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Sustainable enterprise evolution: Combining individual-, firm- and system-level perspectives

Exploring multiple levels of barriers to becoming a stakeholder firm: The case of a Dutch distribution system operator

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More and more firms aim to adopt a stakeholder approach and firms that succeed have been called stakeholder firms. Instead of focusing on shareholder value, these firms try to simultaneously satisfy the needs of various stakeholders. Becoming a stakeholder firm however may come with challenges. While scholars have been debating conceptual aspects of the stakeholder approach, this study instead looks at real-world barriers that firms may encounter when in transition to becoming a stakeholder firm. To be able to understand the full complexity of this transition, this study aims to identify barriers on the level of the individual, the firm, and the system. Evidence comes from a case study of a firm in such a transition. Based on 26 interviews, we identify seven barriers, followed by a discussion of the implications of these results for stakeholder theory, the scientific domain that studies the stakeholder approach.

Introduction

In the traditional conception of the firm, managers act mainly in the interest of the firm's shareholders by maximizing the firm's short-term profit (Friedman, 1970; Jensen, 2002; Sundaram and Inkpen, 2004). Freeman (1984) has challenged this view and provided an alternative conception of the firm, in which the emphasis is shifted from shareholders to *stakeholders*, defined as 'any group or individual who can affect or is affected by the achievement of an organization's purpose' (p. 53). In this alternative conception, managers simultaneously serve the interest of various stakeholders including employees, customers,

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suppliers, and the community as a whole, by trying to 'satisfy the needs of as many stakeholders as possible' (Freeman, 1984: 75). Firms have been trying to put this stakeholder approach into practice (Laplume, Sonpar, and Litz, 2008; Parmar et al., 2010), and the firms that succeed have been called a stakeholder firm (Kochan and Rubinstein, 2000).

The implementation of a stakeholder approach may come with challenges (Laplume et al., 2008). Up to now, scholars have mainly been engaged in a conceptual debate on these challenges (Gioia, 1999). This conceptual debate consists of scholars using hypothetical situations to illustrate the analytical complexities that come with simultaneously satisfying the interests of various stakeholders. These complexities include for example identifying, measuring, and comparing the objectives of different stakeholders (Jensen, 2002; Kaler, 2006; Mitchell, Agle, and Wood, 1997; Wolfe and Putler, 2002). To date, there has been little *empirical* investigation of the barriers a firm may encounter when becoming a stakeholder firm (Laplume et al., 2008). In the present study we want to fill this gap by investigating barriers to becoming a stakeholder firm. To avoid overlooking the full complexity of becoming a stakeholder firm we study barriers on the level of the individual, the firm, and the system. By focusing on the process of becoming a stakeholder firm we provide a new perspective to the debate. The few previous empirical studies take the extent to which a firm resembles a stakeholder firm as given and static (Crilly and Sloan, 2012; Jones, Felps, and Bigley, 2007). By asking managers about the transition the firm is in, we provide results that do address the dynamics of a firm, adding to the few longitudinal studies in this field (Kochan and Rubinstein, 2000; Shropshire and Hillman, 2007).

We do a single case study consisting of a firm that has a strong desire to become a stakeholder firm, but has not yet been able to fully put its ambition into practice because of the barriers it encounters. We performed 23 interviews with the firm's managers and directors and 3 with its stakeholders. By performing a case study we address the call of different researchers for more fine-grained empirical results (Laplume et al., 2008; Parmar et al., 2010).

Based on the case study we find that there are many barriers that hinder becoming a stakeholder firm, and that these barriers come in very different forms. Previous research did not appreciate the full array of complexity that firms may encounter. Moreover, while previous studies often assume that differences between organizations come from a different desire to manage for stakeholders (Crilly and Sloan, 2012; Jones et al., 2007), we provide an alternative explanation for inter-firm variation by showing the barriers that may cause a gap between a firm's ambition and practice. The results of our case study have several implications for stakeholder theory, presented in this paper in the form of four propositions.

The paper is build up as follows. First, we present theoretical background on what makes a firm a stakeholder firm, and what barriers to becoming a stakeholder firm have been discussed in previous studies. Then, we provide methodological aspects of the case study, followed by the results. Next, we discuss the implications of these results for stakeholder theory, followed by a conclusion.

Theoretical background

This section provides an overview of what previous studies have identified as characteristics of a stakeholder firm, followed by an overview of barriers to becoming a stakeholder firm that have been identified in previous studies.

Stakeholder firms.

If there is such a thing as a stakeholder firm, what does it look like, and how does it differ from a traditional firm? We present the different answers that literature provides as a dichotomy, while in practice this will rather be a continuum. This overview in this sense may be understood as the description of idealtypes of the stakeholder firm and the traditional firm, with actual firms resembling these idealtypes in different degrees. A summary is provided in Table 1, followed by a description of characteristics of the firms, and characteristics of managers within the firms.

Characteristics of the firm. Stakeholder firms have characteristics that differ from traditional firms. Instead of fulfilling the single objective function of 'maximizing short-term profits', a stakeholder firm aims to 'satisfy the needs of as many stakeholders as possible' (Freeman, 1984: 75). The stakeholder firm is characterized by the rationale of maximizing the total wealth creating potential, instead of the traditional rationale of maximizing shareholder value (Blair, 1998). The objective may even be reflected in the firm's mission statement, although Bartkus and Glassman (2008) have shown that these statements may merely be a reflection of institutional pressures. To fulfill its objectives, stakeholder firms voluntarily allocate more resources to satisfy the needs and demands of its stakeholders compared to traditional firms (Harrison, Bosse, and Phillips, 2010). The strategy of a stakeholder firm when it manages its stakeholder relationships is proactive, while a traditional firm is reactive (Clarkson, 1995). The governance of a stakeholder firm is aimed at ensuring effective negotiations, coordination, cooperation, and conflict resolution, while the governance of a traditional firm is aimed at control (Kochan and Rubinstein, 2000).

