MANAGERIAL ATTITUDES TOWARD STAKEHOLDER SALIENCE WITHIN SELECTED WESTERN PACIFIC-RIM ECONOMIES.

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ABSTRACT: This study seeks to provide a positive approach to stakeholder theory development by empirically examining predominantly the attitudes of managers and managerial students in Australia, China and Indonesia, toward the perceived prominence (being composed of legitimacy, power and urgency) of selected organisational stakeholders. Past literature has focused predominantly on normative works, which seek to define who and what is a stakeholder, and instrumental studies, which espouse the benefits of stakeholder theory. Such studies do not explain and predict stakeholder behaviour. A development model (based on economic and social factors) is used to argue that Australian respondents will perceive greater equality in prominence between the selected organisational stakeholders, than their Chinese and Indonesian counterparts. Utilising the Analytical Hierarchy Process (AHP) as a means by which to gauge stakeholder prominence, results indicated that Chinese respondents attributed greater prominence toward Government as an organisational stakeholder, and contrary to expectations, perceived greater equality (less variance) in prominence between stakeholders. The results may be influenced by the low response rate by Chinese managers in particular, and by the lower age bracket of Chinese respondents, which may have resulted in less entrenched attitudes toward stakeholder groups. The study provides a much needed empirical focus to stakeholder theory, that has to date remained largely normative and instrumental in focus, and provides a basis on which further work on the perceptions of stakeholder prominence can be undertaken in different contexts.
MANAGERIAL ATTITUDES TOWARD STAKEHOLDER SALIENCE WITHIN SELECTED WESTERN PACIFIC-RIM ECONOMIES.

Introduction

The objective of this paper is to present the results of a study to determine the perceived salience of selected stakeholders in an organisational context across three western Pacific-Rim economies. The degree of stakeholder salience is proposed to be associated with the particular level of a country’s economic and social development. Development can be gauged by examining various economic and social data, and respondent attitudes toward stakeholder groups are expected to mirror the country’s level of development (the assumption being that a society’s level of development can be a reflection of individual and group attitudes).

This paper is “positive/descriptive” in nature, and provides an alternative perspective on recent attempts to “normatively” ground stakeholder theory. Much of the literature has focused on who and what constitutes a stakeholder (Carroll, 1991; Freeman, 1994); the ‘property rights’ or ‘fiduciary’ issues associated with the stakeholder concept (Goodpaster 1991; DenUyl 1992; Sternberg, 1997; Marcoux, 2003); 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 (Mitchell et al., 1997; Rowley, 1997; Friedman and Miles, 2002). Little attempt has been made to empirically explore the extent to which managers in a single country, let alone across countries, endorse a ‘stakeholder’ as distinct from a ‘shareholder’ concept. This paper will propose an alternate analysis of stakeholder orientation by managers in three key western Pacific-Rim economies, namely Australia, China and Indonesia, to explain how the different levels of development in selected Asian societies compared to a Western society, may influence stakeholder salience. The paper will marriage important elements of stakeholder research to date, namely work on stakeholder salience (Mitchell et al., 1997), economic and social development (Logsdon and Yuthas, 1997), and the Analytical Hierarchy Process as a research method (Hosseini and Brenner, 1992), to provide the foundation for a positive/descriptive approach to exploring stakeholder theory. This allows us to combine past efforts at stakeholder theory development, with the need to
operationalise stakeholder research by understanding the forces affecting stakeholder development in an international context.

**Stakeholder Theory in an International Context**

Often the prescriptions underlying stakeholder theory are self-evident. Embracing a stakeholder rather than a shareholder concept of the organisation can be seen to reduce long-term political and economic costs to the firm, enhance dialogue between firm participants, and broaden the organisational business framework. The growth in trans-national corporations, combined with the develop of capital markets in emerging economies in Eastern Europe and East Asia, coupled with the co-ordination of nation states into supra-national states (e.g. European Community) and trading blocs (e.g. ASEAN, NAFTA), have expanded the geographical boundaries of contemporary organisations. With it has come a greater need to be able to explain the degree of stakeholder importance within organisational environments across different countries. This has posed challenges for stakeholder groups and organisations alike in fulfilling implicit and explicit contractual arrangements, across countries with different economic, legal, political and social characteristics.

As a consequence of the differences in these characteristics, reaction by stakeholder groups to specific corporate activities in one country may not necessarily mirror reactions by stakeholders in another country, as these forces affect the shape of organisational attitudes and behaviour. For example, corporate social performance may have a high degree of political visibility in a developed country, but not necessarily in an undeveloped country, where emphasis is placed on fulfilling immediate economic needs, rather than broader social contracts. Other factors such as (1) lower educational levels and skilled employment, (2) the lack of appropriate corporate governance frameworks, (3) corrupt practices within national and local legislative institutions and their statutory authorities, (4) lower GNP per capita, may all contribute toward undermining the fulfilment of stakeholder claims in developing countries.

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2 The satisfaction of certain stakeholder claims may often involve the sacrifice of individual goals such as wealth maximisation and corporate profitability, for the broader claims of stakeholder groups such as higher health and safety standards, greater employee remuneration, benefits and training, and more modern and environmentally friendly production processes. These ‘costly’ organisational activities
countries. Stakeholder claims can be hindered in that their recognition requires a realisation by the particular society of their importance, whilst their development requires the necessary outlets to allow their claims to be voiced and exercised3.

From a scientific perspective, understanding the degree of salience accorded to specific stakeholders across countries, and exploring possible determinants, enables a greater understanding of the forces which shape the organisational environment. The benefits are threefold:

1. From an organisation’s perspective, it allows an analysis of the strategic factors influencing corporate behaviour within a particular nation state or regional environment.

2. From the individual stakeholder’s perspective, it enables an identification of factors that help to mitigate the salience of their claims. This in turn allows stakeholders to understand their position in the organisational framework, which in turns allows them to set strategic initiatives in order to better target, and maximise the impact of, their agenda.

3. It allows government to identify initiatives to maximise stakeholder salience, or to control for the excessive salience of a particular stakeholder.

