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Stakeholder Influence Strategies: The Roles of Structural and Demographic Determinants

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Using Frooman's typology of stakeholder influence strategies, this research examines the strategies that stakeholders select to exert influence on a firm. Using an experimental approach, the responses of actual environmental leaders to a series of hypothetical vignettes were examined. The results of the experiment suggest how both structural and demographic variables can act as determinants of strategy choice along with how these two types of variables may both complement and inhibit one another. Specifically, the results suggest that repertoires of strategies play a critical role in stakeholder behavior. Demographic variables appear to define the repertoires of strategies the stakeholder will typically choose among, whereas structural variables further refine choice from within that repertoire.

Keywords: *stakeholders; stakeholder management; stakeholder strategies; influence strategies; environmental leaders*

At 2 p.m. EST, on April 17, 2001, Greenpeace activists with Halloween masks storm Trader Joe's stores in nine states, seize cornbread mix from the shelves, and wheel it out in shopping carts. Like a scene in

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Puritan New England with the public stocks on the village commons, the cornbread boxes are piled in the parking lot of this upscale grocery store chain and slung with warnings for management to heed:

> We have removed these products from your shelves because they contain un-safe genetically engineered ingredients . . . now it's your turn. (Greenpeace, 2001)

Management, stunned and angry, lashes back, calling the behavior of the activists "hysteria." They make it clear that Greenpeace has not seen the last of Trader Joe's cornbread. Just 6 months later, though, a consumer boycott engineered by Greenpeace is having an effect. For weeks, store managers have been pulling cornbread mix—and other products targeted by environmentalists—from shelves and tossing it into dumpsters behind the stores as it runs past its expiration date. Management calls a press conference and announces that it has agreed to force its suppliers to stop using genetically engineered (GE) ingredients (Trader Joe's, 2001).

The behavior of activist groups such as Greenpeace often seems to be inscrutable to managers who frequently appear to be blindsided by stakeholder organizations that appear to come at them out of the woodwork, making demands and leaving little room for negotiation. Anecdotal accounts and some empirical evidence suggest that at least some of the time these stakeholders have a significant impact on firm behavior; consider as further examples such classic cases as Nestle and infant formula (e.g., Newton, 1999), Nike and sweatshop labor (e.g., Knight & Greenberg, 2002), and firms in South Africa under apartheid (e.g., Kumar, Lamb, & Wokutch, 2002; Teoh, Welch, & Wazzan, 1999).

Given these examples, it stands to reason that if strategic planning is a crucial part of a manager's job, then understanding how stakeholders try to influence firms has to be a crucial part of a manager's job, too. After all, if managers operate in an interactive business environment, then their strategic plans have to be partly a function of the activity they find around their firms.

To provide guidance to firms trying to manage their stakeholder relationships, much of the work done to date by stakeholder theorists has favored a demographic approach to the analysis of stakeholder organizations. This demographic approach has focused on identifying key stakeholder attributes (Anderson, 1978; Carroll, 1989; Clarkson, 1991, 1995; Egri & Herman, 2000; Freeman, 1984; Freeman & Reed, 1983; Goodpastor, 1991; Mitchell, Agle, & Wood, 1997; Rowley & Moldoveanu, 2003; Wood, 1994). Within this approach, the stakeholder map, a hub-

and-spoke characterization of the firm and its stakeholders (Freeman, 1984), has prevailed as the dominant heuristic. Accompanying such a map is usually the table of stakeholder demographics such as size, location, legitimacy, and interest, which often becomes the basis of a strengths, weaknesses, opportunities, and threats (SWOT) analysis, such as the SEPTEmber model (e.g., Wood, 1994).

The other major way of understanding the influence of stakeholders is the structural approach that focuses on the relational setting that organizations exist within as opposed to the organizations themselves (Granovetter, 1985; Lamberg, Savage, & Pajunen, 2003; Rowley, 1997; Savage, Blair, & Sorenson, 1989; Scott, 1992). In other words, instead of concentrating on demographics (the *node*, to borrow a term from network theory), the structural approach is all about relationships (the *tie* between the nodes). Thus, whereas demographic data might include the size, location, and interests of a stakeholder, relational data could include the level of dependence of the stakeholder on the firm, the centrality of the firm within a network of stakeholders, or the degree of information asymmetry between a firm and a stakeholder.

A very few stakeholder studies (Frooman, 1999; Hill & Jones, 1992; Rowley, 1997) have used the structural approach, but there is still little understanding regarding how the relational setting can constrain and thereby shape stakeholder behavior—or more precisely, how structure can be a determinant of stakeholder influence strategies. In addition, although each approach—demographic and structural—may have its uncompromising advocates, most scholars would probably concede that both approaches are valid and have explanatory power regarding the behavior of organizations. However, there is little work to date regarding the conditions under which each approach may prevail and thus how exactly the two may complement one another.

In this article, we examine one structural account of stakeholder activity. Specifically, we test whether one component of a firm's relational setting—its resource relationships with stakeholders—is a determinant of the choice of strategies stakeholders use to influence a firm in situations where negotiations either have not occurred or have broken down. Based on results generated, we demonstrate that the demographic approach, although it has produced many valuable insights into stakeholder behavior, is limited and that structural variables are also critical to the construction of a model of stakeholder behavior. We propose how firm-stakeholder relationships and stakeholder attributes together may help firm managers anticipate and therefore potentially manage the behavior of their stakeholders.

An Example: Trader Joe's Versus Greenpeace

The example this article will refer to throughout is the one between Trader Joe's and Greenpeace. Trader Joe's generates some $2 billion in annual revenues from its 200 stores mainly located on the East and West coasts (Wu, 2003). It sells high-quality products free of preservatives, dyes, and artificial flavorings, which are often organic. At the outset of their dispute, Trader Joe's management was perfectly correct in pointing out that not only is there no law against GE food but that the Food and Drug Administration has actually approved it as being perfectly safe and nutritious (Organic Consumers Association, 2001). Nevertheless, after 6 months of persistent leafleting, picketing, and petitioning of customers by Greenpeace activists, a management survey of customers showed that nearly 95% of the customers were both aware of the issue and opposed to the use of GE ingredients in Trader Joe's foods (Greenpeace, 2001).