TABLE 1

The idealtype of the stakeholder firm versus the idealtype of the traditional firm

	Stakeholder firm	**Traditional firm**
Characteristics of the firm		
Main goal of the firm (Freeman, 1984)	Multiple objectives	Maximize profits
Posture (Clarkson, 1995)	Proactive	Reactive
Governance (Kochan and Rubinstein, 2000)	Conflict resolution	Control
Culture (Jones, Felps, and Bigley, 2007)	Other-regarding	Self-interest
Characteristics of managers within the firm		
Values (Adams, Licht, and Sagiv, 2011; Agle, Mitchell, and Sonnenfeld, 1999; Crilly, Schneider, and Zollo, 2008)	Universalism	Entrepreneurial values
Managerial cognition (Crilly and Sloan, 2012)	Extended enterprise	Firm-centric

Not all stakeholder firms share the same motivation for being different from traditional firms. The motivation of stakeholder firms may or may not include a moral dimension (Greenwood, 2007). Each firm can be seen to have beliefs, values and practices regarding stakeholders that together make up the stakeholder culture of an organization (Jones et al., 2007). Jones et al. (2007) distinguish between stakeholder firms with instrumentalist and moral stakeholder cultures. A stakeholder firm with an instrumentalist culture aims to satisfy the needs of various stakeholders because this is believed to be beneficial to the firm itself, as a form of 'enlightened self-interest' (Jones, 1995). Stakeholder firms with moralist cultures on the other hand act morally because they believe stakeholders to have an intrinsic value (Phillips, Freeman, and Wicks, 2003). While all stakeholder firms deviate from traditional firms, the motivation might be different: instrumental, moral, or both.

Characteristics of the managers within the firm. The managers in a stakeholder firm have characteristics that differ from managers in a traditional firm. Managers in a stakeholder firm can be seen as agents of stakeholders, while managers in a traditional firm are typically agents of shareholders (Hill and Jones, 1992). The more a firm resembles a stakeholder firm, the higher the sheer number of stakeholders their managers take into account (Crilly and Sloan, 2012).

Managers aim to act according to their personal values (Crilly, Schneider, and Zollo, 2008), and managers in stakeholder firms have different values than those in a traditional firm (Laplume et al., 2008; Margolis and Walsh, 2003). The largest difference between the values of managers in stakeholder firms and traditional firms consists of the level of self-interest versus other-regarding interest (Agle, Mitchell, and Sonnenfeld, 1999). This dimension is operationalized in empirical research using shortened versions of two well-accepted measures: the Rokeach (1972) values instrument and the Aupperle (1984) measure of attitudes toward areas of responsibility. The values 'helpful' and 'compassion', as well as the 'ethical' area of responsibility measure other-regarding, typically related to stakeholder firms. The values 'comfortable life' and 'wealth', as well as the 'economic' area of responsibility measure self-interest, typically related to traditional firms. Accordingly, a recent study showed the central role of the value 'universalism' for the stakeholder firm versus 'entrepreneurial values' for the traditional firm (Adams, Licht, and Sagiv, 2011).

A stakeholder firm is different from the traditional firm in the managerial cognition of its managers (Crilly and Sloan, 2012). This is reflected in the top management's conceptualization of the firm's relationship with society, what Crilly and Sloan call the 'enterprise logic' (2012). Three enterprise logics exist: firm-centric, industry network, and extended enterprise. The managers in a stakeholder firm are characterized by an extended enterprise logic, which focuses on creating benefits for the firm and its stakeholders, by emphasizing the common interests. Based on eight case studies, they find evidence that the enterprise logic relates to the scope of the firm's attention to stakeholders. Furthermore, they find that firms with more attention to stakeholders put greater emphasis on opportunities for creating collaborative advantages than do firms with narrower attention, which emphasize threat reduction (Crilly and Sloan, 2012).

In summary, a stakeholder firm distinguishes itself by aiming to satisfy various stakeholders by proactively engaging these stakeholders, instead of focusing on short-term profit maximization in the interest of shareholders. This aim may have either have an instrumental or a moral motivation. Managers in a stakeholder firm are characterized by having universalistic values, and by adopting an 'extended' conceptualization of their firm. With this understanding of what a stakeholder firm is, we can now continue to discuss the barriers that firms encounter when trying to become a stakeholder firm.

Barriers to becoming a stakeholder firm

If a firm has the desire to become a stakeholder firm, what barriers can it encounter? This paragraph will provide an overview of such barriers formulated in both conceptual and empirical studies. A summary is provided in Table 2, followed by a description of the different barriers.