Incidents such as the Love Canal toxic waste dumping in the United States, the Union Carbide chemical leak in Bhopal, India, and the Chernobyl Nuclear Reactor explosion in the former Soviet Union, were all attributed to a degree, to a breakdown in relations between the organisation and its constituents in addition to inadequate health and safety requirements. Events such as these, coupled with changing social attitudes has, over the past 25 years, led to a proliferation in stakeholder groups world-wide. In the United States, state legislatures have passed ‘stakeholder’ statutes broadening the concept of fiduciary duty to reflect an increasing community concern over corporate behaviour4.

arisethrough realisation processes dependent on transparent systems that support and reflect an active political and industrial democracy.

3 Extensive media coverage has already been forthcoming on cases in which prominent global companies have used low cost ‘child’ or ‘sweatshop’ labour in developing countries in order to produce products which retail for high prices in developed countries. In other cases, multi-national companies use lower environmental standards in countries where legislation was minimal, despite having to adhere to stringent standards in their own countries.

4 These statutes permit directors to consider the interests of other stakeholders in formulating corporate decisions (Orts, 1992; Polonsky and Ryan, 1996). While this form of legislative form does not exist to
The economic and social development of a society is seen as a manifestation of individual and group based attitudes. Therefore an assessment of societal development through data such as wage per capita, infant mortality, education cost per capita, can reflect the degree to which respondents accord non traditional stakeholders’ salience.

**Asia and the West**

Given the marked transformation of many Asian economies over the past two decades, there is an increasing need to explain stakeholder salience within these societies, in particular how the different economic, political and social structures, affect stakeholder development compared to that of Western nations. Business organisations have been demonstrated to be more ‘confucian-like’ in countries such as China, with countries such as the United States and the United Kingdom embracing a more ‘protestant work-ethic’ orientation.

Why would Asian economies expected to be different with respect to stakeholder salience than their western counterparts? Many countries within the Asian region, whilst progressing economically, do not embrace democratic and transparent mechanisms into their political structures to the same degree as their western counterparts, who have a long tradition of democratic liberalism. Instead, many countries operate under predominantly authoritarian frameworks (Sen, 2000). There are numerous reasons underlying the differences, including differing governance frameworks, where many of the nation states have only until recently emerged from decades of colonisation, preceded by centuries of feudal and tribal based governance systems.

The recent Asian economic crisis has exposed a web of nepotism, corruption within both government and private organisations in many Asian economies. While western-based economies are not insulated from corruption, what is different is the degree and institutionalisation of corruption within Asian organisations. In the United States for the same degree in Australia, China or Indonesia, chambers of commerce are giving greater attention to corporate codes of conduct. This is mirrored in the corporate social disclosure literature that has
example, the U.S. Congress has recently ratified the “Inter-American Convention against Corruption”, an initiative aimed at highlighting and reducing corruption both within organisations and in government. Such legislation does not exist in the Western Pacific. However, the 1999 Transparency International Corruption Perceptions Index (CPI) indicated that Australia rated highly in terms of ‘non-corruptibility’ with a score of 8.7 out of 10. On the same Index, China received a score of 3.4 out of 10, and Indonesia received 1.7\(^5\).

Etzioni (1996, p.101) states that “Many Asian societies which approach the quest for a communitarian society….starting with a strong social order and weak autonomy, have weak traditions and facilities for megalogue”. This can pose problems as “the best way to change the direction of a society is to have a megalogue about the substance of members values and the intensity of their commitments to values they affirm” (p.140). Corporations operating within these societies have a much greater ability to discard social requirements and benefits, and are not faced with the same scrutiny or pressure to be accountable as corporations in other environments. As a result, an environment exists in which corruption and nepotism can arise.

As countries and regions remain characterised by distinct economic, political and social systems, not to mention separate cultural variants, a prescriptive based approach to stakeholder theory formulation remains a difficult concept. Nowhere has this distinction been greater than within the South East Asian region which has claims, legitimate or not, to distinct “Asian Values”. These values, which endorse a more authoritarian approach to daily life, have been promoted as important factors in promoting economic success. Such an approach has been adopted in The “Bangkok Declaration on Human Rights” signed on the 2\(^{nd}\) April 1993, by 40 Asian governments, which held that human rights do not apply in the same way everywhere, but;

> “... must be considered in the context of a dynamic and evolving process of international norm-setting, bearing in mind the significance of national and regional particularities and various historical, cultural and religious backgrounds”.

\(^5\) indicated a distinct rise in the attention given to corporate social and environmental activities among organisations over time (Mathews, 1997).
Therefore if human rights objectives clash with the national interest, then the national interest prevails. Cultural relativist’s argue that cultural studies and typology’s have noted distinct differences with respect to the extent of individualism, power distance, and transparency between societies (Hofstede, 1980). Agle and Caldwell (1999), provide a comprehensive review of the values literature, and suggest a framework by which to examine values research based on whether values are centred on the individual, organisation, institution, society or global level. They highlight the need for more study on global values, and this study attends to part of this by examining the attitudes toward groups that interplay in the values debate.

**Existing Literature**

There has been a diverse array of perspective’s on which to ground stakeholder theory, but there has yet to be a serious attempt to examine the extent to which the theory is adopted in different countries. Related literature in the corporate social responsibility realm has found a growing awareness by corporations in different countries, of the need to report to ‘stakeholders’ on social and environmental activities within the annual report, alongside conventional economic activities (Gray et al, 1998). Clarkson, (1995, p.1) states that “little thought has been given to date concerning the existence of cultural, economic and legal limitations on the scope of Stakeholder Theory”. Clarkson’s (1995) work on stakeholder relationships in totalitarian and democratic societies sought to provide a basis on which to examine stakeholder theory in a global context. Drawing on the political ideology model of Rokeach (1973)\(^6\), Clarkson states that the different orientation toward the fundamental human values of “freedom” and “equality” underlay the different political ideologies that exist between countries, ultimately affecting stakeholder power. Clarkson identifies a broader systems based approach to stakeholder identification, and focuses


\(^6\) Rokeach (1973) purports that the meanings of the terms ‘conservative’, ‘liberal’, ‘right-wing’ and ‘left-wing’, are becoming increasingly difficult to define when juxtaposed between countries for the purpose of ideological classification. This is because each ideology has a different standpoint on what constitutes each of these terms. Instead, Rokeach proposes that greater understanding and comprehension can be given to ideological differentiation when examined from the perspective of the fundamental values of ‘freedom’ and ‘equality’, which are less simplistic.
to a large degree on the ideological perspective of the political state, although the work remains untested from an empirical perspective.