About 85% of the roughly 1,000 products Trader Joe's carries are sold under the store's private label (Trader Joe's, 2001). Trader Joe's maintains close ties with its suppliers and pays in cash. The suppliers are a somewhat rare breed: specialty manufacturers using only organic/whole foods ingredients but producing enough quantity to meet the demands of the 200-store, high-volume Trader Joe's chain. For many of them, the Trader Joe's chain is their single biggest client.

Once its customers aligned themselves with Greenpeace, Trader Joe's leaned hard on these suppliers. The outcome was this: Within 1 year, suppliers were to reformulate products if necessary, certify all ingredients as GE-free, and be prepared to submit to random testing by Trader Joe's. Trader Joe's, in turn, was to maintain all current supplier relationships, try to absorb the cost of any reformulation by paying suppliers additionally per item, and hold store shelf prices steady to try to maintain sales volume for the suppliers.

RESOURCE EXCHANGE AND DEPENDENCE: A FRAMEWORK FOR NONNEGOTIATED EXCHANGE

It has been argued that the more interesting class of firm-stakeholder interactions consists of those situations where the interests of some stakeholders and a firm are in conflict (Dill, 1975; Freeman, 1984; Frooman, 1999; Lamberg et al., 2003). After all, if a firm and its stakeholders are in agreement, there is no need to be managing the stakeholders and surely no need for a theory about stakeholders. Because these firm-stakeholder confrontations are a subset of organizational interactions in general, it makes

sense to begin to look for possible accounts of how these interactions will play out from within the organization theories. Among these theories, it is agency, exchange, network, and resource dependence theories that have as their focus how particular actors within the environment affect a focal organization and assume that the focal organization can actively respond (Donaldson, 1995; Nohria & Gulati, 1994; Oliver, 1991). Agency theory (Hill & Jones, 1992) and network theory (Rowley, 1997) have proven to be useful approaches to developing stakeholder theory. However, for firm-stakeholder interactions in which interests conflict, and especially in cases of nonnegotiated exchange where at least one party is unwilling to negotiate further or not at all, it is the resource dependence and exchange theorists who have argued how events will proceed (Molm, 1990, 1997; Molm, Peterson, & Takahashi, 1999; Pfeffer, 1981, 1992, 1997; Pfeffer & Salancik, 1978). In short, they have argued that when interests diverge and negotiations have reached a standstill, power will determine the outcome. We will proceed from this premise that power arising from resource exchanges and dependencies are central to the resolution of nonnegotiated conflict, and we will build our argument within the framework that resource dependence and exchange theories provide.

Originally, exchange theory functioned on the individual level of analysis (Blau, 1964; Cook & Emerson, 1978; Emerson, 1962, 1972), whereas resource dependence theory was designed for the organizational level (Pfeffer, 1982; Pfeffer & Salancik, 1978). Over time, though, the focus of exchange theory changed to include both levels, and eventually resource dependence was subsumed under it (Cook, 1987; Cook, Molm, & Yamagishi, 1993; Molm & Cook, 1995). As a result, the two theories have many concepts in common. Central to both has always been the premise that dependence leads to power. If one organization is dependent on another for a resource, the one supplying the resource will have some power over the other. Power, then, is a characteristic of the relationship between the organizations. This means that power is a structural variable and is not an attribute of either organization by itself (Cook, 1977; Emerson, 1962; Molm, 1997; Pfeffer & Salancik, 1978). Similarly, the level of dependence is a structural variable, because it also has to do with the relationship between the two organizations. (So although the absolute level of resources a stakeholder may possess is a stakeholder attribute, the level of dependence of the stakeholder on a firm is a structural variable.) Finally, as they have traditionally been defined in the resource dependence and exchange literatures, the resources on which an organization may be dependent are financial, physical, and informational (Cook, 1977; Emerson, 1962; Molm, 1989; Pfeffer, 1982; Pfeffer & Salancik, 1978).

Table 1
Typology of Relationships and Strategies

| | | Is the Stakeholder Dependent on the Firm? | |
		Yes	*No*
Is the firm dependent on the stakeholder?	Yes	Direct compromise (high interdependence)	Direct coercion (stakeholder power)
	No	Indirect compromise (firm power)	Indirect coercion (low interdependence)

Source: Adapted from Frooman (1999).

Using resource dependence and exchange theories, Frooman (1999, 2003) generated a set of propositions about the behavior of stakeholders based on the dependencies between firms and stakeholders. He argued that the type of influence strategy stakeholders use is a function of the type of resource relationship the stakeholders have with a firm.

Types of Resource Relationships

The types of resource relationships were identified in terms of who is dependent on whom (Pfeffer & Salancik, 1978). The stakeholder can either be dependent or not dependent on a firm, and a firm, in turn, can either be dependent or not dependent on the stakeholder. The four combinations of these dependencies create the four resource relationships stakeholders and firms can be in: stakeholder power, firm power, high interdependence, and low interdependence (see Table 1).

Consider the Trader Joe's–Greenpeace example. Because it seems unlikely that any financial, physical, or informational resources have typically moved back and forth between Greenpeace and Trader Joe's, the relationship between the two appears to have been one of low interdependence: The stakeholder was not dependent on the firm, and the firm was not dependent on the stakeholder. However, the relationship between Trader Joe's and its suppliers appears to have been one of high interdependence. Physical resources (food products) moved from the suppliers to Trader Joe's in return for financial remuneration. Most importantly, Trader Joe's was the principal client of many of the suppliers, and for Trader Joe's, finding suppliers capable of providing high-quality specialty products in the quantities needed for a 200-store chain is probably not an easy task. Together, these suggest high interdependence.

Table 2
Influence Strategies

Types of Strategies	Definition
Manipulation	How the influencing occurs
Coercion	Decrease benefit or increase cost
Compromise	Increase benefit or decrease cost
Pathway	Who does the influencing
Direct	Stakeholder
Indirect	Ally of stakeholder

Types of Influence Strategies

The strategies stakeholders can use to change a firm's behavior were broadly defined as manipulation strategies (*how* a focal firm is influenced) and pathway strategies (*who* does the influencing) as shown in Table 2.

