Mechanisms for Stakeholder Integration:

Bringing Virtual Stakeholder Dialogue into Organizations

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Abstract

The growing use of Web 2.0 applications (social media) has led to easier communication with more and more interconnected stakeholders. The result is a stakeholder dialogue with high intensity and richness, which organizations should match by suitable coordination mechanisms. This conceptual article extends stakeholder theory by opening up the organizational black box through exploring and describing organizational structures and systems to coordinate issues emerging from virtual stakeholder dialogue. The authors identify two organizational outcomes – achievement of task-related objectives and organizational identification by stakeholders – and present propositions. Structures with high bandwidth increase both outcomes. Structures with high dispersion of control decrease achievement of task-related objectives and increase organizational identification. While routine-based systems increase achievement of task-related objectives, communication-based systems increase organizational identification. Redundancy in systems increases both outcomes. Finally, the authors discuss implications for further research.

Keywords: Stakeholders, coordination mechanisms, integration, virtual dialogue, structures, systems

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Introduction

Organizations build and maintain relationships with their external stakeholders, such as customers, suppliers, governments, nongovernmental organizations, and unions. They engage in continuous communication with multiple stakeholders. Such communication has the character of a dialogue (Kent & Taylor, 2002), which has led to the emergence of the term stakeholder dialogue (Unerman & Bennett, 2004). Organizations engage in stakeholder dialogues through so-called boundary spanners; organizational members and departments that are directly involved in the dialogue with stakeholders at the interface of the organization and its environment (Stock, 2006). Typical boundary spanners root from marketing, public relations, safety health and environment (SHE), top management, finance, and human resource management (HRM). Boundary spanners introduce stakeholder issues into the organization. Stakeholder issues need coordination to ensure that they are distributed to the right organizational members, that boundary spanners act upon promises to stakeholders, and that boundary spanners are prevented from contradicting each other in their communications to stakeholders. Thus, stakeholder integration is the combination of introducing stakeholder issues into the organization and coordinating organizational efforts to deal with these issues.

Stakeholder integration has gained importance with recent technological developments that increased the ease of communication and the interconnectedness among stakeholders. Applications of web 2.0 (social media) have created a host of opportunities to interact with and among stakeholders, including file sharing sites such as YouTube (Bernoff & Li, 2008),

discussion forums (Unerman & Bennett, 2004), microblogs such as Twitter (Rybalko & Seltzer, 2010), and social networks such as Facebook and LinkedIn (Waters, Burnett, Lamm, & Lucas, 2009). Organizations that have started virtual stakeholder dialogues include Dell with Ideastorm, Nike with GreenXchange, Intel with the CSR@Intel blog, the Dutch Railroads with the Battle of Concepts crowdsourcing website, and Google with the Chromium project. Virtual communication has increased the opportunity to have a dialogue with a great number of stakeholders at the same time. Because of greater ease of communication, more and more diverse stakeholder groups can and will join in stakeholder dialogue, including stakeholders that did not participate in the dialogue before (Heath, 1998; Unerman & Bennett, 2004). The use of internet results not only in *more* stakeholder issues being voiced (i.e., intensity of the dialogue), but also in more *diverse* stakeholder issues (i.e., richness of the dialogue). For example, MyStarbucksidea.com generated more than 65,000 ideas, covering issues from product innovation ideas, service improvements, to social responsibility (Chakravorti, 2010). Similarly, content analysis of an online stakeholder dialogue forum of Shell revealed a wide variety of stakeholder issues being voiced (Unerman & Bennett, 2004).

Despite the growing importance of stakeholder integration in practice, the academic discussion of stakeholder integration is underdeveloped. Most researchers treat organizations as black boxes when studying stakeholder integration, resulting in a lack of attention for the internal coordination of the issues emerging from the stakeholder dialogue (Driessen & Hillebrand, in press). Even founding fathers of stakeholder theory acknowledge that, while stakeholder theory has a lot to contribute on how to identify stakeholders and their issues, "stakeholder theory does fail to provide an algorithm for day-to-day managerial decision making" (Phillips, Freeman, & Wicks, 2003: p. 485). Although debate could exist whether day-to-day managerial decision

making should fall within the realm of stakeholder theory, the managerial need for more concrete guidance in this respect is beyond debate.