Donaldson and Preston (1995) contend that the literature can be classified into normative, instrumental and descriptive. The descriptive approach describes and explains specific corporate characteristics and behaviour through concepts outlined in the theory, and incorporates empirical research to date. The instrumental approach identifies the relationship between stakeholder management and conventional corporate objectives, whilst the normative approach interprets the function of the corporation in relation to basic social and economic or philosophical guidelines. The distinct difference between the three approaches is that the normative approach is categorical, in that it asks “what should happen?”; the instrumental approach is fundamentally hypothetical, in that it asks “what happens if?”; and the descriptive approach determines “what happens?” (Donaldson and Preston, 1995: Jones, 1995, p.72). Much of the stakeholder literature to date has been normative, however since their article the literature has been evenly divided between all three categories. Donaldson and Preston (1995), Harrington (1996), and Wijnberg (2000) posit that the justification for stakeholder theory lies in its strong normative base, for its use as a guide for the operation of business, and also the implementation and review of public policies that regulate business.

What is clear is that despite the normative literature being “categorical” in approach, whilst the instrumental literature is “hypothetical”, it is often unclear as to the approach some articles are taking, (Dunfee, 1995, p.3), with the literature often embodying normative, instrumental or descriptive elements, ultimately leading to ambiguity. Donaldson and Preston (1995) recognised that both the instrumental and empirical aspects of stakeholder theory have yet to be formally developed, and since their publication there have been a number of articles which have sought to address this limitation (Mitchell et al., 1997: Rowley, 1997: Agle et al., 1999).

Apart from a diverse array of theoretical constructs driving stakeholder theory, there also remain definitional differences in what constitutes a “stakeholder”, with some authors taking a narrow view, others a broad view (see Mitchell et al., 1997, p.858 for an exhaustive chronology; Donaldson and Dunfee 1999, p.4), and the normative
worth of stakeholder claims (Dunfee 1995, p.5). As Gibson (2000, p.252) suggests, “this approach fails to provide anything but the most general moral guidance and is susceptible to the ‘double counting’ problem”, the problem being that a member can belong to more than one stakeholder group. Such an approach to theory development is fraught with relativist assumptions, when assessed against the background of globalised business with all of its cultural manifestations. Approaches to date in stakeholder theoretical focus have tended to draw distinctions between the normative elements of a prescriptive approach, and the positive elements of an instrumental/descriptive approach. This has been known in a contemporary sense as the separation thesis (Freeman 1994); the ability to be able to split theoretical development into the two strands. Jones and Wicks (1999), whose convergent approach to stakeholder theory strongly favoured a normative approach as a means by which to place moral obligations on managers as guidance to how they behave and act, point out that a descriptive theory of the firm, with positive origins, “would create a wealth of research possibilities and would probably catapult stakeholder theory into the ranks of major theories of organisation” (p.208).

Prescribing “what should be” an organisation’s relationship with its stakeholders however, does not necessarily parallel “what is/are” being undertaken in practice. From a stakeholder theory this can mean applying concepts that may not be applicable in an international context constituting diverse value and developmental structures. Greater predictive power can be obtained through observation of what actually occurs with regard to stakeholder development, rather than prescribing what organisations should do. A positive approach to stakeholder theory development would provide a basis for predicting and explaining the level of stakeholder salience and behaviour within organisations in different regions of the world.

A positive theory can help in determining why certain type of stakeholders will be more powerful than other stakeholders within a regional environment, and provides a contextual understanding of some of the possible reasons why there are degrees of rights and duties accorded to particular stakeholders in particular countries. Greater understanding of what influences managerial decisions allows us to understand the foundations on which organisations and politics interact to influence stakeholder salience. Such an approach is similar to Jawahar and McLaughlin’s (2001, p.398)
assertion that “organisations face different pressures and threats at different stages in the organisational life cycle”. Their approach was however firm rather than state centred, but nevertheless highlighted how stakeholder perceptions are dynamic and change according to the environment in which the organisation operates. Classification attempts have been made within the stakeholder theory realm by Rowley (1997)⁷ and Friedman and Miles (2002)⁸. Typologies are to a degree a combination of both an instrumental and a normative perspective. They are normative in that the objective of typologies are for organisations to identify to whom they should pay attention. However, they are instrumental in the sense that one can aim to predict the success/failure of firm policy and processes by identifying stakeholders who hold salience within the organisation. A positive stakeholder theory offers a practical approach to understanding the reasons for the existence/non existence of stakeholders, by using the three relationship attributes, inherent within Mitchell et al (1997, p.872); namely (1) power, (2) legitimacy, and (3) urgency, and their subsequent classes. Relationships between the economic and social stages of development of nation states, and organisations which lie within it, must be explored, given concerns by some (Gray et al. 1997, p.333) that stakeholder theory has previously been organisation centric (concerned merely with how the organisation, represented by managers, manages its stakeholders), rather than stakeholder centric (what is right for the stakeholder).

Empirical research has however, been discounted as a basis on which to build a stakeholder theory. Donaldson and Preston (1995, p.77) see the descriptive basis as a justification for stakeholder theory as being of “limited significance”;

By the logic of descriptive justification, if new surveys showed that managers were abandoning stakeholder orientations, or if the legal support for broad stakeholder

⁷ Rowley (1997) advocates the use of a social network analysis to advance stakeholder theory, by accommodating multiple and interdependent stakeholder demands, so that an organisation’s conformation to stakeholder expectations is a function of the network density (the number of stakeholders), and the centrality (the degree to which it acts as an intermediary) of the organisation. Dependent on the extent of the organisational environment possessing high/low density and centrality, organisations can then be classified as: (1) commander (high centrality/low density); (2) compromiser (high centrality/high density); (3) solitarian (low centrality/low density); or (4) subordinate (low centrality/high density).

⁸ Friedman and Miles (2002) classify stakeholders as being either “necessary compatible”, “contingent compatible”, “necessary incompatible” or “contingent incompatible”, and explain, using 'Greenpeace'
interests were to weaken, the theory would be invalidated…but few if any of its adherents would abandon it, even if current legal or managerial trends were to shift”.