The manipulation strategies focus on the leveraging of resources flowing into a firm to influence that firm. There are two basic kinds: coercion and compromise (Frooman, 2003).[1] Coercive strategies are negative in nature and involve either the threat to reduce a benefit or increase a cost to a firm. So, typically, the stakeholder threatens to shut off the flow of a resource to a firm, or in some cases may threaten to drive up the cost of that resource, if the firm does not make the necessary changes the stakeholder is seeking. Compromise strategies are positive in nature and involve an offer to either increase a benefit or reduce a cost to the firm. So the increase in benefit or reduction in cost will occur if the firm makes the necessary changes the stakeholder is seeking. Both types of manipulation strategies involve leveraging resource flows—the essence of resource dependence theory—to induce firm cooperation. Because these two definitions are exhaustive and mutually exclusive, they are one way of effectively conceptualizing how resources can be manipulated and will therefore be used throughout this article. We note in passing that the withholding and usage strategies described by Frooman (1999) are arguably examples of coercive and compromise strategies, respectively, and thus would be subsumed under coercion and compromise. Finally, it is worth commenting that other categorization schemes for these strategies exist (e.g., Savage et al., 1989; Savage, Nix, Whitehead, & Blair, 1991).

Pathway strategies are in regard to whom does the actual resource manipulation. There are two possibilities: direct and indirect. In other

words, either the stakeholder does the manipulation itself directly, or an ally of the stakeholder does the manipulation. The first leg of any indirect strategy is communication—informing the ally about the firm's behavior and then urging the ally to engage in some particular action. (So although the stakeholder acts indirectly, its ally, of course, acts directly.) For example, the demonstrations, signs, leaflets, and buttonholing of customers on their way into the stores by the activists were all part of Greenpeace's communication strategy to its ally—the consumers.

Typology and Hypotheses

In a series of four arguments, Frooman demonstrated how the type of relationship could be a determinant of the type of influence strategy. In-depth presentations of these arguments exist elsewhere (Frooman, 1999, 2003); briefly put, though, they include the following:

1. When a stakeholder is dependent on a firm, the stakeholder dare not harm the firm, so the stakeholder chooses compromise, not coercion (Pfeffer & Salancik, 1978).
2. When a stakeholder is not dependent on the firm, it uses coercion. This is because the exchange ratio—the ratio of benefits obtained to costs expended—is maximized when a coercive strategy is chosen (Cook, 1977; Molm, 1990, 1991). After all, a compromise strategy, as previously defined, involves the stakeholder conceding something of value in return for a change in firm behavior; a coercive strategy requires no such costly concession.
3. When the firm is not dependent on the stakeholder, the stakeholder has no leverage over the firm, and so the stakeholder must seek out an ally on whom the firm is dependent (Pfeffer, 1982). Using such an ally to influence a firm is, by definition, an indirect strategy.
4. When the firm is dependent on the stakeholder, the stakeholder will act directly against the firm. A stakeholder acts directly to avoid becoming unnecessarily indebted to allies (Aiken & Hage, 1968; Blau, 1964; Gillmore, 1987; Mauss, 1925/1966).

The typology shows the mapping of the four stakeholder influence strategies onto the four resource relationships (see Table 1). From the typology, propositions can be generated, one from the columns and one from the rows:

Hypothesis 1: When stakeholder dependence is low, the stakeholder will choose a coercive strategy, but when stakeholder dependence is high, the stakeholder will choose a compromise strategy to influence the firm (main effect for stakeholder dependence).

> *Hypothesis 2*: When firm dependence is low, the stakeholder will choose an indirect strategy, but when firm dependence is high, the stakeholder will choose a direct strategy to influence the firm (main effect for firm dependence).

In the Trader Joe's–Greenpeace example, we have noted that Greenpeace was not dependent on Trader Joe's. Thus, according to Hypothesis 1, Greenpeace ought to have used a coercive strategy against Trader Joe's. Because Trader Joe's was not dependent on Greenpeace, Hypothesis 2 predicts that Greenpeace should have implemented its coercive strategy indirectly. Greenpeace did move indirectly: It busied itself trying to enlist the support of customers as an ally. The boycott that Greenpeace urged upon the consumers was, in fact, a form of coercion in that it threatened to reduce an obvious benefit to the firm—the inflow of sales revenues. Thus, the hypotheses accurately account for what was observed to have happened between those two organizations.

In the Trader Joe's relationship with its suppliers, we have suggested that Trader Joe's was dependent on the suppliers; thus Hypothesis 1 would predict the use of compromise by Trader Joe's. Because the suppliers were dependent on Trader Joe's, Hypothesis 2 would suggest that Trader Joe's would act directly. As noted, Trader Joe's did offer up a deal to its suppliers and did so directly without the influence of any intermediaries.

METHOD

We conducted a study to determine if the hypotheses described above could predict, beyond a set of examples such as the Greenpeace–Trader Joe's example described here, the strategies chosen by a stakeholder and to see whether a structural variable, such as resource dependence, could be a significant determinant of that choice. We used this basic story to design a series of vignettes and made the exchange relationship between the firm and the stakeholder vary as a function of our experimental conditions.

Instead of the correlational research approach commonly used throughout most stakeholder and strategy research to study the relationship between the independent and dependent variables, this study made use of the rigor gained by an experimental approach. This research approach was chosen for two reasons. First, the independent variables (level of dependence of the stakeholder and level of dependence of the firm) could be precisely manipulated via the experimental conditions. The vignette stated exactly what percentage of its resources each organization received from the other, thus making clear the exact levels of dependence.

In contrast, with a correlational study using historical firm data, it would be difficult to know the level of dependence of each party on the other, because data regarding the volumes of resources exchanged between organizations is rarely made publicly available. Measuring the independent variable, then, would have been speculative at best.