The objective of this conceptual article is to delineate this relatively new domain of study by exploring and describing the internal mechanisms that organizations can use to coordinate issues emerging from stakeholder dialogue and by presenting propositions about the consequences of adopting such mechanisms that may serve as a roadmap for further research. Conceptual mapping exercises are especially relevant when delineating relatively new domains of study (MacInnis, 2011), such as stakeholder integration. Thus, this article is a first step towards extending stakeholder theory to the internal consequences of virtual stakeholder dialogue.

This article proceeds by offering a theoretical background on stakeholder theory and innovation management literature that introduces two broad categories of coordination mechanisms (structures and systems) for stakeholder integration. The theoretical background also introduces two organizational outcomes: the achievement of task-related objectives and organizational identification. Next, the article provides a set of propositions that explain how structures and systems influence the organizational outcomes, given the intensity and richness of virtual stakeholder dialogues. The article concludes with a discussion of the contributions and implications for further research.

Theoretical background

Stakeholder theory has emerged in the 1980s as a framework for managing the relationships with a wide array of actors in an increasingly complex environment (Freeman, 1984). Stakeholders are defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984: p. 46). Stakeholder theory

advocates “simultaneous attention to the legitimate interests of all appropriate stakeholders” (Donaldson & Preston, 1995: p. 67). Stakeholder research has contributed to understanding how relevant stakeholders are identified and their interests analyzed (Parmar et al., 2010). Stakeholder theory acknowledges that organizations not only need to collect information about stakeholder issues, but also need to take these issues into account during the actual decision-making processes in order to manage the various stakeholder relationships in a coherent fashion (Freeman & Evan, 1990). Yet, stakeholder theory is not very instructive about *how* to deal with the often conflicting stakeholder issues, let alone integrating virtual stakeholder dialogues in the organization. Most studies using stakeholder theory treat the organization as a black box.

While the coordination of stakeholder issues has received scant attention in stakeholder theory, other areas of research are instructive for investigating internal coordination of these issues. Innovation management literature has extensively dealt with the question how organizations should coordinate various organizational departments involved in product development (Griffin & Hauser, 1996). More recently, authors noted that internal coordination and cooperation with external stakeholders are interrelated as successful relationships with stakeholders require the firm to internally coordinate the various relationships with these stakeholders (Hillebrand & Biemans, 2004).

The literature also suggests a number of mechanisms that organizations can use to coordinate. The effectiveness of these coordination mechanisms is contingent upon the nature and number of external stakeholders involved (Aiken & Hage, 1968). Two broad categories of coordination mechanisms are distinguished: structures and systems (Gittell, 2002; Griffin & Hauser, 1996; Van de Ven, Delbecq, & Koenig, 1976). Structures are configurational arrangements for decision-making. Systems are sets of interrelated practices, processes, routines

or tools. The suitability of specific structures and systems in the context of virtual stakeholder dialogue can be determined by the effects that structures and systems have on two organizational outcomes: the achievement of task-related objectives and organizational identification.

The achievement of task-related objectives refers to the degree to which unity of efforts is created across specializations to reach the goals set (Piccoli, Powell, & Ives, 2004; Van de Ven, et al., 1976). Strategic management literature has frequently assumed (implicitly or explicitly) that organizations set goals to attain (Etzioni, 1964). While these goals may differ between organizations and between projects, achievement of goals is a measure of effectiveness and an important performance indicator (Venkatraman & Ramanujam, 1986). Achievement of task-related objectives is a traditional organizational goal, but also important in a virtual context (Piccoli, et al., 2004).

Organizational identification refers to the degree to which internal and external stakeholders share beliefs about the central and enduring characteristics of the organization and reflects a bond between the stakeholders and the organization (Bhattacharya & Elsbach, 2002; Maignan & Ferrell, 2004). Once stakeholders strongly identify themselves with the organization, they are more likely to spread positive word-of-mouth, to work in the organization, to financially invest in the organization, and to buy its products or services (Ahearne, Bhattacharya, & Gruen, 2005). In this manner, organizational identification by stakeholders leads to increased resources for the organization (Maignan & Ferrell, 2004). In a virtual context, organizational identification is a particularly important organizational outcome, as organizational identification represents the "critical glue" that links stakeholders to organizations in the absence of physical meetings (Wiesenfeld, Raghuram, & Garud, 1999).