Whilst it is correct to assume that the acceptance of a theory is dependent upon its predictive power vis-à-vis other theories, rather than against its own predictive accuracy, the justification for any proposition must lie in its ability to withstand criticism and refutation, as a theory’s very existence is dependent upon its ability to resist falsification, especially across societies which have different value structures. Preston and Sapienza (1990, p.367) state that “the stakeholder model has not been subjected to any substantial amount of empirical research….and no one has tried to discover the extent to which multiple stakeholder objectives are actually achieved in any significant sample of firms”. This statement remains as valid today as it did over a decade ago.

A study by Agle, Mitchell and Sonnenfeld (1999), sought to examine the relationship between the stakeholder attributes of legitimacy, power and urgency, and the salience of a particular stakeholder\textsuperscript{9}. The Agle et al. (1999) study was the first to empirically test the Mitchell et al. (1997) model in an American context, although it did not examine the degree to which one stakeholder is considered salient against another, or the differences between countries regarding stakeholder salience, which this study seeks to achieve.

**Australia, China and Indonesia**

The perspective advanced in this study is that the degree of economic and social development is an explanatory factor in the extent to which certain stakeholders are accorded salience over others in a particular society. One example of East-West dichotomy is that of Australia, China and Indonesia. All three countries are distinct with respect to value systems, and in terms of economic and social development. Australia was founded and has continued to develop within a Christian ethos, while

\textsuperscript{9} Examining 80 CEO’s in large U.S firms, the authors 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.
China is Confucian, and Indonesia Islamic in nature. Higher economic and social development is expected to parallel the willingness by respondents in a country, to recognise the legitimacy, power and urgency of all stakeholder claims as distinct from a certain sub-set of stakeholders.

From an economic perspective, China and Indonesia receive more development assistance than Australia, and are classified as developing nations by the World Bank, whereas Australia is seen as a developed country, as supported through the economic development indicators (Table 1).

A low-income based nation, along with its citizens, may not, unless legally required to do so, see broader social criteria as a key objective. Both China and Indonesia are emerging economies, and whilst there may be a broader understanding of stakeholder rights, these rights remain impeded by the often non-democratic, inflexible nature of the bureaucratic state apparatus, a reflection of each country’s developing status. Such countries in early stages of economic and social development, place primary importance on immediate economic needs, and many non-core stakeholders lack the necessary urgency and power to enforce their claims. The existing social order favours an investor approach to organisational affairs, a direct fulfilment of the economic requirements of a developing system. Non-conventional stakeholders in these environments can be employees, who are non-conventional in the sense that there is an absence of independent and organised labour unions, or conciliation and arbitration processes within the national framework, willing to lobby for better conditions. Public interest groups are also non-conventional in the sense that the formation of protest groups are strictly limited and government controlled, and exist in a distinctly non-democratic structure.

With respect to social characteristics, under Australian requirements, the Corporations Law as it currently stands, does not prevent directors from taking into consideration the interests of constituents other than shareholders. The fiduciary duty of directors is owed to the corporation as a whole, as distinct from only being owed to shareholders. Furthermore, precedents exist under common law. This is distinct from China, where jurisprudence is based on civil law, which is derived from Roman Law (Wang,
Even in Indonesia, which is subject to Roman-Dutch law, the sources of law are statutory legislation, presidential instructions, and official compilations of Islamic law. As such, stakeholder rights are subject to authorisation by the state. Under such a system, stakeholders are not subject to the same flexibility as under common law and as such non-traditional organisational stakeholders may be less prominent in non-common law countries.

Furthermore as Table 2 indicates, Australia is more culturally diverse than China and Indonesia. Greater cultural diversity reflects alternate historical value beliefs. In a culturally diverse society, ‘traditional’ stakeholders’ are often required to accommodate a broader set of values and attitudes, which under developing societies may not be challenged given the polarisation of mono-cultural ideas. A society that has incorporated alternate values and attitudes is reflective of a higher level of social development, given that such a society is a hybrid of contrasting systems, old and new.

Table 2 further indicates that China and Indonesia were perceived to be more susceptible to bribery than Australia. From an educational perspective, Australia had more internet connections than in China and Indonesia, were more literate, had greater government expenditure on education, and a higher level of school enrolment. For Australia, these factors are indicative of a more economically and socially developed society; one which embraces the needs of a broader set of stakeholders, supported by higher levels of personal income, cultural diversity and levels of education.

An Empirical/Instrumental Stakeholder Model

The study employed the attributes of Legitimacy, Power and Urgency inherent in the Mitchell et al. (1997) typology to gauge salience. Legitimacy reflects the degree to

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10 Under civil law, there exists extensive codification and no precedent. Laws are made and interpreted by the ruling Communist Party. Therefore a ruling in one case will not act as precedent in another hearing, unlike the situation in Australia where laws are subject to English Common Law.
which a particular claim is respected and given social acceptance and value by respondents. It is an important element in identifying salience in that it reflects an acceptance of the principles or standards of a particular stakeholder grouping, including its expected structures or behaviors. Power is a factor in stakeholder salience in that it reflects the degree to which a stakeholder has the ability to carry out its will. Urgency is a factor in stakeholder salience in that it reflects the degree of sensitivity of a stakeholder claim. It is a reflection of the attention that a claim has. Mitchell et al., (1997) state that urgency exists only when two conditions are met: (1) when a relationship or claim is of a time-sensitive nature and (2) when that relationship or claim is important or critical to the stakeholder. Use of the urgency attribute shifts the model from static to dynamic.

The presence of any one of these three attributes in combination with another can signify a distinct stakeholder class. The identification of stakeholder classes is important in any international study on stakeholder salience. Whether a stakeholder is perceived as a threat or not to the organisation may depend, as mentioned previously, on economic and social characteristics inherent within a particular society. These characteristics both influence and shape the legitimacy, power and urgency of individual stakeholders. Under the typology, stakeholders are classified into three classes: latent, expectant and definitive. *Latent* stakeholders possess only one of the three attributes, and as such are not likely to be accorded recognition by the organisation, or have their claims heard. *Expectant* stakeholders are those that possess two attributes. This moves a stakeholder from passive to active, leading to a corresponding increase in organisational responsiveness to stakeholder interests. As a result there is likely to be greater engagement between organisational managers and expectant stakeholders. Finally, *definitive* stakeholders are those which possess all three attributes; legitimacy, power and urgency. While the possession of legitimacy and power allows a stakeholder to become part of the “firm’s dominant coalition” (Mitchell et al., 1997, p.878), the addition of urgency provides a ‘clear and immediate mandate’ to give priority to the stakeholders claim.