TABLE 2

Overview of barriers to becoming a stakeholder firm from previous studies

Source	Nature	Barrier
Mitchell et al., 1997	Conceptual	There may be a lack of consensus on who the firm's stakeholders are
Kaler, 2006; Jensen, 2002	Conceptual	Balancing different and competing objectives is too complex
Wolfe and Putler, 2002	Conceptual	Stakeholder groups do not have a single interest, they are heterogeneous
Margolis and Walsh, 2003	Conceptual	The decision on make, buy, or use a hybrid form may prove to be difficult, as well as controlling, monitoring, and disciplining afterwards
Kochan and Rubinstein, 2000	Empirical	The stakeholder firm might encounter resistance in its quest for legitimacy.
Delgado-Ceballos et al., 2012	Empirical	Managers may use stakeholder interests to hide their personal agenda and increase their discretion
Crilly, Zollo, and Hansen, 2012	Empirical	Decoupling of policy and practice

Barriers from conceptual studies. A first barrier to becoming a stakeholder firm consists of stakeholder identification. Mitchell et al., (1997) describe how power, legitimacy, and urgency lead managers to assign a certain saliency to stakeholders, but managers do not necessarily agree on the extent to which stakeholders possess these characteristics. Kaler (2006) points out that implementing a stakeholder approach is difficult because of 'issues to do with the range and diversity of stakeholder groups' (2006, p. 253). He argues that the desire to balance different and competing interests is too analytically complex to be carried out in practice. Wolfe and Putler (2002) point out that achieving this balance gets even more complex because stakeholder groups themselves are heterogeneous; a single stakeholder group consists of individuals and groups that have different and competing interests amongst themselves. Jensen (2002) argues that managers can only make sound decisions when asked to maximize a single objective function, instead of simultaneously serving different objectives. Margolis and Walsh (2003) argue that if managers have decided on the actions and responses with which they want to answer stakeholder issues, they have to decide whether to carry them out themselves, to buy these services from other parties, or pursue a hybrid form. Next to that, to make sure that the stakeholder issues are effectively engaged, managers should perform controlling, monitoring, and disciplining. These extra tasks form a barrier to becoming a stakeholder firm.

Barriers from empirical studies. Kochan and Rubinstein (2000) found as a barrier the possible lack of legitimacy of the stakeholder firm. Deviating from the objective of maximizing profits is still considered controversial by some (Jensen, 2002; Sundaram and Inkpen, 2004), potentially resulting in counterforces a stakeholder firm might encounter when deviating from conventional business practice (Kochan and Rubinstein, 2000). Delgado-Ceballos et al. (2012) show 'the dark side' of the stakeholder firm. When managers encounter internal forces that conflict with there personal agenda, they might team up with stakeholders, in this way increasing the pressure on the manager's colleagues to follow his or her personal agenda (Degado-Ceballos et al., 2012). Crilly et al. (2012) show how a lack of consensus between managers may result in decoupling the ambition to serve the interests of stakeholders from practice. Moreover, they add to the debate a distinction between intentional decoupling, or 'faking it', and emergent decoupling, or 'muddling through' (Crilly et al., 2012).

We conclude that previous studies discuss several challenges to becoming a stakeholder firm. However, this discussion on the ‘practicability’ of the stakeholder approach so far has mainly been a conceptual one (Jensen, 2002; Kaler, 2006; Margolis and Walsh, 2003; Mitchell et al., 1997; Wolfe and Putler, 2003). The lack of a broad empirical foundation suggests that we may have only scratched the surface of potential barriers. We aim to contribute to this discussion by providing empirical evidence for real-world barriers that firms may encounter when trying to become a stakeholder firm. Therefore, we carry out an exploratory in-depth case study aimed at building theory.

Method

This section provides a background of the case, followed by a description of the methods used in the case study.

Case background

We perform a case study of the Dutch Distribution System Operator (DSO) called Alliander. Alliander’s high ambition to become a stakeholder firm and the reported implementation barriers provide the motivation to use this organization as a case. DSOs in the Netherlands are responsible for distributing gas and electricity to households and industrial consumers. The gas and electricity grid in the Netherlands is coarsely divided in such a way that three DSOs each own about 30% of the infrastructure, and the remaining 10% is owned by several smaller DSOs. Alliander is one of the three large Dutch DSOs. DSOs are responsible for distribution by medium- and low-voltage electricity infrastructure and medium-pressure gas infrastructure. High voltage electricity distribution and high pressure gas distribution is taken care of by different, national, organizations.

Starting in the early 90s, driven by liberalization and Europeanization, the Dutch energy sector has been in a transition towards privatization en vertical disintegration (Verbong and Geels, 2007). The most recent change in this transition is the 2006 law ‘independent netmanagement’, forbidding energy producers and energy distributors to be part of the same holding. Moreover, only governmental organizations may hold the shares of these separated DSOs. In 2009, the separation of Alliander was effectuated when it sold its energy-producing counterparts to multinational energy producers. Since then, Alliander holding N.V. only has activities that are directly or indirectly related to distributing electricity and gas. To get a sense of the size of Alliander: it is the largest Dutch DSO in terms of FTE with 6647 FTEs at the end of 2011. It transported 30,576 GWh energy in 2011, had a revenue of €1586m, and profits reaching €251m.

Case study method

The present case study consists of a multiple method case study, consisting of interviews, document analyses and participative observation. Documents include annual reports and policy documents. Besides three interviews with their stakeholders, we performed 23 interviews with managers and directors of Alliander which were structured as follows. The first part of the interview was guided by the question: how would you characterize Alliander in terms of stakeholder firms and traditional firms? The second part of the interview was guided by the question: how would you characterize the gap between Alliander's ambition and current practice in terms of stakeholder firms and traditional firms? The third and last part of the interview was guided by the question: what barriers cause the gap between Alliander's ambition and its current practice in terms of stakeholder firms and traditional firms? In order to prevent guiding the interviewees too much, the interviews were not structured beyond these three guiding questions (Flick, 2009; Glaser and Strauss, 1967). The three interviews with stakeholders were used to check the validity of the Alliander interviews. The three stakeholders were the Dutch ministry responsible for regulating the energy sector and the other two large Dutch DSOs.

