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SHAKING STAKEHOLDERS TO LEVERAGE A FIRM’S UNIQUE CAPACITY IN ISSUE NETWORKS

Melissa Edwards1
Adam J. Sulkowski

Abstract: Firms are often seen to react to stakeholder pressure. However, if one changes the unit of analysis to a social or environmental issue, a firm emerges as a key influencer in mobilizing and connecting other stakeholders. For a variety of reasons, including the firm’s raison d’etre of creating value, a firm may be a critical leader or lynchpin in a movement, especially where it bridges gaps in a previously disconnected network. Two previously underappreciated aspects of stakeholder ties are highlighted in this paper. First, the firm can be seen as shaking otherwise latent stakeholders out of complacency, inasmuch as a firm informs and stimulates concerns, emotions, and actions among stakeholders in relation to a particular issue. Second, the firm can be seen as shaking-up the connections between stakeholders, catalyzing new contacts and relationships within an issue network.

Keywords: stakeholder relations, issue network, influence, sustainable development

INTRODUCTION

Existing theoretical frameworks hold that a firm may be affected by – or, conversely, may affect – primary and secondary stakeholders. While both of these observations are valuable and true, management scholars have introduced concepts from the field of network and complexity theories to describe another vital aspect: that a firm is one node in a network of stakeholders (Rowley, 1997), functioning as part of a complex adaptive system (Werhane, 2012). Such models may best reflect stewardship contexts and systemic perspectives of stakeholder networks. This is significant for several reasons, among them being the capacity of stakeholders (considered as nodes in a network perspective) to influence each other in both intentional and predictable and, conversely, sometimes unintentional and unpredictable ways. While stakeholder studies have focused on how social movements as indirect or secondary stakeholders exert influence on firms for the uptake of sustainable practices, we propose that firms play a critical role in ‘shaking’ stakeholders to alter conditions in markets and society through catalyzing or leveraging movements.

Shaking a stakeholder means to inform and ‘shake’ latent stakeholders to act on a specific issue, or to shake-up a network to catalyze new connections and stimulate new communications or practices in relation to an issue (Sulkowski, et. al., forthcoming). If a complex social or environmental issue is taken as a unit of analysis, then a novel model of relationships becomes apparent. This model is significant because it highlights the unique capacity of firms to mobilize and leverage a movement. Firms can both contribute to recent societal and ecological agendas such as sustainable development.

1 Author contact information:
Melissa Edwards: Melissa.edwards@uts.edu.au • 61 2 403807306 • University of Technology Sydney, Business School, Sydney, NSW, Australia
Adam Sulkowski: asulkowski@umassd.edu • 508.999.8037 • UMass Dartmouth, Dartmouth, MA, USA
consumption, conscious capitalism, elimination of production practices that harm people or the environment, eradication of use of certain substances of products, attainment of the millennium development goals, or hastening the achievement of a circular economy, and simultaneously generate greater value to owners if they appreciate and leverage their unique roles as influencers in issue networks. The authors elaborate why firms might shake stakeholders in an issue network. Specifically, this paper outlines a research agenda to address the following research questions: How does a firm shake stakeholders in an issue network? What valuable resources do firms gain by educating and inspiring stakeholders to develop and adopt practices directed towards addressing a social or environmental issue? What is particular about the positioning of a firm to influence an issue network?

### Stakeholder Frameworks

Freeman (1984) articulated the ‘end of the separation thesis’ when strategies for profit generating activities create value for stakeholders beyond the firm’s owners. The corpus of stakeholder theory has been positioned as a potential integrator of business and society (Jones 1995) and as a viable alternative for business strategy beyond the short-sighted and ultimately destructive exclusive serving of only the immediate interests of owners. Literature reviews (see Laplume et al., 2008; Marinades et al., 2011) have categorized stakeholder perspectives in three dominant categories as originally defined by Donaldson and Preston (1995), being descriptive, instrumental or normative. Normative approaches focus on the moral obligations and responsibilities imbued in decision making, while the descriptive and instrumental approaches focus on the strategic practices of the firm. A dominant separation is increasingly apparent between the instrumental frameworks attending to strategic management and those concerned with moral or normative approaches (Mainardes et al., 2011) with some claiming the two may be mutually exclusive.