Structures

Literature on organizational structures suggests that the formal design of roles and administrative mechanisms help to coordinate activities among actors (Mintzberg, 1979). Structures include bureaucratic control, temporary tasks forces, matrix structures, and virtual teams (see Burns & Stalker, 1961; Griffin & Hauser, 1996; Olson, Walker, & Ruekert, 1995) and may be characterized by bandwidth and dispersion of control. Bandwidth refers to the structure's capacity to process information (Gittell, 2002). Structures with high bandwidth provide boundary spanners the opportunity to coordinate directly with each other, thus facilitating more frequent and accurate exchange of information (Gittell, 2002). Other structures, however, arrange coordination more indirectly by letting formal communication flow through one or more intermediates at the risk of losing information (Jaques, 1965) and straining the central coordinator with very frequent and diverse information streams (Mears, 1974; Urwick, 1956). Dispersion of control refers to the degree to which decision making regarding stakeholder issues is distributed throughout the organization or even beyond the boundaries of the organizations (cf. Tannenbaum, 1968). In a structure with high dispersion of control, many organizational members and external stakeholders participate in decision making.

While most studies have focused on organizational structures to coordinate tasks within organizations, these structures can extend beyond the organizational boundary and even include external actors (Hillebrand & Biemans, 2003). Consequently, this article proposes four organizational structures to enable the coordination of virtual stakeholder issues (see Figure 1). The following sections describe these structures in terms of bandwidth and dispersion of control.

= = Figure 1 here = =

Hierarchical coordination refers to a structure, similar to a functional organization (Griffin & Hauser, 1996; Olson, et al., 1995), with separate departments engaging in virtual dialogue. A manager acts as direct supervisor to coordinate stakeholder issues that these departments bring in. Each department acts as a boundary spanner, representing the external stakeholders most relevant for its core activity. All communication about stakeholder issues follows the hierarchical lines, which enables unity of command. The dispersion of control is low; one central manager coordinates all stakeholder issues. Bandwidth is also low, because a relatively high number of steps exist between the source of information about stakeholder issues and the coordinator. Coordination is very indirect, because three intermediates separate two different stakeholders (see Figure 1). This structure is less conducive to frequent and diverse information exchange in an accurate way, because details of information may get lost along the way and one coordinator can only handle a limited amount of information (Mears, 1974; Urwick, 1956).

Mutual adjustment refers to a dual authority structure that enables direct communication between boundary spanning departments engaging in virtual dialogue, e.g., through individual liaisons (Griffin & Hauser, 1996; Olson, et al., 1995). Bandwidth is higher compared to hierarchical coordination. This structure allows members of boundary spanning departments to directly exchange information about stakeholder issues and to coordinate the response to these issues. This direct exchange of information releases strains on hierarchical lines and reduces the number of intermediates needed to coordinate issues from two separate stakeholders (e.g., in Figure 1 two intermediates separate two different stakeholders). Communication remains predominantly bilateral. Mutual adjustment has higher dispersion of control than hierarchical coordination. Stakeholder responses to stakeholder issues are not just coordinated by a central manager but also by other boundary spanners.

Team-based coordination refers to a structure with a cross-functional team in command of virtual communication with stakeholders and coordinating their issues, similar to a project team structure (Griffin & Hauser, 1996; Olson, et al., 1995). Compared to mutual adjustment, team-based coordination is characterized by higher dispersion of control as the team operates relatively autonomous in choosing the leader, operating procedures and conflict resolution (Lawrence & Lorsch, 1967; Olson, et al., 1995) and more people have a say in decision-making if various functional disciplines are involved. Moreover, this structure has higher bandwidth. Communication in a team setting is more direct with only one intermediate separating two different stakeholders (see figure 1). Communication is multilateral across functions, providing more opportunity for frequent and diverse information exchange, without much loss of detail and devoid of stress on the hierarchical communication lines. Communication is less distorted as focusing on specific team goals helps diminishing differences in functional thought worlds, languages and routines (Dougherty, 1992).