The interviews were carried out in 2012 and 2013. The interviews took around one/ one and a half hours and were all recorded and transcribed into an average of 20 pages of double spaced notes per interview. In the results section we use citations directly from these transcripts. The interviewees will remain anonymous; each interviewee is given a number to indicate the diversity of interviews from which the citations originate. In addition to the interviewee number, its organization will be mentioned to distinguish between Alliander and stakeholder interviews.

In a first wave, the interviewees were chosen from different departments to get a wide range of viewpoints from within Alliander. Of this first wave, all interviewees but two were senior managers at the time they were interviewed. In a second wave, all directors were asked to participate in the study. Out of 27 directors, 12 agreed and were interviewed. The first author has been stationed at Alliander one day a week during the study, from July 2012 to June 2013, to work on his research. This enabled him to enrich the collected material with informal talks at the coffee machine and over lunch, which provided additional data.

The data were analyzed by coding all parts that related to barriers to becoming a stakeholder firm (Glaser and Strauss, 1967). This coding scheme was revisited as the project went along, until it resembled the experiences of the interviewees and closure was reached (Eisenhardt, 1989). To increase the validity we actively searched for data that would disconfirm earlier observations.

Results

Alliander has a high ambition to become a stakeholder firm. Alliander states its mission in the 2011 annual report as: ‘We strive for a better society in those regions with which we are connected[4]’. By targeting the society as a whole, Alliander adopts a very broad definition of relevant stakeholders in their mission statement. A broad definition of relevant stakeholders is a typical feature of a stakeholder firm (Jones et al., 2007). The observation about Alliander’s ambition was supported in the interviews. When asked about organizational characteristics that are typical for Alliander in the interviews, many managers mention the centrality of stakeholders. This is reflected in the breadth of the responsibilities that they ascribe to Alliander. The government defines a strict task for DSOs: they have to provide gas and electricity and in return receive a standard fee for each household that is served. Alliander’s managers and directors, however, include a much wider spectrum of responsibilities than just the task of delivering gas and electricity. A good example is the opportunity that they see for Alliander in playing a *leading* role in the transition towards decentralized and sustainable energy production. Alliander’s peer, Enexis, confirms this image: ‘*It shows [...] that Alliander tends to look for, or even cross, the boundaries of what a DSO should do, regarding energy saving, facilitation of decentralized energy production, and so on’ (*Interview 19, Enexis*).*

When Alliander’s managers describe its ambition, it is striking how quick they add that this ambition is far from being realized at the moment. Managers criticize how colleagues are still inclined to fill in for themselves what is good for their stakeholders. A typical example is the

[4] All translations from Dutch to English, both from documents and interview transcripts, are done by the first author.

observation that some employees state that Alliander has ‘no customers, merely EAN-codes’ (codes for the physical electricity connections in households). The interviewees were asked to formulate what they think are the barriers to becoming a stakeholder firm. The reported barriers proved to differ strongly amongst themselves. The remainder of this section describes the barriers to becoming a stakeholder firm as they were reported in the interviews, grouped by the levels of the barriers: the individual, the firm, and the system. Whenever the number of interviewees is mentioned that refers to a certain barrier, this is among the twenty-three Alliander interviews only, thus excluding the three stakeholder interviews.

TABLE 3

Overview of barrier types Alliander encounters when trying to become a stakeholder firm

Barrier types	**Examples of manifestations**	**Frequency**
Individual level		
Competence problem	Lack of creativity, empathy, and courage, lack of stakeholder-issue specific expertise	10
Awareness problem	Lack of sense of urgency	6
Firm level		
Trade-off problem	Allocating resources at managing for stakeholders comes at the expense of other resource demands	13
Coordination problem	Lack of alignment in responses to stakeholder issues	8
Organizational culture problem	Shared norm of providing the solution yourself, shared norm of avoiding risks	8
System level		
Legacy problem	The industry has a tradition that is self-oriented	10
Legitimacy problem	Deviating from behaving as a traditional firm is controversial	16

Individual level barriers

Ten out of twenty-three interviewees point out that becoming a stakeholder firm is a competence problem. Specific skills are necessary to be able to manage for stakeholders, like creativity, courage, and empathy: *‘If you cut electricity from a bakery on Easter Friday, one of his busiest* *days of the year, you're clearly not being empathic'* (interviewee 12, Alliander). The interviewees argue that this issue is specifically important for Alliander, because of its aging workforce. Young employees that possess the right skills are scarce: '*Our employees are relatively old [...] we see that this makes that some employees find it hard to keep up with all the changes'* (interviewee 8, Alliander). Interviewees focusing on personal characteristics see becoming a stakeholder firm as a problem of changing people. Lifting the barrier would require hiring new people, or changing the current employees for example by providing training.

Another barrier on the individual level is the observations of several interviewees that some people 'just don't think' about managing for stakeholders, six out of twenty-three interviewees see becoming a stakeholder firm as an awareness problem. In this view, managers might be able to take stakeholders into account, but do not because they do not think about it. '*It is not in the way people think'* (interviewee 5, Alliander). While the managers might posses the necessary competencies, they do not see the urgency: *'There is no sense of urgency [...] people are busy fighting fires'* (interviewee 3, Alliander).