The second and most obvious benefit of an experiment is the amount of control it provides the experimenter. In newspaper accounts of confrontations over issues between firms and stakeholder groups, it became clear that there were numerous potentially confounding variables such as the level of media coverage, the novelty of the issue, the perceived legitimacy of the stakeholder group, the type of issue (environmental, health and safety, minority rights, etc.), the scope of the issue (local vs. national vs. international), the size of the stakeholder, the size of the firm, and so forth. Thus, we needed to be able to directly manipulate the independent variables that define the relationship between the firm and stakeholder to see how they affect strategies and control for other factors that might affect the outcomes. The best method for doing that is an experiment, because everything other than the independent variables can be held constant thus reducing interference from these extraneous variables and increasing the strength of the causal inferences.

Participants

Environmental leaders—the very kind of social stakeholder that firms seem to have some of the most trouble with—were sought out as participants. By using real professional environmentalists, we were able to extend beyond past research that has relied on samples of college students (e.g., Duffy, Shaw, & Stark, 2000; Turban & Greening, 1997). In addition, to improve external validity, three distinct locales were used for data collection: Arizona and Michigan in the United States and the province of New Brunswick in Canada. By seeking participants in such disparate locations and by using a transnational sample, we again hoped to move beyond past research that has tended to rely on data from single locations and instead fall in line with more current research that is striving toward multisite collection points for their data (e.g., Bansal & Roth, 2000; Egri & Herman, 2000).

Environmental groups in each locale were identified by two methods: obtaining lists from environmental umbrella (meta-) organizations functioning in those locales and by searching the Internet using the keywords *conservation*, *environment*, and *ecology*. A total of 202 environmental leaders in the three locales were identified.

All prospective participants were contacted by telephone first. Only 7 of the environmental leaders contacted declined our request to participate. The remaining 195 agreed to read the vignette and fill in the questionnaire. Of these 195 participants, 140 did eventually return the completed questionnaires (constituting a 72% response rate).

Sixty-five percent of the respondents identified themselves as executive directors, 27% identified themselves as project directors or policy specialists, and 8% identified themselves as officers in their organizations. The average length of service with their organization was 9 years with a standard deviation of 3 years, and the average age was 49 years with a standard deviation of 13 years. Fifty-four percent were males; 53% were members of their boards.

In terms of the organizations the participants were working for, the specifics were these: (a) 69% worked for independents and 31% worked for chapters of larger organizations, and (b) 89% of the organizations had less than 10 employees, 74% had annual revenues less than $250,000, and 68% had less than 1,000 dues-paying members. In terms of their principal mission, 15% were exclusively engaged in advocacy, whereas another 63% were engaged in advocacy and other missions (education, land trust, research, or services). In addition, 61% of the respondents indicated that their organizations were members of an environmental metaorganization.

Vignettes

Because relationship is determined by both the level of dependence of the stakeholder on the firm and the level of dependence of the firm on the stakeholder, there were two independent variables in this study. Thus, our study used a 2×2 fully factorial design with stakeholder dependence (high, low) and firm dependence (high, low) as the experimental conditions.

The specific features of the vignette were based on a situation that Recycle Ann Arbor, a nonprofit Michigan environmental group, found itself in about 10 years ago. Recycle Ann Arbor collects used car batteries from its community and sells them to a battery broker. The disagreement that arose with the broker was in regard to the processing facility, located in a developing country, to which the broker shipped its batteries. At the facility, the batteries were broken apart so that the materials within (e.g., lead, cadmium) could be extracted. Recycle Ann Arbor had reason to believe that no environmental regulations were in place in the developing country and wanted the broker to ship the batteries to an American or Canadian processing facility. We based our vignette on this real situation to provide realism to the story that participants would be asked to judge;

however, the names in the vignette were changed to Appleseed Recycling and Broken Battery.

Independent variables. We manipulated our two key independent variables across four variants of a core vignette that represented each of the four possible firm-stakeholder relationships (experimental conditions). The independent variables (level of dependence by the firm or the stakeholder) were manipulated within each vignette. If a large percentage of revenues came from an organization and if the organization was the only available partner, that constituted dependence (Cook, 1977; Jacobs, 1974; Pfeffer & Salancik, 1978). The core vignette that provided the basis for our experimental manipulation is provided below:

> Due to Appleseed Recycling's location, it has access to one (or many) battery broker(s). The business Appleseed does with the broker Broken Battery is rather important (or unimportant) to Appleseed—it generates about 45% (or 2%) of Appleseed's total revenue.
>
> One of Broken Battery's most (or least) important accounts is with Appleseed. As one (or one of many) collector of batteries in the state, Appleseed supplies about 45% (or 2%) of the batteries Broken Battery handles in a year, and this generates about 45% (or 2%) of Broken Battery's annual revenue.

The nature of the dependence (firm or stakeholder) was manipulated by varying the percentage of revenue that was contingent upon either the actions of the firm or the actions of the stakeholder. For example, in one vignette, 45% of the stakeholder's revenues come from the goods it sells to the firm, but only 2% of the firm's goods come from the stakeholder. This would represent the condition of high stakeholder dependence but low firm dependence. Except for the paragraphs specifying the dependence of each party on the other, the vignettes are exactly identical to one another. Each participant received only one of the four vignettes (making the study a fully factorial, between-subjects design).

Dependent variables. Based on our hypotheses, we wanted to know the strategies that stakeholders would choose in response to the vignette. Our core measure asked participants to make two choices, a choice of pathway (who) and a choice of manipulation (how), as a measure of preferred strategy. Therefore, the key measure was a two-part question. First, we asked participants to choose between having the stakeholder act by itself (direct) or by persuading allies to act (indirect). Then, we asked participants to choose between ceasing to do business with the firm (coercion) or helping to finance a change in the firm's behavior (compromise) by offering to sell

its product to the firm at a discount. We also asked each participant to rate whether they would recommend each of the strategies as a measure of overall effectiveness of each of these strategies and then to rank them in terms of their own personal recommendation as a measure of relative effectiveness. (The questions posed to participants are given in the appendix to this article.) Participants also completed a series of Likert-type scaled questions to check for the validity of our experimental conditions, provide some insight into their course of strategies, and supply some basic demographic information.