Rather than engaging in the ongoing debate concerning which approach is the most accurate or legitimate categorization, the authors propose that if the managerialist view is considered to be one where the firm has a performative role as a steward to create value in relation to a specific social and/or environmental issue, then the normative perspective integrates the instrumental. This is an integrative approach whereby the instrumental purpose of value creation is normative. Put another way, and at the risk of sounding trite or over-simplifying, it can sometimes be self-serving to be significantly engaged in a good cause. Related to the central proposition of this paper, the authors begin to outline a model that depicts why a firm might shake stakeholders when the firm’s objectives are to some extent shaped by a social or environmental purpose to create value in relation to a specific social or environmental issue. A model that explains how firms affect stakeholders is an underappreciated aspect of stakeholder relations and one that complements Freeman’s initial intention in declaring the end of the separation thesis. How firms affect stakeholders through shaking up relationships in an issue network is the key focus of this paper.

The reverse relationship, stakeholders affecting the firm’s activities to influence implementation of CSR strategies, has been studied and thoroughly articulated. Carroll and Shabana (2010) connected the growing acceptance of CSR as related to the prevalence of the civil rights, women’s rights, consumer rights and environmental movements the 1960’s. They state, “[T]he foundation for CSR was being developed by a quickly changing social environment and pressures from others, especially activists, to adopt CSR perspectives, attitudes, practices and policies” (2010, p. 87). The important insight is that indirect or
Shaking Stakeholders to Leverage a Firm’s Unique Capacity in Issue Networks

peripheral stakeholders and those with no direct contractual ties or resource dependencies can exert salient claims to influence firm activities (Godfrey et al., 2009). These studies tend to assume the firm’s interests are different, agnostic, or even opposed to those held by other stakeholders. Therefore social movements (De Bakker and Den Hond, 2008; King, 2008), shareholder activists, regulatory authorities and non-government organizations (Jonker & Nijhof, 2006; Burchell & Cook, 2013, 2008) are framed as the value-laden moral regulators who influence firm objectives when achievement of optimal – or at least improved – environmental and societal outcomes are the agenda.

Absent from extant theories of stakeholder relations, firms can and do engage in constructive social and environmental practices beyond what can be explained purely by external pressures. Far less obvious, although implied within the original Freeman definition, is the capacity of firms to affect stakeholders to attain a purpose of shared value creation. Value creation in this sense does not only mean value creation for the firm in the form of increased revenue; it can mean improved social and environmental conditions. Firms can and do take a stewardship role (Segal, 2012) to, for example, educate and emotionally stimulate stakeholders to raise conscious adoption of sustainable products, services and lifestyles.

**Stewardship frameworks and firms affecting socio-ecological outcomes**

An integrated stewardship approach considers firms to be one of many stakeholders within a socio-ecosystem where the environment is the primordial stakeholder (Starik and Rands, 1995; Driscoll and Starik, 2004). Firms are embedded or nested within interconnected networks of individuals and institutions. Extending this approach, a similar but more radical normative view displaces the firm as the focal entity embedding all other stakeholders within a sphere encompassed by Gaia (Waddock, 2011). Each of these perspectives lays a foundation to develop an integrated and systemic stakeholder model whereby the firm may be conceptualised as dynamically interacting with other stakeholders in a network.

Similar to the way in which de Bakker and den Hond (2008) demonstrated how stakeholders are potential forces of collective action exerting salient claims to change the strategic direction of business (de Bakker and den Hond, 2008), we consider the performative potential of firms to influence and shake stakeholders to incite, catalyse or leverage social movements. When firms are imbued in a ‘culture of stewardship’ (Segal, 2012) they may influence systemic change through providing a platform for authentic dialogue directed towards enacting broad social change. If progressive businesses enact a culture of stewardship we might notice when and how business leaders connect to influence change in the same way King (2008) frames civil society actors. In a stakeholder network, how can businesses act as change agents in shaking up their stakeholders to increase the probability of certain social and environmental outcomes in relation to a specific issue?