An *integrated team structure* includes representatives of external stakeholders in the cross-functional team (Hillebrand & Biemans, 2003) and may be virtual (Duarte & Snyder, 2006; Lipnack & Stamps, 1997). For example, Sun Microsystems pioneered with so-called virtual SunTeams not only including members across space and time with a wide variety of functional backgrounds but also stakeholders such as suppliers and customers (Lipnack & Stamps, 1997). By integrating external stakeholders in the team, control is dispersed among internal and external team members. Integrated team structure is the structure with the highest bandwidth, because including external stakeholders in the team provides direct access between all parties involved without involving an intermediate.

Bandwidth

The information requirements should correspond to the information capacity of coordinating mechanisms (Galbraith, 1973). An organization with a high need to process a lot of diverse information needs a structure with more bandwidth than an organization with less intensive and diverse information streams (Mears, 1974). Virtual dialogues, which bring in more and more diverse stakeholder issues, require a lot of bandwidth within the organization. Organizational structures with more bandwidth can handle larger depth and volume in information exchange, because they offer the flexibility needed (Sawhney & Prandelli, 2000). Bandwidth increases the likelihood that all organizational members are informed accurately: information processing is more consistent and less distorted. Higher bandwidth structures provide more capacity to accurately exchange information, making responses to stakeholder issues more effective (Van de Ven, et al., 1976). With virtual environments moving the locus of activity more towards the periphery of the firm, structures where the coordinator is located far from the issues at hand (low bandwidth) are not likely to be effective for coordinating all issues (Eisenhardt & Brown, 1998; Nambisan, 2002). Therefore:

> *Proposition 1: In the context of virtual stakeholder dialogue, organizations with high-bandwidth structures are more likely to achieve task-related objectives than organizations with low-bandwidth structures.*

Organizations that are capable of disseminating and responding to a lot of diverse stakeholder issues (high bandwidth) are better equipped to create strong bonds with their stakeholders (Maignan & Ferrell, 2004). By responding to stakeholder issues, an organization acknowledges the importance of these issues. Stakeholders are likely to be more satisfied when organizations are responsive to the issues they raise, which results in more identification

(Bhattacharya, Rao, & Glynn, 1995; Smidts, Pruyn, & Van Riel, 2001). This claim is even more true in virtual contexts because the intensity and richness of virtual stakeholder dialogue increases the likelihood of conflicts between stakeholder interests. Conflict resolution and consensus building in virtual settings requires structures with high bandwidth (DeSanctis & Monge, 1999). Therefore:

> *Proposition 2: In the context of virtual stakeholder dialogue, organizations with high-bandwidth structures are more likely to have higher degrees of organizational identification than organizations with low-bandwidth structures.*

Dispersion of control

The effect of using structures with high dispersion of control on the achievement of task-related objectives is not straightforward. Studies on internal control in organizations show that sharing control with organizational members is unlikely to have a negative effect on the achievement of task-related objectives, because the control that is given to employees does not lead to a perceived loss of control of senior management (Bartölke, Eschweiler, Flechsenberger, & Tannenbaum, 1982). If more organizational members participate in the decision-making process, unity of effort can still be achieved. However, literature about participation of external stakeholders in government decision making suggests that sharing control with external stakeholders can lead to extra costs, slower decision making, and lower quality of decisions (Irvin & Stansbury, 2004). Similarly, giving up control to consumers in a virtual dialogue can lead to organized disruptive behavior by those consumers (Fournier & Avery, 2011). Achieving unity of effort is not likely if many stakeholder interests are conflicting. Given the richness of

virtual stakeholder dialogue, conflict between stakeholder interests may be the rule rather than the exception, which may seriously hamper the achievement of task-related objectives. Hence:

Proposition 3: In the context of virtual stakeholder dialogue, organizations with structures characterized by high dispersion of control are less likely to achieve task-related objectives than organizations with structures characterized by low dispersion of control.

Dispersion of control has a great impact on organizational identification. In general, participation in decision-making stimulates sharing organizational norms (Tannenbaum, 1962). In virtual stakeholder dialogues, participating stakeholders build a shared understanding of the organization, which leads to organizational identification (Stokburger-Sauer, 2010). In a virtual context, active participation leads to increased organizational identification because stakeholders develop a sense of ownership during the creation of shared meaning (Wiesenfeld, et al., 1999). When control is dispersed among stakeholders, this sense of ownership among stakeholders is fostered. Therefore:

Proposition 4: In the context of virtual stakeholder dialogue, organizations with structures characterized by high dispersion of control are more likely to have high organizational identification than organizations with structures characterized by low dispersion of control.