Firm level barriers

Thirteen out of twenty-three interviewees see becoming a stakeholder firm as a trade-off problem. They argue that allocating resources at managing for stakeholders comes at the expense of other resource demands. Managing for stakeholders is considered labor intensive. *'It's a question of manpower, the processes require a lot of attention*' (interviewee 1, Alliander). Managing for stakeholders is seen as requiring innovative solutions, and innovation demands resources: *'You have to take substantial risks, because you're busy developing innovative solutions'* (interviewee 8, Alliander). What makes the demand for resources even larger is the tendency of innovative projects to suffer from 'scope creeping'. During the search for innovative solutions, new goals are added. An interviewee describes this phenomena in relation to the projects in which Alliander removes gas pipes made from gray iron. Gray iron is an inferior material that caused an incident in 2008 in which a residence exploded, after which the Dutch supervisor obliged the DSOs to replace these pipes in the coming decades. When digging up these pipes, Alliander has the opportunity to make more adjustments in line with stakeholder desires, but where do you draw the line?*'[...] we have to remove gray iron within a certain* *timeframe, and if you start digging you might as well replace the medium voltage power transmission cables, and the low voltage power transmission cables. You might even consider combining the efforts with telecommunication, installing optical fiber cables […] let's do it all at once because this saves the customer a lot of worries'* (interviewee 8, Alliander). Moreover, the focus on innovative solutions is perceived as making incremental improvements of existing products and services harder: '*It is very complicated to do our normal work as cheaply and efficiently as possible, which requires standardization, operational excellence, lean and mean, and that is totally opposed to doing experiments'* (interviewee 9, Alliander). These interviewees see stakeholders as 'noise' disturbing the efficient operation of everyday business. In their view, the extent to which the firm manages for stakeholders can only increase at the expense of operational excellence.

Eight out of twenty-three interviewees observe that acting upon stakeholder claims is not done effectively because of a lack of alignment within the organization. If different managers have different perspectives on how to act on stakeholder claims, the organization becomes less effective in managing for stakeholders: *'What we see is that we have ideas about things, but that we are not clear and unified about it […] The moment that we are not clear about ideas internally, it becomes hard to talk about those ideas externally [...] the ideas are not communicated, and the issue manager at public affairs has to formulate an answer the moment the phone rings or a microphone is put under his nose'* (interviewee 20, Alliander). These interviewees see becoming a stakeholder firm as a coordination problem. As long as different departments don't communicate the information they have about stakeholders, it is hard to accommodate their desires: '*A couple of years ago we were astonished by these farmers with greenhouses, that in a short time frame all decided to start using a cogenerator […] They wanted to feed their surplus energy back into our net but it wasn't designed for that so we had to restrict that […] Afterwards, I found out that our account managers saw this coming, but there was no communication between our account managers and our asset managers, otherwise we could have taken the necessary precautions'* (interviewee 7, Alliander).

Eight out of twenty-three interviewees see becoming a stakeholder firm as a problem of organizational culture. The norms that Alliander's managers share form a barrier to becoming a stakeholder firm. In Alliander, building the image of possessing all relevant knowledge for a certain problem is stimulated and rewarded. Stakeholder involvement, on the other hand, inherently implies that a manager acknowledges not possessing all relevant knowledge. The manager must dare to admit that the knowledge of stakeholders is necessary to find the most suitable solution. This is contradictory to the shared norm that managers should possess the relevant knowledge themselves: *'No one wants to admit in a meeting that he doesn't get it […] It's something that you notice, that people have the feeling that they cannot admit such a thing because of their reputation'* (interviewee 9, Alliander). Another shared norm is that risks should be avoided, by following strict procedures. Managing for stakeholders however may include searching for collaborative and innovative solutions, which does not fit within strict procedures aimed at avoiding risks. The shared norm is that following procedures comes first: *'It's a culture of rules and procedures […] without looking at the underlying stakes'* (interviewee 1, Alliander).

System level barriers

Ten out of twenty-three interviewees see becoming a stakeholder firm as a legacy problem. Because of their history as monopolists, all DSOs are used to having a knowledge lead on their stakeholders: *'It's the history of the firm. We have an incredible knowledge advantage as a monopolist: we will tell you what's good for you, we manage the underground infrastructure which no one else can see, we will make the decisions'* (interviewee 10). Besides that, the background as monopolists make that reliability is of utmost importance. This limits the room there might be to become a stakeholder firm: *'I think that change is always difficult, but if I look at our industry specifically, we have the additional handicap that we have a background as a public service where everything has to be extremely reliable, we have to score straight A's'* (interviewee 8, Alliander).

Sixteen out of twenty-three interviewees see becoming a stakeholder firm as a legitimacy problem. Alliander can only change if that change is accepted by its surroundings. One aspect that stands out is Alliander's role as a public service provider. Residents are bound to the DSO that serves their region, this makes the societal 'license to operate' important, which comes with expectations by the community, media, and politicians. Moreover, these expectations are influenced by decades of exposure to the free market paradigm: *'They tend to think "a monopoly* *should be as small as possible, it should mind its own business, you should leave the rest to the free market, you can not abuse your power as a monopolist for all those fun things you want to do for society"'* (interviewee 13, Alliander*).* Solutions that are very innovative sometimes reach the boundaries of what is possible within the current laws. While the former example was about legitimacy in terms of informal rules or expectations, this example is about legitimacy in terms of formal rules. There may be collaborative solutions, but if these solutions are not conforming current law, this proves to be a barrier: '*This is happening right now. We are working on an innovative project where residents own solar panels, but not on their own roof. The law is not ready yet for this kind of decentralized energy production'* (interviewee 6, Alliander*).*

These seven barriers on three different levels resulted from our case study. Not all of these observations are in line with previous research. Therefore, the next section discusses implications of our results for stakeholder theory, the scientific domain that studies the stakeholder approach.