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11 This information was obtained from the Islamic Family Law website at the Emory University School of Law, which outlines the ‘official’ legal systems, and legislative and judicial aspects of Islamic-based countries. [http://www.law.emory.edu/IFL/legal/indonesia.htm](http://www.law.emory.edu/IFL/legal/indonesia.htm) [Online] Sept 19,2000.
Within the latent category there are three types. *Dormant* stakeholders are those that possess the attribute of power but not legitimacy or urgency. They have “little or no interaction with the firm”, although they remain important in the sense that the gaining of an additional attribute will make the stakeholder salient. Examples could be military dictatorships or lone employee protests. *Discretionary* stakeholders possess legitimacy but no power or urgency. As such “there is absolutely no pressure on managers to engage in an active relationship with such a stakeholder” (Mitchell et al. 1997, p.875). These stakeholders are most likely the recipients of corporate philanthropy (Carroll, 1991). *Demanding* stakeholders’ posses the sole attribute of urgency or “noise”, and as such to organisations they are “irksome but not dangerous, bothersome but not warranting more than passing management attention”. An example would be a lone picketer.

Within the expectant category there are three types. *Dominant* stakeholders hold power and legitimacy and form a “dominant coalition” in the enterprise, and have “formal mechanisms” in place to acknowledge their claims, such as board representation or separate departments. *Dependent* stakeholders possess legitimacy and urgency but are not powerful. As such, these groups need to rely on the “advocacy or guardianship of others”. Mitchell et al., (1997) include in this category the local community and the natural environment. *Dangerous* stakeholders possess urgency and power but no legitimacy and as a result operate “coercively” due to their illegitimate status. Examples can be radical environmental protests and certain union strikes. *Definitive* stakeholders have urgency, power and legitimacy. These stakeholders are a primary focus of the firm, given their strategic role in the success of a firm, and their ability to impose sanctions.

Based on the Mitchell et al (1997) model, it is hypothesized that Australian respondents will be less likely to have large disparities in the perceived Legitimacy, Power and Urgency of stakeholders, than their Chinese and Indonesian counterparts. Expressed in its null form;

\[
H_{01} - \text{There will be no significant difference in disparity regarding the Legitimacy of stakeholders between respondents in Australia, China and Indonesia.}
\]
H02 – There will be no significant difference in disparity regarding the POWER of stakeholders between respondents in Australia, China and Indonesia.

H03 – There will be no significant difference in disparity regarding the URGENCY of stakeholders between respondents in Australia, China and Indonesia.

This study utilized a simple hierarchical decision model, tested via the Analytical Hierarchy Process (AHP), as recommended by Hosseini and Brenner (1992) (see also Saaty, 1977), to generate value weights which is then used to gauge stakeholder salience (see Figure 1), which can be displayed via a value matrix (See Figure 2). The AHP in general allows particular outcomes to be ranked according to their importance by respondents. Problems can be explored in a more detailed form, via decomposition into a multi-level structure of objectives, criteria, sub-criteria and alternatives.

[ Insert Figure 1 and 2 about here ]

The data was entered in to a software package called “TeamEC Platform” (Expert Choice) Decision Support. Each respondent, between each pair of elements then undertook pairwise comparisons. Data input is along a 9 point bounded scale ranging from one (equal importance) to nine (extreme importance). Assessment can then be made between respondents in different countries and between types of respondents.

**Research Design**

The respondents’ chosen for the study were 200 current managers and 200 management students in each of the three countries (Australia, China and Indonesia = 400 x 3 = 1,200 sample). Managers were chosen because of their influence on organisational decision making, and managerial students were chosen in order to capture possible future organisational attitudes. Sample selectees were subject to two mailouts. Selectees who did not respond to the first questionnaire, were sent another copy. For the first mailout (September 1999), envelopes were addressed to the name
of the general manager stated in the source book, whilst for the second mailout (December 1999) envelopes were addressed to “The General Manager” in all cases. This was to capture companies that had a change in the general managerial position since the date of publication of the source books.

Managers of corporations were selected from two main sources. In Australia, corporations were selected from the text *Duns Asia/Pacific Key Business Enterprises 1998/99* (Dun & Bradstreet, 1998), and in Indonesia from the *Key Business Directory of Indonesia/Philippines and Thailand: 1997/98 Edition* (Dun & Bradstreet, 1997). Whilst these texts also provided addresses for enterprises in China, they were not provided in Mandarin text, and therefore due to domestic postal regulations, could not be used within China. Therefore, corporations were selected from *The China Phone Book and Business Directory – 1999* (China Phone Book Company Limited), produced in China and a leading source of contact information for corporate enterprises. Company names and addresses in this text were provided in both English and Mandarin. Managers were selected from companies involved in the Agriculture, Mining and Manufacturing sectors. Managerial students were selected from managerial programs within the Macquarie Graduate School of Management (Macquarie University, Australia), the Guanghua School of Management (Peking University, China), the Institut Pengembangan Manajemen (Indonesia), and Universitas Indonesia (Indonesia).

The stakeholders were selected partly because of their prominence in previous literature. These included customers (CUST), employees (EMP), government (GOVT), investors (INV), and suppliers (SUPP). “Environmental groups” (ENVGP) were also selected because of the emphasis on environmental management, which is an important development issue within the Asian region. Despite its low reference in previous literature, “government” was selected because of its important role in the

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12 Although English text questionnaires could have been mailed from Australia to China, the excessive airmail cost for 400 questionnaires (200 mailed twice), resulted in questionnaires being mailed in China using Mandarin text.