Systems

Systems enable the coordination of stakeholder issues within the organization based on either routines or on communication (see Table 1).

= = Table 1 here = =

Routine-based systems specify activities to ensure that processes can be repeated without having to redesign the process (Levitt & March, 1988). Routines include “the forms, rules,

procedures, conventions, strategies, and technologies around which organizations are constructed and through which they operate" (Levitt & March, 1988, p. 320). Routine-based systems enhance coordination between organizational members, because tasks and responsibilities are clearly laid out (Gupta & Wilemon, 1990). In the context of stakeholder dialogue, three routine-based systems are relevant: procedures, reward systems and stakeholder management systems, which are discussed hereafter.

Just like product development projects use *procedures* to integrate the efforts of marketing and R&D (Griffin & Hauser, 1996), organizations can use procedures to ensure that stakeholder issues emerging from stakeholder dialogues are integrated in organizational decision-making. Procedures may help companies to deal with conflicting interests between stakeholder issues (Ingenbleek & Immink, 2010). Properly designed *reward systems* can help to achieve coordination (Griffin & Hauser, 1996) and can be extended to reward organizational members for addressing various stakeholder interests (Jansen & Von Glinow, 1985). Such extended reward systems are likely to make organizational members more sensitive to interests of the stakeholders participating in a virtual stakeholder dialogue. *Stakeholder management systems* provide a formal structure for the workflow needed to address stakeholder issues. Literature on virtual teams shows that information systems providing a fixed structure for coordination, can help to mitigate the negative effects of poor conflict management (Montoya-Weiss, Massey, & Song, 2001). Because many organizations use software platforms for virtual stakeholder dialogues (Chakravorti, 2010) information systems built on the same platforms could allow organizational members to coordinate issues emerging from these dialogues.

Communication-based systems facilitate interaction among organizational members (Allen, 1984) and enhance coordination by increasing the frequency and quality of communication

(Ancona & Caldwell, 1992). In virtual settings, communication is what keeps structures together (DeSanctis & Monge, 1999). In the context of stakeholder dialogue, several communication-based systems are relevant: champions, job rotation, awareness events and programs, and internal virtual communities/group decision-making systems.

Champions are a powerful coordination mechanism both in the context of innovation management, as well as green management (Andersson & Batemann, 2000; Howell & Shea, 2001; Kessler & Chakrabarti, 1996). Similarly, boundary spanners can become a champion with regard to a stakeholder issue and can be critical for the resolution of that issue (Bansal, 2003). *Job rotation* increases communication and thus coordination between functional groups (Griffin & Hauser, 1996; Leenders & Wierenga, 2002). Because employees in a job rotation system interact with members of another organizational group, they develop a better understanding of the other group's perspective (Griffin & Hauser, 1996). Therefore, job rotation is likely to increase the appreciation for the stakeholder issues that confront the other group. *Awareness events and programs* stimulate discussion on stakeholder issues and help to build a shared understanding among organizational members, and thus lead to better coordination of stakeholder issues. For example, results from a waste management program at Bell Canada have shown that employees exposed to the program became more sensitive to environmental issues (Berger & Kanetkar, 1995). *Internal virtual communities and group decision-making systems* are computer-mediated systems that can serve as a vessel to transfer the issues emerging from external virtual dialogue into an internal virtual dialogue. Internal virtual communities stimulate interaction among organizational members, which generates solutions to address stakeholder issues (Spaulding, 2010). Group decision-making systems facilitate virtual collaboration, and

contain capabilities such as electronic brainstorming, online meetings, document sharing or online voting (Turban, Aronson, & Liang, 2005).

Routine-based systems have an effect on the achievement of task-related objectives, whereas communication-based systems have an effect on organizational identification among stakeholders. Communication-based systems are associated with high levels of interaction between organizational members, whereas routine-based systems are associated with low levels of interaction between organizational members (Gittell, 2002). More specifically, communication-based systems facilitate rich and personal information exchange, whereas routine-based systems facilitate less rich and impersonal information exchange (Daft & Lengel, 1986). The characteristics of routine-based systems vis-à-vis communication-based systems have consequences for reduction of uncertainty and reduction of equivocality, which are explained below. In addition, redundancy in systems has consequences for the achievement of task-related objectives and organizational identification.

