achieving financial success/survival. This suggests that information is reported to the community in so far as the community has the power to affect the firm and that there is a close link between actions relating to the survival of the firm and the right of stakeholders to be informed. To concentrate on positive, or normative perspectives alone will result in the failure to consider an important part of the story identifying why the firm chooses to report information to stakeholders.

5. The measure of environmental sensitivity adopted was that developed in Deegan and Gordon 1996.

References


Currently the author is involved in a project with Gary O’Donovan and Jeffrey Faux in which they are seeking to discover what individuals understand by the Triple Bottom Line, think about the Triple Bottom Line and whether Triple Bottom Line Issues are considered in decision-making. The project involves an online survey that would take no more than 10 minutes to complete. The researchers would be most appreciative if you could go the website below and complete the questionnaire:

http://www.staff.vu.edu.au/faux

For further information contact Trevor at Trevor.Wilmshurst@utas.edu.au

MANAGERIAL ATTITUDES TOWARD STAKEHOLDER PROMINENCE WITHIN A SOUTHEAST ASIAN CONTEXT

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This paper presents the results of an international study on attitudes toward stakeholder prominence. The objective of the study was to examine the perceived prominence of selected stakeholders by a group of respondents, predominantly organisational managers and managerial students in Australia, China and Indonesia, who represent current and future primary decision-makers within an organisation. For the purposes of this study, the 6 stakeholders chosen for analysis were Customers (CUST), Employees (EMP), Environmental Groups (ENVGP), Government (GOVT), Investors (INV), and Suppliers (SUPP).
Prominence is comprised of three attributes; (1) legitimacy, (2) power, and (3) urgency, identified in a stakeholder typology model by Mitchell, Agle and Wood, (1997). The study incorporates a hierarchical decision model to determine prominence, using a methodology proposed by Hosseini and Brenner (1992) to generate value matrix weights for each of the attributes, for each stakeholder. Each stakeholder is then be classified into 7 qualitative classes according to the strength of each attribute they possess (Mitchell et al, 1997, p.874). The classes are (1) dependent [legitimacy and urgency but no power], (2) dominant [legitimacy and power but no urgency], (3) demanding [urgency, but no legitimacy or power], (4) dormant [power but no legitimacy or urgency], (5) dangerous [power and urgency but no legitimacy], (6) discretionary [legitimacy but no power or urgency], and (7) definitive [legitimacy, power and urgency].

Understanding individual attitudes of managerial participants, allows a greater insight into possible organisational responses and strategy toward stakeholders and their issues, which in turn enables a greater understanding of their perceived importance in a region characterised by differing levels of economic and social development.

The study will allow an empirical examination of stakeholder theory in an international context, which to date has not yet been attempted on a large scale. This is important given that countries are increasingly becoming ‘globalised’ with respect to both their economic and social structures. There is also a need to assess the function of stakeholder groups within a regional context, which is characterised by intense industrialisation, affecting the cultural, economic, and political fabric of society. The three countries (Australia, China and Indonesia) were chosen specifically because of their strategic impact, politically and economically, on the South-East Asian region, and given their distinct differences in economic and social development. Further, there is a need to gauge the extent to which a social contract exists in society between the principal (stakeholder) and agent (organisation). The study therefore provides an insight into the extent to which the often informal contract in a principal (stakeholder)-agent (organisation) relationship exists for particular stakeholders.

Current mainstream stakeholder literature has been categorised by Donaldson and Preston (1995) as being either: normative, instrumental and/or descriptive. Much of the literature has focused on who and what constitutes a stakeholder (Carroll, 1991; Freeman, 1994); the property rights issues associated with the stakeholder concept (Goodpaster 1991, DenUyl 1992, Sternberg, 1997); how such a theory is instrumental in reducing organisational costs (Jones, 1995) and; strategic typology’s that seek to identify a stakeholders relationship to an organisation (Rowley, 1997; Mitchell et al, 1997). Little attempt has been made to explore empirically the extent to which managers in a single country, let alone across countries, endorse a ‘stakeholder’ as distinct from a ‘shareholder’ concept. Agle, Mitchell and Sonnenfeld (1999), found that stakeholder salience (legitimacy, power and urgency) is positively related to all stakeholder groups examined, those being shareholders, employees, customers, government and communities. In particular, the salience of shareholders, employees and
customers was higher than that of government and community. The Agle et al. (1999) study was the first to test empirically the Mitchell et al. (1997) model, although it did not examine the degree to which one stakeholder is considered salient against another, or the differences between societies regarding stakeholder prominence, which this study seeks to achieve.

In this study, solicitation of attitudes toward stakeholder prominence was via a questionnaire, which was translated from English into both Chinese and Bahasa Indonesian, for use in China and Indonesia respectively. The questionnaire was divided into two sections. The first section contained demographic details of the respondent, including sex, age, country of birth, cultural background, education level and occupation. The second section comprised three sets of multiple pairwise comparison grids based on the three attributes (legitimacy, power and urgency), that together comprise respondents’ beliefs regarding stakeholder prominence.