Discussion: implications for stakeholder theory

Several phenomena in our study were hard to understand based on previous research in stakeholder theory, the scientific domain studying the stakeholder approach. In this section these results are described as paradoxes needing further theoretical attention. Each paradox is translated into a proposition that is aimed at advancing stakeholder theory. The paradoxes together cover all three levels on which we found barriers to becoming a stakeholder firm. While the paradoxes follow directly form our results on barriers to becoming a stakeholder firm, the implications for stakeholder theory are formulated as more general propositions, not explicitly addressing barriers.

Individual level: the entrepreneur paradox

As in the literature (Adams et al., 2011; Agle et al., 1999), interviewees argue that a stakeholder firm is different from a traditional firm because the individuals in the firm have different values on which they act. How interviewees relate specific values to a stakeholder firm however is remarkably different from previous studies. Earlier, entrepreneurial values were associated with the traditional firm. Directors "whose values are more entrepreneurial" (Schwartz, 1992) are said to be more likely to "endorse strategies that benefit shareholders" (Adams et al., 2011). The interviewees in our study however, when asked about what needs to change in order to become a stakeholder firm, argue that it is exactly this 'entrepreneurial spirit' that is needed to get a more outward oriented firm. This is part of why these interviewees see the individual competence problem as a barrier to becoming a stakeholder firm. These interviewees criticize the way in which individuals in their firm are currently occupied with reducing risks and isolating their primary processes from external influences as much as possible. Indeed, becoming a stakeholder firm implies seeing external influences as an opportunity to create value. This brings us to the analysis of managerial cognition by Crilly and Sloan (2012) who distinguish between managers that see stakeholders as an opportunity to create value versus managers that see stakeholders as a potential threat that needs to be reduced. Managers that focus on wealth (Rokeach, 1972) and economic responsibilities (Aupperle, 1984), exactly the values related by Agle et al. (1999) to low stakeholder salience, leads them to seeing the environment not as a potential threat but as an opportunity for value creation, indicated by Crilly and Sloan (2012) as an important condition for stakeholder salience. Hence, while too much of it may lead to short-term shareholderism, the creation of value is the tenet of stakeholder theory (Parmar et al., 2010) and some form of entrepreneurial values is indispensible. This relates closely to the statement that stakeholder theory is not just about striking the right balance when "dividing the pie", but about increasing the pie by creating innovative solutions where trade-offs should have otherwise been made (Parmar et al., 2010). The following proposition, visualized in figure 1, may contribute to a better understanding of organizations that aim to become a stakeholder firm.

Proposition 1: individuals that act on entrepreneurial values are both positively related to the extent to which a firm is a stakeholder firm because of their disposition towards innovating and taking risks and negatively related to the extent to which a firm is a stakeholder firm because of their disposition towards short-term profit maximization.

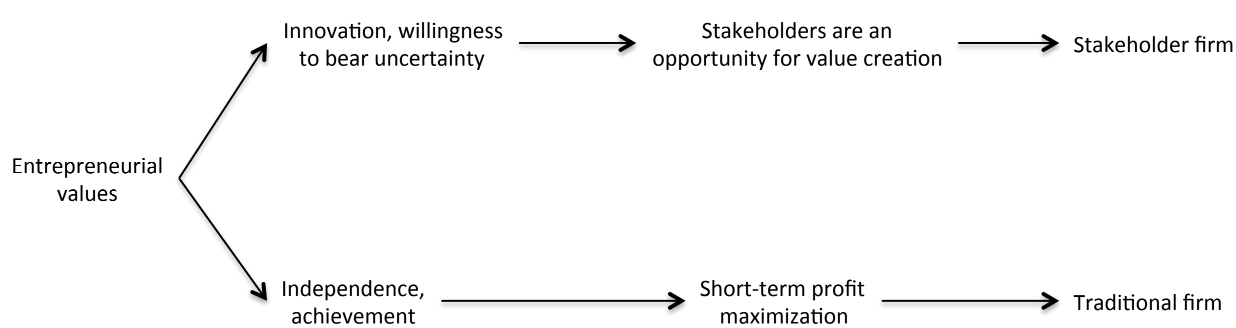

Figure 1: A paradoxical relation between entrepreneurial values and the stakeholder firm

Firm level: the stakeholder culture paradox

Jones et al. (2007) theorized about how each firm has a certain stakeholder culture. This stakeholder culture concerns the beliefs, values, and practices of a firm "that have evolved for solving problems and otherwise manage stakeholder relationships" (Jones et al., 2007, p. 137). Corporate egoist firms have beliefs, values, and practices that explain why those firms are typically self-regarding, while those of instrumentalist and moralist firms explain why those firms are other-regarding. The firm in our study paradoxically did not fit this typology: the beliefs and values we found were typically those of a instrumentalist or moralist firm, while the practices often were those that fit a corporate egoist firm. This is part of why interviewees see the organizational culture problem as a barrier to becoming a stakeholder firm. Apparently, the consistency between beliefs, values, and practices as supposed by Jones et al. (2007) does not have to hold in practice. Indeed, the inconsistency of a firm's stakeholder culture is implied when a firm experiences a gap between its ambition to behave like a stakeholder firm and its actual behavior.