Reduction of Uncertainty

Information Richness Theory proposes that the information exchange facilitated by routine-based systems reduces uncertainty (Daft & Lengel, 1986). Uncertainty is "the difference between the amount of information required to perform the task and the amount of information already possessed by the organization" (Galbraith, 1973, p. 5). Routine-based systems reduce uncertainty because they provide codified knowledge that managers can use to answer explicit questions (Daft & Lengel, 1986). As virtual stakeholder dialogue brings in a lot of stakeholder issues, organizational members are confronted with uncertainty, because they are unlikely to possess

sufficient information about all issues. When uncertainty is reduced, the achievement of task-related objectives becomes more likely (Galbraith, 1973). Therefore:

Proposition 5: In the context of virtual stakeholder dialogue, the adoption of routine-based systems is more likely to lead to high achievement of task-related objectives than the adoption of communication-based systems.

Reduction of Equivocality

Information Richness Theory proposes that the information exchange facilitated by communication-based systems reduces equivocality (Daft & Lengel, 1986). Equivocality refers to the existence of multiple and conflicting interpretations (Weick, 1979). Communication-based systems reduce equivocality because they help to clarify problems and to decide which questions to ask (Daft & Lengel, 1986). Virtual stakeholder dialogue is a context rife with equivocality, caused by the diversity of stakeholder interests, which transfers into the organization. Communication-based systems help to reduce this equivocality. Reduced equivocality allows for a shared meaning to develop among organizational members, which gives all stakeholders a more coherent picture of the identity of the organization (Wiesenfeld, et al., 1999). Coherent identities enable external stakeholders to identify with an organization (Bhattacharya & Sen, 2003). Hence:

Proposition 6: In the context of virtual stakeholder dialogue, the adoption of communication-based systems is more likely to lead to high organizational identification by stakeholders than the adoption of routine-based systems.

Redundancy in Systems

Redundancy in systems refers to the presence of duplicate systems and ensures fault tolerance that may prove effective in coordinating virtual stakeholder issues. When one system fails, a backup takes over to ensure that coordination of stakeholder issues still takes place. Redundancy is a well-known design principle in engineering (Adachi & Ellingwood, 2008) and healthcare management (Ong & Coiera, 2010). In virtual stakeholder dialogue, the myriad of interactions between stakeholders makes the outcome of the dialogue highly unpredictable. Therefore, organizations cannot easily prepare for the richness and intensity of virtual stakeholder dialogues. The richer and more intense the stakeholder dialogue, the higher the risk that the organization overlooks or forgets stakeholder issues. Redundant systems ensure a minimum level of attention for and coordination of stakeholder issues. Redundancy within routine-based systems benefits the achievement of task-related objectives, and redundancy within communication-based systems benefits organizational identification.

Proposition 7a: In the context of virtual stakeholder dialogue, organizations with redundancy within routine-based systems are more likely to achieve task-related objectives than organizations without such redundancy.

Proposition 7b: In the context of virtual stakeholder dialogue, organizations with redundancy within communication-based systems are more likely to have organizational identification by stakeholders than organizations without such redundancy.

Conclusions

While being merely a first step to better understand an emerging domain, this article not only provides a framework to study mechanisms for stakeholder integration in the context of

virtual stakeholder dialogue, but also highlights several avenues for further research. Current research on stakeholder dialogue has progressed in the direction of the external organization of virtual stakeholder dialogue and its consequences for various stakeholders, but little attention has been paid to the internal organization when engaging in virtual stakeholder dialogue. This article suggests opening that black box and presents a number of testable propositions about mechanisms for stakeholder integration. Engaging in virtual stakeholder dialogue is likely to result in an intense and rich dialogue. Therefore, the conflict potential between stakeholders increases, which makes coordination of the various stakeholder issues essential. Future research should test the propositions presented in this article, which in turn may require pre-studies to develop measurements for some constructs.