RESULTS

Before testing for each of the hypotheses in this study, we tested the effectiveness of our manipulation of stakeholder dependence and firm dependence.

Tests of Experimental Conditions

We asked a series of eight questions to see if participants understood the vignette and responded to the manipulations of the independent variables. These responses were analyzed using a multivariate analysis of variance (MANOVA) that indicated that participants both understood the content of the vignette in general and were able to recognize the nature of the dependence between the stakeholder and the firm.

Because our sample contained participants from different locations, we examined whether location had any effect on participants' response to our experimental treatments. Our analysis revealed no main or interaction effects for location. Thus participants from the three different locations responded in the same way to our experimental treatments. Because participants in all three locations held similar understandings of the vignettes, responses from these three data subsets (Arizona, Michigan, and New Brunswick) were collapsed in all subsequent analyses.

Tests of Hypotheses

The core tests of our two hypotheses involved the responses of participants to their preferred strategy. Recall that we asked each participant to make three different judgments: (a) recommending the strategies they would take if they were directing the stakeholder group described in the vignette (preferred strategy), (b) assigning a likelihood of success of the various strategies (overall effectiveness), and (c) rank ordering the

Table 3
Cell Means for Analysis of Variance Results

	Stakeholder Dependence			
	High		Low	
	Firm Dependence			
	High	Low	High	Low
Measures				
Manipulation[a]	3.4	3.9	2.7	3.3
Pathway[b]	4.8	4.5	4.5	4.6
Effectiveness[c]	66.0	−22.3	47.7	−14.9
Sample sizes (*n*)	29	32	37	41

a. For the manipulation measure, high scores favor compromise, low scores favor coercion.
b. For the pathway measure, high scores favor indirect, low scores favor direct.
c. The effectiveness measure reflects the difference in the preferred versus the opposing strategy (in percentages).

strategies if they were asked to provide advice to the stakeholder group described in the vignette (relative effectiveness). We analyzed their responses using a two-factor analysis of variance (ANOVA) and chi-squared tests for association between relationship types and strategy types. The results are summarized below.

Preferred strategy. Hypothesis 1 predicted a main effect for stakeholder dependence. In other words, the level of dependence of the stakeholder on the firm should affect the choice of manipulation strategy—that is, *how* the stakeholder seeks to influence, be it coercion or compromise. As shown in the first row of Table 3, the main effect for stakeholder dependence was significant, $F_S = 7.5$, $p < .01$, $df = 1$. Under conditions of high stakeholder dependence, participants favor compromise (cell means equal 3.4 and 3.9). Under conditions of low stakeholder dependence, participants favor coercion (cell means equal 2.7 and 3.3). There was no effect of stakeholder dependence on pathway strategy.

Hypothesis 2 predicted a main effect for firm dependence; that is, the level of firm dependence should have a significant effect on the choice of pathway of influence. When participants were asked to choose a pathway of influence, they were choosing *who* should influence—whether a direct strategy or an indirect strategy is used. As shown in the second row of Table 3, the cell means are all nearly equal. Thus, the main effect for firm dependence was not significant, $F_F = 3.5$, $p < .10$, $df = 1$. In other words, there was no support for Hypothesis 2. In fact, participants almost consistently (129 out of the 139 responding to the question) chose the indirect

strategy. Thus, regardless of the level of firm dependence, participants selected an indirect strategy rather than a direct strategy. In addition, there was no effect of firm dependence on selection of the manipulation strategy.

Although not part of our formal hypotheses, our analysis revealed no interaction effects on the choice of a preferred strategy (manipulation or pathway).

Overall effectiveness. Participants assigned probabilities estimating the likelihood of success (defined as overall effectiveness) for each of the compound strategies—direct coercion, direct compromise, indirect coercion, and indirect compromise. In the analysis of this question, difference scores were used. Because each participant provides effectiveness ratings for each outcome, we wanted to examine the weight given to the optimal strategy (as defined by our typology). Therefore, difference scores were calculated by taking the probability the participant assigned to the predicted strategy and subtracting from it the probability the participant assigned to the opposite or counterstrategy.

Using this approach, we are able to isolate the most preferred (according to the theory) strategy compared to the least preferred strategy. Scores on this measure should be large and positive if participants choose the predicted strategy compared to the counterstrategy. For example, this approach would compare the difference between perceived effectiveness of direct coercion to indirect compromise. We note that this approach raises concerns about the use of difference scores (e.g., Cronbach & Furby, 1970; Johns, 1981; Traub, 1994), but together with the other analysis, this provides a useful supplemental measure of perceived effectiveness.

Using analysis of variance (see third row of Table 3), we found that overall effectiveness scores for stakeholder dependence were in the expected direction (positive and high). Participants indicated that the overall effectiveness of the predicted strategy far exceeded the expected outcomes for the counterstrategy. This provides additional support for Hypotheses 1 in that participants' choice between coercion and compromise was a function of the level of stakeholder dependence.

Contrary to our expectations, overall effectiveness scores for firm dependence were negative thereby indicating that participants found the predicted strategy to be less effective than the counterapproach. Results revealed a significant main effect for firm dependence. Participants rated the indirect strategy as more effective than the direct strategy contrary to Hypothesis 2. This is consistent with the overall main effect of firm dependence on the preferred strategy as discussed earlier. Thus, the results

Table 4
Choice Frequency (Least Preferred Manipulation Strategy)

	Stakeholder Dependence				
	High		Low		
	Firm Dependence				
	High	Low	High	Low	
Coercion	31 (23.29)	22 (21.11)	27 (28.39)	19 (26.21)	99
Compromise	1 (8.71)	7 (7.89)	12 (10.61)	17 (9.79)	37
Total	32	29	39	36	136
$\chi^2 = 17.04, p < .001, df = 3$					

Note: Expected counts are listed in parentheses next to observed counts in each cell.

here confirm what was found for the preceding measure: Participants chose between coercion and compromise as predicted but were favoring the indirect pathway regardless of stakeholder or firm dependence.