The model used in the study to determine the prominence of stakeholders, was the Mitchell, Agle and Wood’s (1997) stakeholder identification typology, which measured the ‘prominence’ of stakeholders via three key attributes: (1) legitimacy, (2) power, and (3) urgency. The typology is dynamic in the sense that it “allows predictions to be made about managerial behaviour with respect to each class of stakeholder, as well as predictions about how stakeholders change from one class to another and what this means to managers” (p.855). The ranking system used was the Analytical Hierarchy Process (AHP), which is a method that allows both quantitative and qualitative criteria, expressed in either financial or non-financial terms, to be compared pairwise in order to facilitate a decision as to the most appropriate choice for a stated objective. Saaty (1990, p.259) states that the AHP decomposes “a complex problem into a multi-level hierarchical structure of objectives, criteria, sub-criteria and alternatives”. Each attribute of stakeholder prominence itself is not sufficient alone to guarantee salience. To assess whether each stakeholder possessed prominence with respect to each attribute in each respondent category (country and occupation) in this study, an average was taken for each stakeholder of .166, representing the score of one (1) and dividing this by the six (6) stakeholders under consideration. Scores above the .166 average indicated prominence for that particular stakeholder in that attribute, based on that stakeholder’s comparison with all other stakeholders. Scores below .166 did not.

For the sample, 200 “management students” enrolled in management programs at four educational institutions¹, and 200 “managers” in public and private corporations nationwide were sought in Australia, China and Indonesia ((200x3) + [200x3]=1200). Respondents were

¹ The questionnaires were circulated by the researcher at each of the following four educational institutions within the three countries throughout the period, September-November 1999: (i) Postgraduate Certificate in Management/MBA Program - Macquarie Graduate School of Management – Macquarie University, NSW, Australia, (ii) Executive MBA Program - Guanghua School of Management – Peking University, Beijing, China, (iii) Master of Management Program - University of Indonesia (MMUI); and (iv) the MBA Program - Institut Pengembangan Manajemen Indonesia (IPMI) – Jakarta, Indonesia.
classified into 5 categories. First were owners of organisations, second were full-time managers, third were both full-time managers and part-time students, fourth were full-time students, and fifth were ‘other’ respondents. Owners\(^2\) and managers represent the primary decision making function within an organisation. Operational Owners and Managers mediate between the current interests of the organisation as a whole and that of the stakeholders. Managerial Students represent the future interests of the organisation. For the “management student” category, 200 Australian, 192 Chinese and 205 Indonesian respondents were actually obtained for the study. Results for the mailout for the “managers” indicated a low response rate in particular for Chinese and Indonesian managers. 12 out of the 200 Chinese Managers mailed returned completed questionnaires, a response rate of only 6%, indicative of previous Chinese studies\(^3\). Despite organisational addresses being obtained from the “China Phone Book and Business Directory – 1999”, the low response rate can be partially attributable to the continuous organisational change being undertaken in China, where inefficient state-owned enterprises are being closed, as China makes the transition toward a market-based economy. As a result, some of the organisations in the mailed sample may have ceased to exist at the time of survey. In Australia, 36 of 200 managers (18%) returned completed questionnaires, whilst in Indonesia the response rate was 33/200 (16.5%). To test for non-response bias, a one way analysis of variance (ANOVA) test was undertaken to analyse for differences between managers who had sent back questionnaires in the first mailout, with those who had returned questionnaires from the second mailout undertaken two weeks later. The null hypothesis of no significant difference was not rejected at the 0.05 level, signifying that early and later respondents did not significantly differ in responses.

The results (see Table 1) indicated that in Australia, both CUST and INV are seen as definitive stakeholders. That is, they possess all three attributes of legitimacy, power and urgency (at a score above .166) and are therefore perceived as a primary organisational stakeholder, in direct comparison with other stakeholders. EMP are dependent, indicating that whilst they have legitimacy and urgency, they lack power within a firm. GOVT is seen as dormant, having power but no real legitimacy or urgency. ENVGP and SUPP are not considered of any importance to the firm compared to other stakeholders.

However, in China, the central organisational focus is around GOVT and INV, where both are considered definitive. CUST only possess urgency, and therefore are demanding and considered latent. This may be partly due to the non-market-oriented environment of China. ENVGP is

\(^2\) Owners as represented in this study represent those persons who hold an operational role within the firm. Passive shareholders, although owners, were not solicited as part of the sample because they do not represent a primary decision function within the organisation with respect to its relationship with stakeholders.

\(^3\) A 1996 research study (Wang and Newman, 1997) on “Environmental Management and Attitudes of Chinese Managers and Accountants” involving mailed questionnaires undertaken by the China Research & Development Centre of the State Council (CRDC) on 50 public and 450 non-public enterprises in China, yielded a response rate of 12%.
considered dependent (legitimacy and urgency). Both EMP and SUPP are considered of no importance.

Results for Indonesia were similar to Australia, with CUST and INV seen as primary stakeholders within the organisation, GOVT seen as dormant (power only), a reflection of the negative attitude toward the bureaucratic structure in Indonesia, and ENVGP and SUPP not considered important stakeholders. However, EMP were classified as discretionary (legitimacy), and not dependent (legitimacy and urgency) as they were in Australia. This may be partly attributed to the low emphasis on industrial democracy and unions in Indonesia, where labour standards are poor.

The above results indicate an emerging stakeholder approach in China. Greater emphasis is placed on the stakeholder which can impose the greatest harm, or threaten an organisation’s very existence, that being GOVT or INV. EMP, increasingly seen as important business assets in the West through their provision of intellectual capital, are not seen as important in Indonesia and particularly also not important in China. There were no differences between Australian and Indonesian respondents regarding the prominence of CUST, ENVGP, INV and SUPP. However, significant differences between Australia and China and Indonesia did exist with other stakeholders. China therefore appeared to be distinct from both Australia and Indonesia.

The study seeks to add significantly to the stakeholder literature by providing much needed empirical evidence from a dynamic region characterised by differing levels of economic and social development, whilst in the process utilising the stakeholder typology of Mitchell et al. (1997) and the value matrix weights proposed by Hosseini and Brenner (1992) to generate data scores.

References


Further details about the study can be obtained from Lorne Cummings at lcumming@efs.mq.edu.au