Connecting with approaches that have framed businesses as political actors (Scherer, Palazzo and Matten, 2013) business leaders sometimes invoke stakeholders to enact public policy changes that may transform market conditions. How stakeholders seek to influence public policy is not a novel idea. Corporate Political Activity (CPA) has been understood as attempts by firms to influence public policy for favorable firm outcomes (Hillman et al., 2004). More recently Lawton et al. (2013) have noted the potential for responsible CPA to attain positive outcomes such as lobbying to set the
human rights agenda in developing countries and lobbying directed toward regulating ethical
conduct within firms and in relation to CSR. Another line of research has examined how
stakeholders use a political advantage process (Cummings and Doh, 2000) to benefit from public
policy, and that within specific regional settings Non Governmental Organisations (NGOs) and
social movements seek to influence public policy in relation to issues affecting firms (Doh and
Guay, 2006). As noted previously, these studies consider other stakeholders as the activists lobbying
for public policy outcomes to affect firms, but they do not consider the role firms may take in such
movements. Firm activities can and do extend to influencing public perceptions in relation to
specific issues. Considering the purpose of creating value, their propensity to affect public policy in
relation to a social or environmental issue is a performative aspect of their stewardship role that
could extend to participation in or leveraging broader social movements.

RELATIONAL EFFECTS IN ISSUE NETWORKS

Frooman (2010) has conceptualized the firm as one of many interconnected stakeholders in an issue
network. A stakeholder issue network is comprised of all individuals and entities that hold an
interest in a particular issue. The firm is conceptually displaced as the central node and is appreciated
for its role as one of many interconnected stakeholders. An issue is defined as an unresolved
societal, environmental, or economic problem and one where there are many competing
perspectives contending on ways and means to address the issue (or whether there even is an issue).
Put another way, it is any context in which human activities are generating negative externalities that
could be halted, or where reallocated resources could improve conditions. Often, an issue – whether
it is curbing climate-altering emissions, use of toxins, child labor, or giving access to potable water,
support of arts education and cultural preservation, or access to public health services, may inspire
strong emotions and competing perspectives on how to best address the issue. On the other hand,
an issue can often be underappreciated in terms of its scope and urgency if large swaths of society or
critical stakeholder groups are under-informed about it. Frooman (2010) proposes the issue network
is outside of the market and is comprised of all entities sharing grievances, resources, or
opportunities in relation to that issue.

However, as elaborated upon below, the authors suggest that it is possible that issue networks
overlay and interconnect with markets. Market opportunities can and do have intertwined social and
environmental implications. Thereby any market context where social and environmental issues are
considered alongside market opportunities could be conceptualised as an issue network where the
network is defined by a common need, or interest in addressing a specific issue. Systemic
stakeholder models whereby the relationships between groups are leveraged to address complex
sustainability issues could replace the traditional firm focus. Applying this to the issue of sustainable
consumption, a model of stakeholder shaking can assist firms to transform markets and benefit firm
objectives

Influence and agency mechanisms

Conceptualizations of influence mechanisms have shifted from dyadic one-directional causation
models to those that acknowledge the complexity of interconnected interactions. As just discussed,
most frameworks situate the locus of stakeholder engagement and negotiation in relation to a
specific firm objective, whether associated with strategic decision-making or governance and CSR
practices. A second and related point also discussed in the previous section is that influence is considered as negotiation of salient claims for the prioritisation of competing stakeholder interests to affect or direct a specific firm objective. Therefore the firm is positioned as the central nexus in a single hub and spoke arrangement and this is consistent with the majority of assumptions in many normative and instrumental frameworks.

Alternative models have been developed that position the firm in relation to stakeholders in network arrangements (Rowley, 1997) whereby the interrelationships between stakeholders are also considered. Rowley (1997) made the first attempt to model social network effects in relation to a stakeholder set. He concluded that in network arrangements characterised by less dense ties and where the firm had greater centrality, the firm had more capacity to influence stakeholders. While this approach considers the interactions between various stakeholders, the firm is still placed as the focal node. Werhane (2012) has further decentralised the nexus of relational ties as she calls for a shift in mindset given the global complexity of interrelationships between individuals and organizations. Proposing a complex adaptive systems approach, she outlines a systems network framework that assumes ‘networks of relationships between individuals or groups of individuals, it affects and is affected by individuals, real people with names and faces’ (Werhane, 2012: 121). These models may better reflect the assumptions of the stewardship perspectives and more accurately represent the interaction dynamics in contemporary business environments. Furthermore, firms are increasingly confronted with complex sustainability issues, whereby the social and environmental values related to firm efficiency are inherently entangled. It is increasingly difficult therefore for a firm to act as the value-neutral optimizing machine mechanically interacting in dyadic negotiations with individual stakeholders – if this were ever the reality.