To understand how inconsistent stakeholder cultures may come about we turn to the works of Bourdieu and his concept of symbolic capital (Bourdieu, 1984, 1989). In the terms of Bourdieu social reality can be divided into separate social spaces that have their own characteristic symbolic capital. This symbolic capital consists of the resources available to an individual on the basis of honor, prestige or recognition (Bourdieu, 1984). In the social space of academics for example, prestige may be based on highly cited publications. These publications give an academic symbolic power, while these same publications may be close to worthless if the individual finds itself in another social space, such as the social space of athletes. Bourdieu argues that individuals are inclined to act in such a way that they increase what in their social space is regarded as symbolic capital (DiMaggio, 1979).

A firm's ability to act as a stakeholder firm depends on its ability to effectively engage in stakeholder interactions (Freeman, 1984, p. 69 and further). These interactions might entail different levels of stakeholder participation, for example by providing information to stakeholders, consulting stakeholders when making decisions, or even co-decide (Green and Hunton-Clarke, 2003; Greenwood, 2007). In the firm we studied many managers and directors have an engineering background. Engineers are known to be oriented towards practical, hands-on solutions (Tonso, 2006). Indeed, in this firm we saw that the prestige of these managers and directors partly depended on the practical ‘engineering’ solutions that they had to offer to the challenges the firm faces. Engaging in a process that involves stakeholders to collaboratively identify solutions to challenges is typically not well aligned with the disposition of engineers. While the firm has beliefs and values that align with being a stakeholder firm, the gap between these beliefs and values and the disposition of the employees based on what they regard as symbolic capital form a barrier to translate the beliefs and values into practices.

We expect that other firms, even if they are not characterized by employing engineers as the firm in our study, may be susceptible to the barrier formed by symbolic capital to having a consistent stakeholder culture. The prestige of managers in general is based on being “directive and controlling” (Carmichael, 1995). Managers attain symbolic capital by being persistent, decisive, and vigorous. Again, this disposition of managers does not typically align very well with engaging in processes that involve stakeholders in collaboratively identifying solutions. Therefore, we come to the following proposition.

Proposition 2: the dissonance between what is regarded in a firm as symbolic capital and the beliefs and values of a stakeholder firm is negatively related to the extent to which a firm is a stakeholder firm.

Firm level: the operational excellence paradox

Stakeholder theory is primarily not about making trade-offs between the interests of various stakeholders, but about finding creative and innovative solutions that make every stakeholder better off (Freeman, 1984; Parmar et al., 2010). Paradoxically, putting effort in finding creative and innovative solutions demand resources from managers that they then cannot allocate otherwise. In other words, becoming a stakeholder firm and preventing having to make trade-offs between stakeholders, requires a trade-off within the firm. This is part of why interviewees see the trade-off problem as a barrier to becoming a stakeholder firm. The interviewees in our study typically interpret this trade-off in the following terms: the more you are occupied with engaging with stakeholders and adopting your products and services towards the outcome of stakeholder dialogues, the less you are able to focus on gradually improving existing products and services. One of the strategic aims of the firm is to improve its ‘operational excellence’. Employees from all levels are asked to continuously gradually improve existing processes. Stakeholders and specifically changing demands as identified in stakeholder dialogues, from this point of view, are seen as a barrier to improve the firm's operational excellence. Apparently, the managers and directors in our study did not deem stakeholder engagement necessary for gradually improving products and services.

While the interviewees did not use those terms, their interpretation shows close similarity to the scholarly debate on exploration and exploitation (Benner and Tushman, 2003; Gupta, Smith, and Shalley, 2006; He and Wong, 2004; March, 1991; Uotila, Maula, Keil, and Zahra, 2009). Exploration is about new opportunities and exploitation about old certainties (March, 1991). "Exploration includes things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation. Exploitation includes such things as refinement, choice, production, efficiency, selection, implementation, execution" (March, 1991). It seems that the striving for operational excellence in our study overlaps with 'exploitation', while becoming a stakeholder firm in our study overlaps with 'exploration'.

The scholarly debate on exploration and exploitation suggests that firms may have to "keep both processes in play at all times", and firms that are able to simultaneously explore and exploit have been called 'ambidextrous' (He and Wong, 2004). If we extend the analogy to our study, this ambidexterity might help a firm becoming a stakeholder firm without having to give up the aim to increase its operational excellence. Hence, connecting this debate to our study, we come to the following proposition.

Proposition 3: a firm's ambidexterity positively correlates with the extent to which a firm is a stakeholder firm.

System level: the legitimacy paradox

When a firm does not act in the interest of its stakeholders, these stakeholders might organize actions that lead to reputational damage and financial loss for this firm. This may even be the case when the firm actually aims to satisfy various stakeholders, as long as these stakeholders are convinced that their interests are not taken into account. Paradoxically, efforts to take stakeholders into account do not necessarily result in stakeholders perceiving themselves being taken into account. Such a concern was expressed by the firm in our study, which explicitly aims to act in the interest of society as a whole: “who are we to decide what is best for the society?” And: “who are we to spend all this money doing fun stuff, with as an excuse that it serves the interest of the society?” This is part of why interviewees see the legitimacy problem as a barrier to becoming a stakeholder firm. An example that illustrates this well is the effort of the firm to introduce the smart meter, an electronic device that can be monitored and controlled from a distance that replaces conventional electricity meters. The firm tried to serve the interest of the society by installing smart meters that are believed to have an important role in the transition towards a more sustainable electricity system. That same society however came into action to prevent further installments of smart meters, because the public feared an infringement of their privacy (Dutch newspaper, 2009).