Relative effectiveness. The third key measure asked participants to complete a ranking of the strategies from most to least desirable (i.e., which they would most likely recommend to others). This was used as an additional measure to examine the impact of firm and stakeholder dependence on the relative preference of influence strategies. Because the data collected for this question involved rankings (i.e., ordinal data), a chi-square analysis was used. Our hypothesis focused on the impact of firm and stakeholder dependence; our analysis focused only on testing the main effects. Given the findings of overall effectiveness, we conducted chi-square analyses on both the first-choice strategies and the last-choice strategies. Thus four separate chi-square tests were performed: (a) first choice for the pathway strategy, (b) first choice for the manipulation strategy, (c) last choice for the pathway strategy, and (d) last choice for the manipulation strategy. Results were significant only for the association between firm-stakeholder dependence and the least preferred manipulation strategy, $\chi^2 = 17.04$, $p < .01$, $df = 3$.

A post hoc analysis involving complex contrasts of a dichotomous dependent variable (Marascuilo & Serlin, 1988) was performed. This showed there to be only a significant effect for stakeholder dependence, $\chi^2 = 3.70$, $p < .01$, $df = 3$, but not for firm dependence. Thus, the level of stakeholder dependence was found to influence participants' choice between compromise and coercion as the least preferred strategy. Under situations of high stakeholder dependence, respondents were equally likely to rank coercion as least preferred but rarely put compromise as the last. This finding is further confirmation of our first hypothesis.

DISCUSSION

What insights do these results give us in regard to stakeholder behavior and the roles that stakeholder attributes and the structure of stakeholder-firm relationships may play in determining that behavior? First, at least for the environmental groups included in this study, the data support the contention that relationship is a determinant of how a stakeholder chooses to influence a firm. Specifically, if the stakeholder is not dependent on the firm, the participants recommended a coercive strategy; if the stakeholder is dependent on the firm, the participants recommended a compromise strategy. In other words, this study suggests that this choice is not a function of stakeholder attributes but is rather a function of the relationship between the two organizations. Consider the Greenpeace–Trader Joe's example again. Greenpeace urged consumers to boycott—a form of coercion intended to reduce a benefit to the firm in terms of sales revenues. Now, many might expect nothing less of Greenpeace, an organization that managers tend to view as being antibusiness. The point this study makes, though, is that their choice of the negative (coercive) strategy may not be reflective of some emotive anticapitalist creed the Greenpeace leadership embraces but, rather, that their choice is dictated by a logic embedded in the structural nature of the relationship Greenpeace has with Trader Joe's. Put another way, Greenpeace acts the way it does, because *any* organization in such a relationship would act that way.

As already noted, the relationship that Greenpeace and Trader Joe's were in was one of low interdependence. Low interdependence means a stakeholder's welfare is not tied to the welfare of the firm, and so the stakeholder need not worry about any harmful effects a coercive strategy might have on the firm. Because the exchange ratio is maximized when a coercive strategy is chosen (again, any compromise offered up by the stakeholder necessarily involves a concession from the stakeholder, which is costly to the stakeholder), the stakeholder chooses coercion. So when Greenpeace chose coercion, they were choosing exactly as any stakeholder would, given their relationship with Trader Joe's.

In short, the first finding of this study suggests that when managers are trying to anticipate the behavior of their stakeholders, a structural analysis of the firm's environment may add valuable insight into the more conventional hub-and-spoke stakeholder analysis alone. Thus, as much attention needs to be given to the nature of the exchange relationships a firm finds itself immersed in as it does to the developing of a map of its stakeholders and their attributes. This is consistent with arguments previously raised by Freeman (1984).

Second, when considering who should influence the firm, participants in this study chose the indirect strategy with surprising consistency. Responses in the second task provide one possible explanation for this finding: Participants assigned the lowest likelihoods of success to the two direct strategies (direct coercion and direct compromise). In other words, they viewed the direct strategies as ineffective. In addition, 62% of participants agreed (vs. 26% who disagreed) with a statement reading, "Individually, environmental organizations typically lack the means necessary to directly influence businesses to change their behavior." Thus the perception of many environmental leaders may be that their organizations are short on resources and must necessarily seek the assistance of allies—that is, use indirect strategies—a finding supported elsewhere in the literature (Egri & Herman, 2000). For example, Greenpeace may be one of the better funded environmental organizations. However, with revenues-after-fundraising expenditures of only $15,000,000 in 2001 (Greenpeace, 2003), it could still only be considered a moderately resourced group. Therefore, even Greenpeace must seek the assistance of others—for example, other environmental groups or consumers.

Because their organizations may possess only limited resources, environmental leaders may be forced to make routine use of indirect strategies and thus have repertoires consisting of only indirect strategies. Tilly (1979) has described a repertoire as being a set of actions that is "limited in comparison to the range of actions theoretically available" (p. 131). Similar to how firms may have routines that determine their actions (Nelson & Winter, 1982), Tilly noted that nearly all organizations have learned repertoires such that although a variety of strategies may be available, organizations tend to use only those with which they have experience (McAdam, Tarrow, & Tilly, 2001; Tarrow, 1994). Strategies outside the repertoire are steered clear of for several reasons. For example, to avoid antagonizing the membership, organizations stick to the advertised mission and strategies as much as possible (McCarthy & Zald, 2002; Zald & Berger, 1978). Furthermore, a repertoire of strategies actually constitutes a resource itself in that the experience helps leaders effectively execute the strategies again and again (McAdam, 1982; Oberschall, 1979; Rowley & Moldoveanu, 2003; Taylor, 1989), and this appears to be particularly so among environmental groups (Dalton, 1994). The existence of repertoires consisting of indirect strategies would account for why participants failed to choose a direct strategy even when they received one of the variants of the vignette in which direct strategies were viable. What influence strategies actually comprise environmental leaders' repertoires, and whether other factors besides stakeholder demographics and relations play important roles, should be explored further in subsequent research.
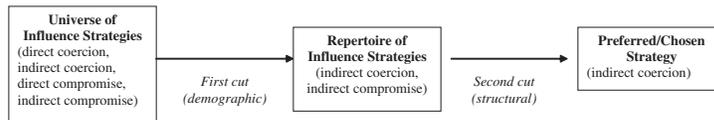
Figure 1. Revised Model of Demographic and Structural Factors Affecting Choice

This study provides support for both of the approaches to understanding organizational interactions. At least for this study, the choice of how to influence a firm appears to be structurally determined. The resource relationship is a determinant of the choice. In other words, the tie between the nodes matters. However, the choice of who influences a firm appears to be demographically determined. How well resourced the stakeholder is appears to be a determinant of the choice of indirect strategies. In other words, an attribute of the stakeholder node itself is what matters. Thus both approaches—structural and demographic—seem to have some explanatory power with the addition of situation factors (e.g., resources).