Hybrid Model: Firm as a node in an issue network

Existing theoretical models correctly describe aspects of a complicated and changing universe of relations. An additional dimension is revealed - and several observable phenomena are explained - if one takes an issue network to be the unit of analysis and further recognises that a firm is not necessarily the central focal node. The authors build upon the theoretical model with the firm as one node in an issue network. The network is defined as all of those institutions and individuals (commercial, governmental, humanitarian, and international) that are (in various ways and to various extents) affected by or have an interest in an issue. Individuals and institutions are referred to as nodes.

Networks of stakeholders that ascribe to concepts such as the ‘blue economy,’ ‘conscious capitalism,’ the ‘circular economy,’ and ‘zero waste,’ have somewhat similar objectives. They seek to internalize the costs, mitigate, or eliminate the environmental and social impacts of industrial production to address complex sustainability issues related to rizing greenhouse gas emissions, inequity, resource mismanagement, and pollution. Firms developing or changing their business models to address complex issues may leverage existing movements or collaborate to create new movements to influence the market to shift toward sustainable consumption to address these issues.

Firms in these networks are one of many nodes with the capability to affect others, and others have the ability to interact as well independently of the firm. The authors elaborate upon the capacity of nodes to engage in ‘shaking’ others, referring to the process through which stakeholders disrupt
others to care and become advocates for progress on an issue, and also to the process of ‘shaking up’ the network and catalyzing new interactions between other nodes. Any stakeholders in the network may do this through informing others or shifting others’ awareness on a specific issue. However, even if one takes the decentred assumptions of Werhane’s (2012) model of systemic stakeholder networks as the basis for interpreting dynamic affects in a model of relationships, one requires a starting point for the analysis. If an issue network is the level at which affects are interpreted, it is important to appreciate the dynamics related to how a stakeholder’s individual actions shake a network. The interrelated outcomes of any actions may not be predictable due to the complex nature of relational ties. However, we can seek to understand how one node, the firm, acts with purpose in an attempt to influence others in relation to this issue.

In fact firms may have a unique performative managerial capacity to shake other stakeholders because of their aim to create value. Furthermore, their capacity to coordinate activities between various stakeholders to achieve the aim of value creation means they may have a greater-than-average ability to shake-up networks of connections by aligning or connecting previously unassociated stakeholders. Part of activating affects on other stakeholders involves triggering what is referred to as ‘social contagion’ where emotional and/or behavioral changes occur through exposure to an issue. When the firm takes a performative role to ‘shake’ stakeholders to adopt behaviors and consumption patterns that involve reduced negative externalities to society and the environment, they can create and shift markets to thrive in the longer-term. The performativity thesis posits that business strategies shape their context rather than just respond to it.

When the locus of stakeholder analysis shifts to include the relative capacity of stakeholders to affect each other in an issue network, rather than exclusively seeing them focused on impacting firms, the usual assumptions regarding influence require reconceptualization. Stakeholder saliency relates to the attributes of stakeholders and their ends and means in influencing decision-making. In traditional firm-centric models stakeholders’ claims will be salient in the decision-making process dependent upon their relative power and the legitimacy and urgency of their claims in relation to the resources required for firm value creation (Mitchell, et al., 1997). Saliency is the ultimate capacity to influence the activities of other stakeholders. This is considered a dynamic and fluid process whereby saliency is continuously negotiated and therefore relations in the network may change.

Typically instrumental stakeholder theories determine saliency according to the relative transactions costs dependent on access to and ownership of resources. Or saliency is determined by the rules and obligations outlined in contractual arrangements. Normative theories explain influence through adherence to social norms and morals and rules associated with codes of conduct. Shaking stakeholders in an issue network may be somewhat dependent upon these dimensions of ties between nodes, however there are other aspects of ‘shaking stakeholders’ that are related to organizing outside of market rules or social norms.