Taking stakeholders into account is seen as a way to increase a firm’s legitimacy (Laplume et al., p. 1177). Paradoxically, aiming to serve the interest of stakeholders may jeopardize a firm’s legitimacy in the eyes of those exact stakeholders. A stakeholder firm in this way might lose its ‘license to operate’ (Crilly and Sloan, 2012). This brings us to the following proposition.

Proposition 4: the legitimacy of a stakeholder firm is positively correlated to the extent to which the firm understands their stakeholder’s interests

Conclusion

This study answers the question what barriers firms encounter when trying to become a stakeholder firm. We found barriers on three different levels: becoming a stakeholder firm entails challenges on the individual, firm, and system level. With this framework, we contribute to knowledge on the challenges on adopting a stakeholder approach. While earlier contributions mainly consisted of conceptual studies (Jensen, 2002; Kaler, 2006; Margolis and Walsh, 2003; Mitchell et al., 1997; Wolfe and Putler, 2003), we provide empirical evidence from a firm in transition.

The small number of previous studies on barriers did not appreciate the full complexity of barriers that firms may encounter when trying to become a stakeholder firm. To our surprise, the symbolic capital in a firm proved to be an important barrier. In our case, the managers had a shared norm that managers should be the ones that come up with solutions for important decisions. This makes it difficult to become a stakeholder firm, since the latter would require acknowledging that stakeholders should be involved to find the best solution for a certain issue. We conclude that a firm's potentiality to become a stakeholder firm cannot be seen independently from where the firm itself is coming from.

We observe that the stakeholder approach, although not always in those terms, has an important influence on the way managers define their role, but not always as it was intended. It is striking that the interviewees see managing for stakeholders as a zero-sum game. The interviewees are convinced that satisfying stakeholder needs must come at the expense of something else. They regard managing for stakeholders as a very labor-intensive process, which requires substantial reallocation of resources. To be able to become more other-regarding, operational excellence and reliability are named amongst the most prominent 'victims' of the stakeholder firm. Indeed, managing for stakeholders comes with additional tasks (Margolis and Walsh, 2003). On the other hand, stakeholder theory is originally presented as being about creating win-win situations by identifying those opportunities where the stakes of different stakeholders align (Freeman, 1984). This difference implies that either stakeholder theory should be less naive about the possibility to focus on stakeholders without sacrificing anything else, or managers should be less skeptical about what it takes to become a stakeholder firm. Our view is that while there may be substantial gains from using the opportunities that aligned goals may offer, the interviewees provide a strong case that a real stakeholder firm must bring some sacrifices.

The four propositions that this study resulted in may open up opportunities for future research. The proposition that entrepreneurial values might be related to both stakeholder firms *and* traditional firms might prove relevant for future research that aims to understand stakeholder theory on the individual level. Agle et al. (1999) found mixed results when studying the moderating effect of CEO values on stakeholder salience and already indicated that more research was necessary to understand these phenomena (p. 520). The phenomena are too complex to be captured by merely a distinction between self-interested and other-regarding individuals (Adams et al., 2011). Our findings provide a new perspective that might enlighten the ambiguous relation between values and the stakeholder firm. Future studies might show that there exists a curvilinear relation between entrepreneurial values and the stakeholder firm, with too little or too much entrepreneurial values forming a barrier to becoming a stakeholder firm. Another explanation might be that there exist several types of entrepreneurial values, of which some are related to the stakeholder firm and others to the traditional firm.

To our knowledge the link between stakeholder theory and the exploration exploitation debate had not been identified as such. This link opens up several opportunities for future research. If indeed being a stakeholder firm may be understood in terms of exploitation and exploration, this might imply that stakeholder firms might outperform traditional firms specifically in those industries that are characterized by high competitiveness and dynamism, because these are the industries in which firms focusing on exploration outperform those that focus on exploitation (Walrave, Van Oorschot, and Romme, 2011). Moreover, it might imply that stakeholder firms, like ambidextrous firms, might benefit from 'transformational leadership' if they simultaneously have the aim to gradually improve their existing products and services (Jansen, George, Van den Bosch, and Volberda, 2008).

A limitation of our study is that it provides a single case. Studying other firms that have the desire to become a stakeholder firm but encounter barriers might prove useful for confirming or refining the framework we presented. Also, studying the firm in a relative short timeframe of a year as we did has its limits. Future longitudinal studies may prove useful in determining whether there is a sequence in barriers that firms encounter when trying to become a stakeholder firm, analogous to a previous study that showed a sequence in stakeholder saliency (Jawahar and McLaughlin, 2001).

It is quite common in stakeholder theory to exchange the extent to which a firm resembles a stakeholder firm with the firm's desire to be a stakeholder firm. Our findings however suggest that it makes sense to distinguish between the two. This distinction is relevant when trying to explain variation in the extent to which firms manage for stakeholders. Where previous studies would conclude that the firms apparently choose to follow the principles of the traditional conception of the firm, we would argue that some of these firms might actually try to adopt the principles of the stakeholder firm, but are not successful in realizing that ambition. The framework we developed can assist managers in appreciating the full complexity of becoming a stakeholder firm.

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