Furthermore, although the results of this one study can only be considered preliminary, the results do suggest that demographic variables may be most critical in determining the repertoire of strategies the stakeholder will have, whereas structural variables may determine choice from within that repertoire. In other words, there is a universe of strategies, which consists of all strategies theoretically available to a stakeholder. Selected from that universe is a repertoire of strategies, which consists of only those strategies the stakeholder has experience with given their organization's demographics. Finally, selected from that repertoire is the strategy of choice, which is chosen based on the stakeholder's relationship with the particular firm it confronts. The process is pictured in Figure 1.

Figure 1 is constructed around an example in which the firm is dependent on the stakeholder and the stakeholder is not dependent on the firm. (Imagine an entrepreneur starting up a small recyclables brokerage business and having to deal with a fairly large, urban environmental group collecting recyclables from its community.) The typology predicts direct coercion, but direct strategies are not in the repertoire, so indirect coercion is chosen instead.

Why do we propose that demographic variables may determine the content of the repertoires and structural variables may determine the choice from within that repertoire? Periodic internal assessments of strengths and weaknesses—be they formally or informally conducted—

may cause a stakeholder to regularly cull its universe of strategies down into a repertoire that most generally suits its capabilities based on the realities of its demographics. Were Greenpeace leaders to conduct such a review of their strengths and weaknesses, they would surely note their limited level of resources and would thus rule out direct strategies from their repertoires. Such paring down of available strategies into a manageable repertoire prepares an organization, like Greenpeace, to move quickly and effectively when confrontations then arise (Cyert & March, 1963). Thus demographic factors may determine the repertoire. However, we agree that this question requires additional empirical research to answer.

Only when an actual confrontation arises does it then become possible for an organization to consider structural variables, such as resource dependencies. In other words, structural variables, which are all about relationships, only make sense in the context of an actual relationship, and an organization like Greenpeace must wait and see which firm it is in conflict with before it can assess structural variables like resource dependencies. In short, an organization like Greenpeace reduces its universe of strategies to a manageable repertoire based on the realities of its demographics (the first cut). Then, when actual confrontations with specific firms (i.e., Trader Joe's) arise, it selects the most appropriate strategy from within the repertoire (the second cut) based on its specific relationship with that firm. However, for a firm like Fleet Bank, the bank issuing the Greenpeace Mastercard, on which Greenpeace is dependent for a percentage of purchases, Greenpeace leaders may opt for a compromise strategy were a dispute to arise.

An additional insight this study produced—one that is more speculative in nature—was generated by the rank ordering participants were asked to make. In regard to the choice between coercion and compromise, the ranking procedure showed an association between relationship and strategy when last-choice strategies (those being avoided) were evaluated but not when first-choice strategies were evaluated. This finding suggests that participants may have been using an elimination heuristic to make their selections (Berretty, Todd, & Martignon, 1999; Hertwig, Hoffrage, & Martignon, 1999; Tversky, 1972). In other words, their reasoning appears to have involved a process in which options are deselected based on their shortcomings as opposed to a process in which options are selected based on their strengths (Todd, 2000).

That the participants seemed focused more on avoiding actions may reflect the caution with which many social stakeholders may have to proceed when confronting firms. Although it may be tempting to view an organization like Greenpeace as being possessed by irrational fanatics, the reality is that it is managed by professionals who probably know that

they cannot afford to select their targets carelessly. With revenues of only $15,000,000, the world-renowned environmental organization is still small in size compared to most of its targets, even a mid-sized grocery chain like Trader Joe's. Due caution must always be exercised by Greenpeace directors so that the organization does not harm itself by offering up costly compromises when unnecessary or causing potential harm to another organization (via a coercive strategy) upon which it is dependent. In short, Greenpeace's fame and infamy have most likely been built upon sound, rational choices designed to maximize its impact on others while exposing itself to as little risk as possible.

LIMITATIONS OF THE STUDY

There are some limitations with the current research. First, contrary to our second hypothesis, participants overwhelmingly chose the indirect strategy rather than the direct strategy. This may call into question the effectiveness of our manipulation of the stakeholder-firm dependence. In other words, did participants even perceive the direct pathway as a meaningful choice given the specific vignette they received? Recall that results from our manipulation checks confirmed that participants did perceive the correct relationships between the firm and stakeholder based on the relevant experimental condition. In addition, we asked participants several exploratory questions as a follow-up to the key dependent measures. Participants were asked whether they agreed that if one organization supplies an important resource to a second organization, the first could influence the second's behavior. Eighty-three percent of our participants agreed with this statement, whereas only 5% disagreed. Thus the manipulation checks indicate that participants understood the nature of the firm and stakeholder dependence, and their answers to this follow-up question indicate that they understood that leverage over the firm meant that the firm's behavior could be influenced. It seems, then, that participants understood that the direct pathway was a viable option but nonetheless did not select this strategy regardless of the firm or stakeholder dependence.

Another limitation of this study is the trade-off made between internal and external validity. Although our experimental design enhanced our internal validity by providing control of the potentially confounding effects of extraneous variables, it also raises questions about the external validity of the study. The use of any forms of hypothetical judgments, such as the vignettes used in our study, raises some concerns about whether our participants would do (or are doing) as they claim they would (see Greenberg & Eskew, 1993; Spencer, 1978). Our construction of the

vignettes based on an actual scenario about an environmental organiza-
tion was one attempt to provide realism. In addition, the use of actual envi-
ronmental leaders as our research participants was another important step
to enhance the external validity of our research. Although some valid
research has been conducted in the past focusing on the characteristics of
environmental leaders (e.g., Dalton, 1994; Egri & Herman, 2000; Snow,
1992), we are still a long way away from definitively stating how the con-
crete actions of these leaders compare to other stakeholders. The contribu-
tion of our current work is clearly tied to the fact that actual environmental
leaders provided information on how they might respond to various situa-
tions of firm-stakeholder dependencies. Thus, gaining an understanding
of this important stakeholder group and their choice of influence strate-
gies may be a sufficient rationale for the reduced level of external validity
produced by our experimental design.