**MEDIATORS OF RELATIONAL TIES IN ISSUE NETWORKS**

In the traditional resource-based model, stakeholders use either coercive or compromise strategies to influence resource flows upon which the firm is reliant (Frooman, 1999). Stakeholders receive favorable outcomes relative to their resource ownership or their capacity to manipulate resource flows. Resource flow influence relates to the capacity of stakeholders to mobilize flows to address an
issue and for the firm the intention is to coordinate and develop flows to attain a purpose that will address the issue. In an issue network, traditional assumptions regarding stakeholder influence in the resource-based model are challenged. Understanding how saliency occurs in an issue network is further complicated when a contested issue is the focal point of a network of interconnected stakeholders. Several assumptions related to the normative and instrumental stakeholder perspectives are challenged. Firstly, the issue may or may not be directly related to the core basis of exchange between stakeholders through transactions or contractual or resource exchanges. For example, a firm-customer tie based on the premise of exchange through the purchase of a product may not be the single basis of the tie when the issue network framework is applied. When exerting influence in an issue network stakeholders draw on intangible assets such as emotional responses, desirability, identity and perception of legitimacy and urgency in relation to a particular issue. They may also attempt to appeal to the broader ‘common good’ to broker connections between disconnected stakeholders or to appeal to latent stakeholders to prioritise the salient claims of long-term sustainability over their individual interests. Firm-customer relationships may extend to that of an alliance for collective action, or a redirection of cash flows for a philanthropic cause or as facilitators of information flows directed through social media channels.

**Relational and Organizational Dimensions of Saliency in Issue Networks**

Attributes derived from stakeholder, organizational, and social capital theories add relational dimensions to network ties. These may provide explanatory power regarding how stakeholders activate collective action through shaking others in an issue network. Next we will describe these relational aspects of stakeholder shaking. At least three variables are proposed as mediators that stakeholders may draw upon to shake others: (1) intangible assets, (2) partial organizing, and (3) social contagion. The authors propose that each of these characterize aspects of a relational model that could be used empirically to determine how stakeholders ‘shake’ one another to obtain progress in relation to an issue.

The realization that each connection in the network may have multiple relational dimensions overlaying traditional market-based interactions opens the potential to develop a line of research to analyze how these relational affects characterize the nature of interactions with significance for both theorists and practitioners. For instance, saliency in the firm-customer relationship may be dependent upon various factors similar to those intangible assets of reputation, status, legitimacy, and celebrity as outlined by Rindova, et al. (2006). Stakeholders will draw on intangible assets when shaking the network. For example, reputation may relate to the capacity for a stakeholder’s perceived ability to provide a valid ‘solution’ to an issue. So a stakeholder’s capacity to shake other stakeholders will be mediated by their reputation in relation to a specific issue. Status is the relative position of authority on a particular issue. A high status stakeholder is more likely to influence others. Legitimacy is the establishment of desirability and appropriateness of normative values and beliefs in relation to the issue. A stakeholder is able to reinforce their legitimacy through association with established norms that have institutional recognition and are communicated throughout a network. Finally, a stakeholder may influence others through their celebrity as defined by the attractiveness of their social identity as recognized by other stakeholders and in the mass media. A stakeholder may attract the support of others through their celebrity as constructed in relation to an issue. Therefore, in addition to the relative capacity of stakeholders to influence one another through
traditional dimensions, we propose that intangible assets characterize the relational ties when the network is framed around an issue rather than a specific firm objective.

Secondly, the interaction dynamics that shape stakeholder engagements in an issue network are different to those shaping engagement in firm-centric models. In the later, stakeholder interactions are shaped by the ‘formal’ organizing dynamics of membership, hierarchy, rules, monitoring, and sanctioning (Rasche et al., 2013). Organizing in an issue network is more likely to occur ‘outside’ of formal consultations and dialogue mechanisms such that cross-sector partnerships, alliances, and movements shape interactions. Interactions are neither rule-based nor sanctioned, but relate to the capacity of stakeholder interactions to instigate voluntary action towards progress on a complex social and/or environmental issue.

Finally, when shaking latent stakeholders out of complacency, other stakeholders in the network may trigger emotional or behavioral aspects of social contagion (Burt and Janicik, 1996). This requires a capacity to create hype about an issue and inspire other stakeholders such that they may prioritise action on the issue over their own interests. Unifying strategic intent that is broadly appealing and that inspires and incites emotional response can be an advantage to instigating or propagating a worldview or call-to-action that spreads through a network through contagion effect.