Organizations should match their coordination mechanisms to the high intensity and richness of virtual stakeholder dialogues. Organizations without proper internal coordination are prone to act incoherently on the issues raised by its stakeholders and likely to face poor organizational identification among its stakeholders. These organizations may not live up to the expectations raised during the dialogue. Organizations with poorly matching coordination mechanisms are likely to be common practice: anecdotal observations suggest that – encouraged by the popular press, consultants and other organizations in the industry – many organizations decide to engage in virtual stakeholder dialogue. Such organizations are likely to focus on organizing the virtual stakeholder dialogue, for instance by building web communication platforms. A major challenge for organizations is to prepare internally for virtual stakeholder dialogue, because changing internal structures and systems may prove to be difficult (Hannan & Freeman, 1984). Without suitable coordination mechanisms, engaging in virtual stakeholder dialogue is a superficial attempt to present a favorable appearance. Managerial practices that are

only adopted for ceremonial reasons have low effectiveness (Kostova & Roth, 2002). Adopting virtual stakeholder dialogue without suitable coordination mechanisms has detrimental performance consequences. Further research should address the internal coordination aspects of virtual stakeholder dialogue to understand when stakeholder dialogue is likely to succeed. A first step in this research is to carefully document the consequences in cases where virtual stakeholder dialogue was not accompanied by matching coordinating mechanisms.

The conceptual advances in this study contribute to the literature in two ways. First, this article contributes to the literature by combining stakeholder theory with organization literature on coordination mechanisms. While both streams of literature are well-established, combining them enriches the understanding of how to organize for stakeholder integration, an underdeveloped field of research. By focusing on the internal aspects of stakeholder integration, this article has identified coordination mechanisms (integrated team structure, stakeholder management systems, internal virtual communities and group decision-making systems) that are not very well described in the traditional literature, but seem especially valuable for integrating stakeholders in a virtual context. Bringing virtual stakeholder dialogue into the organization presents organizations with a dilemma, as the structures that are the most appropriate for achieving task-related objectives in terms of bandwidth are the least appropriate in terms of dispersion of control. Future research should explore how managers deal with this dilemma and compare the magnitude of both effects.

Second, this article proposes organizational identification as an important organizational outcome in the context of virtual stakeholder dialogue. Recognizing organizational identification as an outcome is especially important when studying systems for stakeholder integration. Depending on the outcome variable that is most relevant to the organization, different systems

are effective. When an organization puts organizational identification above achievement of task-related objectives, communication-based systems will yield the greatest benefit. Future research should focus on the effects of structures and systems for stakeholder integration on processes of social identity construction within organizations and the resulting organizational identification.

As this article is based on a review of extant literature, and as virtual stakeholder dialogue is a nascent domain of study, the inventory of structures and systems presented in this article is unlikely to be exhaustive. Organizations at the forefront of virtual stakeholder dialogue are likely to experiment with new structures and systems in order to deal with the new challenges. Future research that explores the structures and systems of such organizations may identify other structures and systems. Furthermore, the propositions in this article suggest that some structures have disadvantages in the context of virtual stakeholder dialogue. Future research should study whether organizations can successfully use systems to compensate for the shortcomings of such structures.

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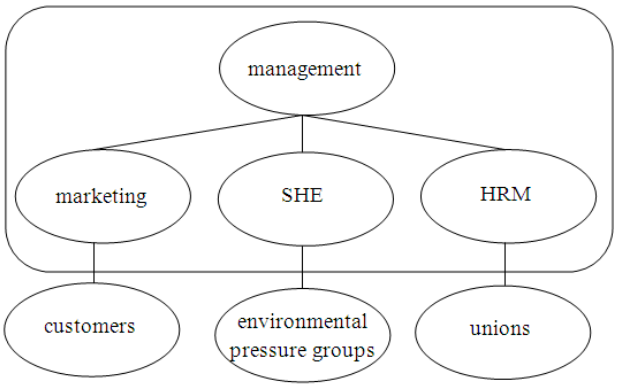
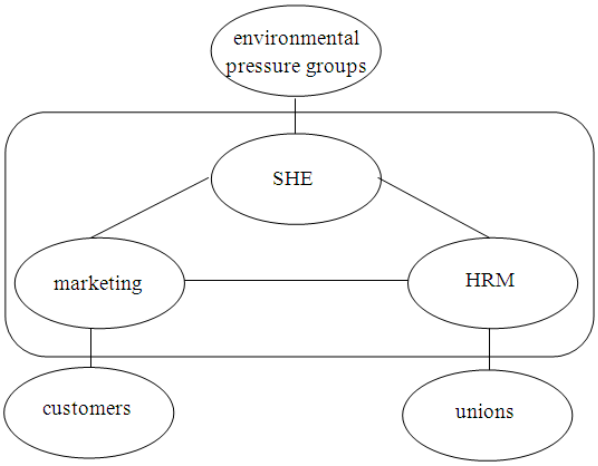
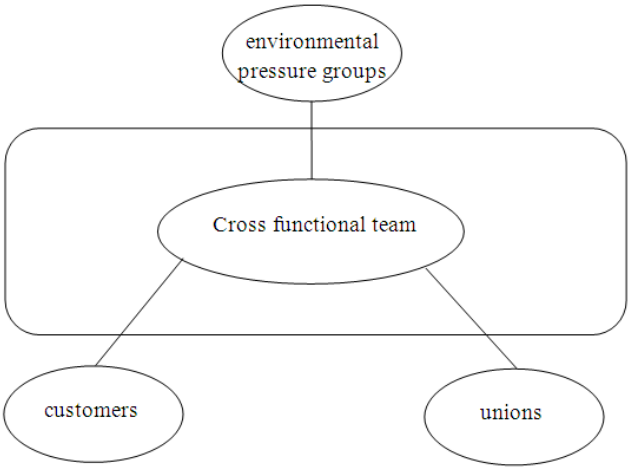
Figure 1: Organizational structures for stakeholder integration



