Which organizations have a bigger impact on the image of Microfinance institutions?
   Association with which stakeholders brings better reputation to Microfinance institutions?
   Which of these stakeholders has a better association with the media?
   Which are more influential than media?

4. In your opinion, which stakeholders are part of consortiums, coalitions and networks?
   Which of these stakeholders carries tendency to build networks and coalitions?
   Who grants more contacts to Microfinance institutions?

5. How do you see the outcomes of operations of various stakeholders of microfinance institutions?
   Do they add to the societal welfare?
   How can these stakeholders improve their working to add to societal welfare?

6. Which stakeholders of Microfinance institutions are better equipped, have sophisticated systems and early warning systems?

7. Which of these stakeholders has iconic personalities associated with them?

8. Who gives input to Microfinance organizations while they design their policies?
   Who they would consult while they design their policies?
   Whose contribution in this connection is rising?

9. Who is inevitable for survival of Microfinance organizations?

10. Where from norms and values pour into NGOs?
    Who Microfinance organizations share their values, norms and belief systems with?

Appendix 3: Definitions of types of salience attributes

	Power
Coercive Power	Thing, activity or procedure which affects the body; physical sanctions; force, threat, sabotage, violence, enforcement through government machinery, courts, and/or legislation.
Utilitarian Power	Discretion or ability to grant and withhold, goods, services, funds, access to financial resources, access to technical or physical resources which can be considered as material rewards.
Normative Power	Association which renders prestige and esteem; affiliation rendering love and acceptance, publicizing image etc.
Network Centrality Power	Centrality in the network of stakeholders, more reach to stakeholders, density of the network on which stakeholder exists etc.
	Legitimacy
Moral Legitimacy	
Consequential	Social value of products, value of consequence of operations, desirability of products etc.
Procedural	Social acceptability of operations, accuracy, precision and contribution of procedures to society etc.
Structural/ Categorical	Level of capacity in the firm to continually perform social tasks, existence of specialized wing to perform social tasks, persistence and stability in the organization to contribute in societal welfare etc.
Personal	Association of iconic personalities with organizations in BOD and employees, etc., through hiring for advertisements, or by building partnerships.
Pragmatic Legitimacy	
Exchange	Stakeholder receives support to its policy initiatives, strategies and operations from focal firm because of their higher expected value.
Influence	Stakeholder organization is responsive to larger interests of focal firm, keeps it in mind while designing polices etc. and/or solicit inputs.
Dispositional	Focal firm shall consider those organizations to posses dispositional legitimacy that "have our best interests at heart," or that are "honest," "trustworthy," "decent," and "wise."
Cognitive Legitimacy	When stakeholder possesses cognitive legitimacy it is ‘‘taken for granted’’. Such stakeholder is considered as necessary or inevitable.
	Urgency
Time Sensitivity	Degree to which delay in attending claims is considered unacceptable is time sensitivity.
Criticality	Significance that a stakeholder assigns to a claim is criticality.
	Proximity

Geographical	It is considered as a binary term (far from or close to) indicating geographical distance, relative closeness to the means of transports, social representation, opportunities and constraints.
Organized	Organized proximity is the ability of the organization to make its members to interact with others easily by a) Membership Logic: routines, rules and norms. B) Social codes, beliefs, shared values etc.

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