13 Managers as custodians of organisations, are in an important position to influence organisational policy. Yes despite claims that they themselves are stakeholders, they are distinct. The have separate contractual obligations with the firm as “agents”, and they are arbiters of the stakeholder management process, and are the “only group of stakeholders who enter into a contractual relationship with other stakeholders” (Hill and Jones, 1992, p.132). As such they have been excluded from the study as a stakeholder.
national framework of both Chinese and Indonesian society. The “community” whilst regularly referred to in previous literature as a stakeholder, was excluded because of its inability to be identified as a distinct “grouping”. Furthermore, community interest is seen as a residual assemblage that carries numerous claims that will always occupy a central position in any country, developed or undeveloped. Its group is the unidentifiable mass.

Elicitation of attributes to stakeholders was obtained through a questionnaire that consists of pairwise comparisons between the selected stakeholders, regarding the legitimacy, power and urgency of stakeholder claims\textsuperscript{14}. Each attribute itself is not sufficient alone to guarantee salience. To assess whether each stakeholder possessed salience with respect to each attribute in each respondent category (country and occupation) in this study, an arbitrary average was taken for each stakeholder of .166, representing the score of one (1) (the theoretical maximum a stakeholder can achieve against other stakeholders) and dividing this by the six-(6) stakeholders under consideration. Scores above the .166 in the AHP average indicated salience for that particular stakeholder in that attribute, based on that stakeholders comparison with all other stakeholders. Scores below .166 did not\textsuperscript{15}.

\textbf{Results}

Although 200 questionnaires for managerial students in each country were initially to be obtained, there were in fact actually 192 Chinese respondents and 205 Indonesian respondents who were management students, and 200 Australian respondents. Results for the mailout indicated a low response rate in particular for Chinese and Indonesian managers. 12 out of the 200 Chinese Managers mailed returned completed

\textsuperscript{14} Prior to the main survey being undertaken, but subsequent to the design phase, a pilot study of the questionnaire was distributed to 44 undergraduate accounting students at Macquarie University in September of 1998, and presented at a seminar at the Macquarie Graduate School of Management in June of 1999. The trial questionnaire was used to test the receptibility of the questionnaire as a data-gathering mechanism, and to identify problems with its interpretation, in order to avoid problems when planning the primary questionnaire for the study. No problems were encountered during the pilot study.

\textsuperscript{15} In this study, value rankings were used to measure salience, rather than an absolute value for each stakeholder independently. Agle and Caldwell (1999) state that there are theoretical advantages in using both rankings and ratings, and the choice should be a function of the theoretical inquiry (p.368).
questionnaires, a response rate of only 6%, indicative of previous Chinese studies\textsuperscript{16}. This 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 response bias between early and late respondents, a one way analysis of variance (ANOVA) test was undertaken (not shown graphically) to analyse for differences between managers who had sent back questionnaires both before and after two weeks following the first mailout. The test of no significant difference was not rejected at the 0.05 level, signifying that early and later respondents did not significantly differ in responses. As can be seen from Table 3, combined responses for the managerial students and the mailed questionnaire indicated a sample of 236 (200 + 36) Australian respondents, 204 (192 + 12) Chinese respondents, and 238 (205 + 33) Indonesian respondents, on which to base the analysis\textsuperscript{17}.

[Insert Table 3 about here]

Results for the Bonferroni correction for multiple comparisons\textsuperscript{18} (table not shown) indicate that no significant differences existed between Australia and Indonesia with respect to CUST, ENVGP, INV and SUPP. However, significant differences at the 0.05 level did exist between China and Australia, and China and Indonesia on 5 of the 6 stakeholders respectively.

\textsuperscript{16} 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%.

\textsuperscript{17} There were no differences in Education, although Chinese respondents tended to have a higher percentage of Masters Degrees (52%). Due to the lower respondent rates for Chinese mailed respondents, there were also a lower percentage of manager respondents (10%) than in Australia (42.4%) or Indonesia (23.1%). Accordingly, China also had the least degree of respondents who selected ‘owner’ as an occupation (1.5%). Respondents in China (19.1%) and in particular Indonesia (25.2%) also had a greater tendency to work for multi-national companies.

\textsuperscript{18} The Bonferroni correction procedure is a method for adjusting the \( p \)-value for multiple comparisons. This is achieved by multiplying the \( p \)-value by the total number of comparisons. This correction procedure conservatively calculates probabilities, and results in fewer false positives than achieved strictly under \( t \)-tests.
Mean results were obtained through the “Expert Choice” Software Package. As can be seen from Table 4 in China greater emphasis is placed on GOVT as an organisational stakeholder. Furthermore, ENVGP are seen as much more prominent than in Australia or Indonesia, whilst the CUST is not perceived as prominently. Results were obtained within the desired inconsistency ratio of less than 0.10. This measure is useful in identifying possible errors in judgements as well as inconsistencies in the judgements themselves.

[Insert Table 4 about here]

Under the Mitchell et al., (1997) typology model, stakeholders could fall into different classes (dormant, demanding, dominant), depending on whether or not they possessed salience in each particular attribute. To assess whether each stakeholder possessed salience with respect to each attribute in each respondent category (country and occupation) in this study, as mentioned previously, an average was taken for each stakeholder of .166.

The results from Table 4 indicate 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, both GOVT and INV are definitive, indicating that the central organisational focus is around these two stakeholders. CUSTs 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 considered dependent (legitimacy and urgency). Mitchell et al., (1997, p.877) identifies ‘dependent’ stakeholders as those that ‘rely on the advocacy of other stakeholders...or on the benevolence and voluntarism of the firm’s management’. 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 salience 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.

With respect to the Bonferroni correction statistic for tests on country (data not shown), that is, whether the effects of the country of origin result in significant differences in stakeholder salience, results indicate that again, differences existed between Australian and Chinese respondents and Chinese and Indonesian respondents in most stakeholders, but not between Australian and Indonesian respondents. As noted previously, the Bonferroni correction procedure conservatively calculates probabilities and results in fewer false positives than achieved strictly under t-tests.

**Legitimacy**

With regard to stakeholder legitimacy, Table 5 indicates that CUST, EMP and INV are seen as more legitimate in Australia and Indonesia, than in China. Legitimacy refers to “socially accepted and expected structures or behaviours”. Reasons may
include a less market-oriented economy in China, as well as an absence of unions. Developed market economies such as Australia have a greater customer focus and attention to return on investment, than do transitional or developing economies. However, GOVT and ENVGP in China were seen as more legitimate than in Indonesia and Australia. This may be due to the major role GOVT has in Chinese society, in co-ordinating both economic and social change and the perceived legitimate role ENVGP have in highlighting environmental concerns.