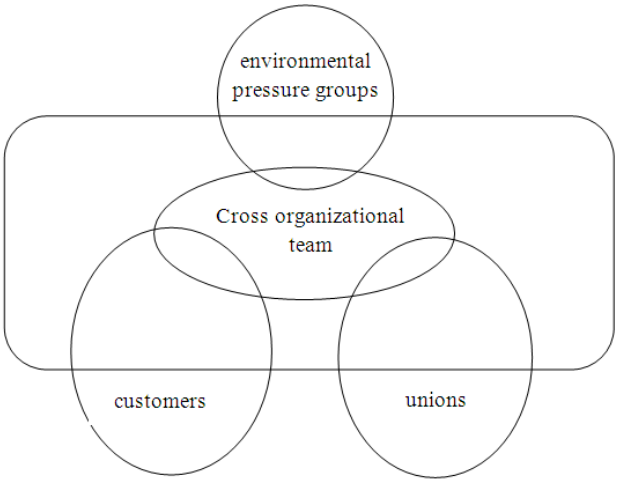
Hierarchical coordination: Central manager coordinates stakeholder issues brought in by departments. Low bandwidth and dispersion of control.



Mutual adjustment: Departments bilaterally coordinate stakeholder issues brought in by departments. Low to medium bandwidth and dispersion of control.



Team-based coordination: Cross-functional team multilaterally coordinates stakeholder issues brought in by team members. Medium to high bandwidth and dispersion of control.



Integrated team structure: Cross-functional team including stakeholders multilaterally coordinates stakeholder issues. High bandwidth and dispersion of control.

Partly based on Hillebrand and Biemans (2003). Note: Rectangular shape represents the organizational boundary.

Table 1: Systems for stakeholder integration

Systems	Description	Routine versus communication-based coordination
Procedures	Formalized prescriptions of series of activities to be performed (including protocols, checklists and standardized processes) to ensure that stakeholder issues emerging from stakeholder dialogues are integrated in organizational decision-making	Routine-based
Reward systems	Formalized systems aimed at stimulating organizational members to address stakeholders' interests	Routine-based
Stakeholder management systems	Computer-mediated information systems providing a formal structure for the workflow needed to address stakeholder issues	Routine-based
Champions	Organizational members that actively promote a stakeholder issue to all parties involved, help breakdown bureaucratic barriers, and obtain resources to ensure the stakeholder need is met	Communication-based
Job rotation	Personnel movement between departments or organizations aimed at developing a better appreciation for the issues of other stakeholders	Communication-based
Awareness events & programs	Social events and programs that primarily seek to create a common ground by developing shared attention to and understanding of stakeholder issues	Communication-based
Internal virtual communities & Group decision-making systems	Computer-mediated communication systems that allow organizational members to have a virtual dialogue with each other and (in the case of decision-making systems) also provide the opportunity to collaborate online by using electronic brainstorming, online meetings, document sharing or online voting	Communication-based