**FIRM IMPLICATIONS**

Firms have a purpose of value creation and this often means coordinating activities between various stakeholders and therefore they may have more connections with more nodes. They interact both with institutions and, through branding, sales, employment, and advertising, to the individuals associated with those institutions – in this way, they can be said to have multilateral relations with other institutions. Firms, depending on their size and age, have networks that are more distributed geographically, that are older in terms of duration over time, and through which they more regularly maintain contact or communicate more information. These observations so far do not directly involve one of the most obvious points of comparison: relative to most individuals and many institutions, large firms have superior quantities of resources and can have a greater ability to command-and-control individuals that they employ.

All of the above means firms have unusual positions in issue networks. They can choose to inform and to shake out of complacency stakeholders in an issue network. Intentionally or unintentionally they can shake-up a network, either through a communication, an action, by being complicit with a status quo that is exposed by someone in the issue network, or by intentionally initiating dialogues and conversations with stakeholders – thus catalyzing new connections and stimulating new communication. With far less effort in proportion to their size (relative to individuals and many other institutions), a firm can substantively advance or restrict or confuse a movement.

To elaborate on the meaning implied in the title of this article: shaking the stakeholder and relationships in an issue network means inspiring or propagating or leveraging a movement. To summarize related points, a network model acknowledges a broad range of mediating variables that play a role in determining saliency. When the focus shifts to issue networks, elements of the instrumentalist, normative, and networked stakeholder perspectives are combined.
Shaking it in practice

The authors stress that the model they propose is simply an additional perspective, but that they believe the optimal observable outcomes in terms of both solving major problems in the world and simultaneously generating sustained value in firms is when firms authentically and regularly shake their stakeholders. The authors use the term “authentically” to mean that the firm and its leadership are open to receiving perspectives and information that could be new, completely unforeseen, and even disruptive or anathema to their own. The authors use the term “regularly” to suggest that the interactions with stakeholders in an issue network is not limited to a single moment in time, but should be repeated or to some extent continuous.

Some essential basic observations from the field of complex networks further point out the wisdom of shaking stakeholders. Specifically and perhaps most importantly, sudden, unforeseen change happens in many systems – so-called “black swan” events (Taleb, 2007) – and any given action, no matter how minor, can trigger an unpredictable, self-reinforcing cascade of effects.

Whether a firm is aware of these phenomena or not, they occur. Whether the firm is aware of its role in an issue network or not, it exists. Whether the firm is aware of imminent or potential disruptive change – constructive or destructive – it is also a reality. The best way to stay aware of both potential triggering events and emergent unforeseen effects is to appreciate the role of the firm as one node of many in a complex issue network. This is the practical implication of conceptually reintegrating the firm and stakeholders together into an issue network.

To replicate the success of certain firms vis-à-vis certain movements – to optimize benefits for both stakeholders and for owners – it appears that, more than staying aware and receptive to information, a firm should proactively shake stakeholders from complacency and shake-up the network of connections. This means unambiguously stating an ultimate aim – stated in common parlance as “doing well by doing good” or “prospering by solving problems” (to coin a possibly new variation), raising awareness of problems closely associated with the core functions of the institution, and actively seeking the best ideas for eliminating problems and creating benefits. As discussed above, the optimal courses of action for the firm and “everyone and everything else” may not be apparent at the start of the process. Solutions or concepts in one field or set of institutions may seem alien, irrelevant, or completely anathema to basic operating principles of another field or its institutions, but in reality they may be critical to an industry or firm adapting and continuing to function.

Put another way, an implication of the network perspective of firms as nodes in issue networks is that it is better to be proactive than reactive. The positive potential of the role of firms as nodes in issue networks should be appreciated, including mechanisms to get shareholders and consumers to reward constructive solution-generating investments. Beyond this, the potential to move society in a direction where both business and the biosphere thrive should be embraced.

CONCLUSION

The authors believe that it is possible for a firm to function as a node in an issue network as part of its purpose to create value for stakeholders. In fact, firms, as is the case with other institutions, may even initiate, propagate, or leverage a movement around an issue. The authors describe this as
shaking stakeholders. There are two aspects of shaking stakeholders. First, a firm may inform and/or emotionally charge stakeholders to alter their preferences, attitudes, and behavior. Second, a firm may shake-up the network, thereby catalyzing new relationships and communication. Recognizing the unique role of firms in issue networks as key influencers has several implications for scholars and practitioners. Appreciation of the potential to “grow a movement, not just market share” can assist firms in adopting strategies that maximize total value creation while addressing critical social and environmental issues.

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