[Insert Table 5 about here]

SUPP are seen as the least legitimate stakeholder across all countries and do not have any variation. Despite the belief that a more economically and socially developed society may have allowed for stakeholder emancipation in the democratic sense, thus distributing legitimacy evenly across stakeholders, the results did not support this view. This could be partially attributable to greater visibility of all stakeholders in developed countries, and thus a more solidified perception of their legitimacy. Furthermore, there is in an organisational sense, in western democracies, a perception of radicalism and militancy inherent within certain environment groups and unions (who represent employees), and a view of government as too overbearing, intrusive and regulative. This may impact upon legitimacy. In centrally controlled societies however, government is seen as a central mechanism by which to guide and oversee the daily lives of individuals, organisations and society, and each group is interrelated to another in the schemata of the organisation.

**Power**

Results from Table 6 indicate that directional scores for stakeholders in the three countries are similar for power as they are for legitimacy. EMP are not as prominent among the countries with respect to power as they are with legitimacy.

[Insert Table 6 about here]

The Power of ENVGP in China is not as strong as their legitimacy, although they still are perceived as being more powerful than ENVGP in Australia or Indonesia.
Also, GOVT is seen as much more powerful in all three countries than they are legitimate. This is partly attributable to the prominent role of GOVT in China, along with the absence of a strong industrial relations framework in both China and Indonesia. Furthermore, the entrenchment of democratic concepts in developed countries results in power being exercised by most stakeholders, a result of the extent of moral dialogue undertaken. Power, however, would most often be in the ‘utilitarian’ form, being the ability to command material and financial resources. In developing countries, such as China and Indonesia, stakeholders do not have the material or financial means to express power. Power can therefore become coercive and centralised in the hands of parties that can command resources, such as GOVT (and their enforcement institutions in the police and military) or INV.

**Urgency**

Results from Table 7 indicate that directional scores for stakeholders from the AHP in the three countries are similar for urgency as they are for legitimacy and power. The claims of CUST were seen as more urgent (time sensitive and critical) in Australia and Indonesia than they were in China. Consumer focus appears therefore to be of paramount importance in Australia and Indonesia. In China, however, the claims of GOVT were not seen as urgent as they were legitimate or powerful. This is understandable given that the claims of GOVT in a centrally planned economy are addressed on a constant basis, even in an organisational decision context.

[Insert Table 7 about here]

Differences in stakeholder variance between countries are contrary to expectations, but mirror to a large degree the directional results of the variance in legitimacy. Chinese respondents perceived less criticality in the needs of their stakeholders. This may be due to the perception that the needs of their stakeholders are being met. On the other hand, it may be a signal that the factors underlying stakeholder claims are not being perceived in a time-sensitive manner or being recognised by decision makers within the organisation or the broader community. This in turn could be a function of the lack of democratic constructs that bring to the fore the critical nature of stakeholder claims. That is, respondents may not perceive EMP claims as being of
a critical nature if labour-related issues are not given the same degree of coverage as GOVT issues, or are being suppressed.

**Summary of Results**

Results overall indicate partial rejection of each of the three null hypotheses (H01, H02, H03) of no significant difference between countries on each stakeholder attribute. Greater disparity in mean values was evident in particular between Australian and Chinese respondents, and Chinese and Indonesian respondents, but not between Australian and Indonesian respondents. The results suggest that overall; the attitudes of Chinese respondents were different from their Australian and Indonesian counterparts. However the low response rates are a limitation of the results, in particular with respondents who were mailed a survey, so caution must be made as to the applicability of the results in a wider context.

Chinese respondents, regardless of occupation, placed greater salience on ENVGP, INV and GOVT as stakeholders. In particular, the legitimacy and power of GOVT was more evident, due in part to the role of the state in both economic and social affairs. INV likewise, were considered a definitive stakeholder, possessing all three attributes. The salience accorded to ENVGP in China does seem to contradict a strict development-based approach to stakeholder theory, which would view non-traditional stakeholders as having low salience. However, the salience with respect to legitimacy and urgency may be attributable to the fact that NGOs, including environmental groups, need to be registered in China. As such, these NGOs are ‘screened’ and in turn are seen as having been accorded a degree of legitimacy, compared to respondents in developed countries who may perceive certain NGOs, who do not come under the influence of government as ‘radical’. This is coupled with the fact that anxiety surrounds the continued pollution of the natural environment, heightening their urgency. Both EMP and SUPP were not considered important, with scores for each stakeholder well below the .166 average overall and for each individual attribute. Interestingly, CUST were only considered ‘demanding’, possessing urgency, but not legitimacy or power, in relation to other stakeholders, indicative of economies in transition to market-based societies where customer focus is low.
Australian respondents on the other hand, placed greater emphasis on CUST and INV as prominent or ‘definitive’ (strong in all three attributes) stakeholders, indicative of a customer-oriented market economy. ENVGP were not considered prominent based on overall or individual attributes. Like Chinese respondents, SUPP did not possess strength in any attribute. EMP did have legitimacy and urgency (dependent) but not power, which made them more prominent than in China or Indonesia, and is reflective of a greater level of industrial democracy. This is also consistent with the argument that moral dialogue, which is more predominant in countries with democratic concepts, provides a basis on which to foster ‘value talks’ on essential moral universals, such as the right to a fair wage, and appropriate health and safety requirements. In contrast to China, GOVT was seen as dormant (power without legitimacy or urgency), indicating a lower tendency toward perceiving government as a source of authority.