CONCLUSION

This article has sought to provide insights into what determines stake-
holder behavior. Much of the stakeholder literature to date has focused on
stakeholder demographic variables. This study however, tested structural
variables, and the results provide some initial support to the importance of
these variables. Although the current study did not directly test the influ-
ence of demographic variables, our conclusions suggest that stakeholder
repertoires of strategies provide additional support for the role of this fac-
tor in driving influence strategies. It is quite possible that demographic
variables may play a key role in determining what goes into these reper-
toires, whereas the structural variable plays a role in determining which
strategies are then chosen from those available to the stakeholder.

One way this article ultimately contributes to stakeholder theory is by
providing another piece of a much larger model, which seeks to enable
managers to anticipate stakeholder behavior. For instance, in the context
of the example presented throughout this article, it seems possible that
through environmental scanning (Daft & Weick, 1984; Hambrick, 1982),
a firm might learn that an issue (e.g., GE seeds) was making its way into
the media for public debate. Then, by using the stakeholder mobilization
model (Rowley & Moldoveanu, 2003) to examine the interests and identi-
ties involved, it might be possible to try to estimate the likelihood of vari-
ous stakeholder groups acting on the issue. Then, for any group flagged as
likely to act by the mobilization model, the firm's management could try
to get a sense of a stakeholder group's repertoire through media accounts
of their past activities. This is consistent with the findings of our study that

stakeholders may tend to act from their existing repertoires. Finally, an assessment of its resource relationship with that stakeholder group might give the firm a clearer sense of which strategy type might be chosen from within the repertoire of the stakeholder. Thus, with the insights gained from this study, a firm's managers may be better able to predict which type of strategy a stakeholder might use by trying to get a sense of the stakeholder's repertoire and its resource relationship with that stakeholder.

Although this article has focused on social stakeholders (Wood, 1994), particularly environmental groups, Frooman's (1999) theory and the results produced here may generalize to economic stakeholders or stakeholders that have both social and economic roles. Consider when landmines first began receiving public attention in the mid-1990s. Had Accudyne, a manufacturer of mines, gone through steps similar to those outlined above, they might have identified their upcoming conflict with Motorola, one of their suppliers. A study of the business press could have given them a sense of the repertoire of Motorola's management, and they might not have been so surprised when Motorola failed to renew its contract to supply the components Accudyne was using in its landmines. Thus, one extension of this study would be to examine economic stakeholders to see if their managers choose strategies in a manner similar to how the environmental leaders chose in this study.

For scholars trying to understand the environment that firms function within, a key contribution of this article is a sense of how structural variables affect firm-stakeholder interactions. We have shown that the resource relationship, a structural variable, appears to play a significant role in determining stakeholder behavior. In addition, we have shown how this structural variable and a demographic variable (the absolute level of resources an organization possesses) can act as constraints on an organization's behavior. Both of these kinds of variables seem to delimit the choices of a stakeholder—winnowing the available strategies down from a universe of strategies to a repertoire of strategies and finally to a chosen strategy. This study, then, can add to a small number of others—theoretical and empirical—trying to help academics understand the effect of a firm's structural setting on the behavior of organizations.

Thus for both scholars trying to understand the environment that firms function within and managers trying to manage that environment, this study has tried to further understanding regarding the determinants of stakeholder behavior and how the determinants complement one another. Together, these insights may lead to a more complete, systematic modeling of the stakeholder environment firms operate within.

APPENDIX
The Measures

Key Measure: Preferred Strategy Recommendation

Considering the options below with respect to Broken Battery, do you think Appleseed should:

(a) Act by itself?   Persuade others to act?

          1   2   3   4   5

(b) Stop doing business with   Sell batteries at a discount
    Broken Battery?   to Broken Battery?

          1   2   3   4   5

Supporting Measures: Overall Effectiveness and
Relative Effectiveness Recommendations

The director of Appleseed has asked you to consider each strategy below and do the following: (1) Estimate the likelihood of success of each strategy by assigning to each a probability between 0% (strategy is unlikely to be effective) and 100% (strategy is likely to be effective). (2) Recommend which strategy Appleseed ought to pursue by rank ordering the four strategies in terms of which strategy you would most recommend (1) to which you would least recommend (4).

	Probability of Success	*Recommendation*
Strategy A: Appleseed, by itself, stops doing business with Broken Battery unless Broken Battery agrees to use U.S. or Canadian facilities.	_____	_____
Strategy B: Appleseed, by itself, sells its batteries at a discount to Broken Battery to help compensate Broken Battery for decreased profits when dealing with U.S. or Canadian facilities in return for Broken Battery agreeing to use U.S. or Canadian facilities.	_____	_____
Strategy C: Appleseed persuades the rest of the Central Recycling Coalition (CRC) to stop doing business with Broken Battery unless Broken Battery agrees to use U.S. or Canadian facilities.	_____	_____
Strategy D: Appleseed persuades the rest of the CRC to sell their batteries at a discount to Broken Battery to help compensate Broken Battery for decreased profits when dealing with U.S. or Canadian facilities in return for Broken Battery agreeing to use U.S. or Canadian facilities.	_____	_____

NOTE

1. Throughout the social exchange and conflict literature, coercion and compromise are also referred to as punishment and reward (Molm, 1987, 1988, 1991), hostile and conciliatory (Bacharach & Lawler, 1981), and damage and concession (Lawler & Bacharach, 1987). All three of these additional pairs of terms use the same definitions used in this article. Sorenson, Morse, and Savage's (1999) discussion of compromise as a mixed strategy is an important view; however, the content of each strategy is outside the focus of the current research.

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