From an organisational perspective, this may signify that the greater the social development of the nation, the less role GOVT (as a traditional organisational constituent through its collection of taxes) has in influencing organisational behaviour from a philosophical perspective, yet still possessing the ability to sanction organisations through a highly regulated and structured taxation system. While Australian respondents perceived GOVT as somewhat powerful, the score was not as high as in China or Indonesia. This may be due to greater faith in bureaucratic structure, evidenced through a reduction in the perception of bribery to government officials, and more developed and transparent government frameworks for facilitating economic and industrial activity in Australia. As such, organisations in developed nations operate in a more dynamic environment, where government interplays with other variables such as debt and capital markets and professional bodies, to influence corporate behaviour. Furthermore, the low salience attributed to ENVGP in Australia, may be a result of the radicalisation of environmental issues in many developed democratic countries. The perceived militancy of many environmental groups, against both public and private organisations, and the political aspects of many environmental movements, has contributed toward a negative impression of many environmental claims in the public sphere.
Indonesian respondents mirrored to a large degree the attitudes of Australian respondents, in that both CUST and INV were seen as definitive. Similarities could be based on the fact that in both Australia and Indonesia there was a greater degree of response by Managers to the questionnaire and respondents were often older, than in China (see Table 4). EMP were seen as discretionary (legitimate), but were not as prominent in the attribute of urgency for Indonesian respondents as for Australian respondents, signalling that the claims of EMP are still not considered of great significance to Indonesian respondents and ENVGP were not seen as being prominent in any attribute. Interestingly, GOVT was seen as dormant, that is, being prominent in power only, but not legitimacy or urgency, indicative once again of the perceptions of bribery in business affairs, and quite possibly, the role of the military in government. As in Australia and China, SUPP were not considered prominent in any attribute in Indonesia.

Results based on occupation (not shown) did indicate significant differences with respect to the salience of GOVT and CUST, in particular between owners and the remaining respondents, and managers and the remaining respondents. When examined with the combined variables of Country and Occupation, no differences were evident. In terms of emphasis, managers tended to value EMP more than other respondents, whilst owners valued CUST and students were more akin to ENVGP. With respect to individual attributes, across all three countries on average, CUST claims were seen as having more urgency than legitimacy, EMP were seen as more legitimate than either powerful or urgent, and ENVGP had more urgency, although this was predominantly influenced by Chinese respondents. GOVT were seen as more powerful than they were legitimate or urgent. INV ranked highly across all three attributes, whilst SUPP were not prominent in any attribute.
Conclusion

Recent literature has focused on the development of a normative approach to justify stakeholder theory. Furthermore, a descriptive approach, focusing on positive approaches to stakeholder theory’s development has been discounted. This paper offers an alternate approach which seeks to explain and predict conditions under which certain stakeholders become more predominant than others, whilst at the same time recognising the inherent flaws in observation. The paper presents a three-country study of respondent’s (manager’s and managerial students) attitudes toward stakeholder salience. An economic and social development model is used as a basis to predict the level of stakeholder salience.

As mentioned earlier, Stakeholder Theory has been evident in the literature for over 20 years, since its inception in 1983 (Freeman, 1983). However related research such as interest group theory has been present for over 60 years, and corporate social reporting for over 30 years. They intertwine with, and in many respects act as a prelude to stakeholder theory, and still remain relevant research paradigms in their own right. The marked shift in social consciousness in the 1960’s throughout the western world led to a greater interest in these theories of the firm; theories that examined the organisation in a wider context, beyond the traditional concept of accountability to resource providers. However stakeholder theory to date has remained largely North American in focus, and apart from research examining Japanese and American managers (Polonsky, 1996), the literature has not explored other geographical domains. Yet in an ever-changing world, where developing economies are embracing market oriented models as a means by which to advance the health and welfare of their citizens, stakeholder theory has much to contribute to the understanding of how organisations are perceived in different economic and social contexts, and the role of firm participants (stakeholders) in that process.

This study has hoped to contribute toward this understanding, via the empirical evidence gathered and the conclusions reached. Furthermore, it provides empirical evidence for three countries within the Asia-Pacific region; a region which contrasts significantly in many contexts. Examining stakeholder theory in an international context allows us to examine whether different societies develop in similar ways. That
is, do certain stakeholders emerge as prominent at different stages in a country’s development? Are stakeholders such as investors and government perceived more prominently in developing rather than developed economies? As societies develop, does prominence disperse over a broader range of stakeholders, or does prominence become more centralised with a certain stakeholder? And what happens when a society develops economically but not socially? Answers to these questions require empirical evidence. Over time, such evidence will explain why certain organisations undertake certain decisions in a given environment. For example, in developed economies, organisations may engage in greater philanthropy, and pay greater attention to health and safety requirements, than they would in developing economies.

The limitations of the study itself are not considered to be of such significance as to challenge the validity of the results or the contribution that they have made to stakeholder theory. Nevertheless, they do constrain the applicability of the results. There are questions as to the completeness of the stakeholder typology model itself and the choice of stakeholders. Furthermore, the study is strictly a survey on general attitudes and is not situation-specific. There is also a problem with the normative constructs that underlie the positive approach to the model, and the fact that the study is based on intention, not on actual behaviour. Therefore, perception as to a stakeholder’s prominence may differ from their actual prominence in society, when analysed over a large sample. Problems also continue to exist with respect to the Analytical Hierarchy Process and its validity as a ranking based tool, and both the cognitive aspects of survey perception and the low response rate for the mailouts.

Future research may firstly wish to broaden the empirical observations undertaken in this study by examining the prominence of stakeholders within other geographical regions and in different cultural contexts. Research may wish to encompass case studies on particular organisations, and consideration may be given to exploring the extent to which stakeholders themselves view their relationship with organisations, or the mediums used by stakeholders to communicate their concerns to organisations.

The paper provides an international empirical perspective to the field of stakeholder theory, through a positive ‘empirical’ approach to its development. This will enable a more practical basis on which to further explore stakeholder theory, and allow us to
gain a greater understanding of the relationships between organisations and their constituencies. This is important in a world where organisations are increasingly doing business across, and are affected by, nation states characterised by differing levels of cultural, economic, political and social development.
References


### Table 1: Economic Development Indicators

<table>
<thead>
<tr>
<th>Social Indicator</th>
<th>Australia</th>
<th>China</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Development Report July-2001 (1)</td>
<td>High Income</td>
<td>Lower-Middle Income</td>
<td>Low Income</td>
</tr>
<tr>
<td>Country Category</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Average Annual Official Development Assistance $USm (2)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1983-85</td>
<td>(760)</td>
<td>803</td>
<td>673</td>
</tr>
<tr>
<td>1993-95</td>
<td>(1,080)</td>
<td>3,344</td>
<td>1,683</td>
</tr>
<tr>
<td>Gross National Income ($US) per capita 1999 (3)</td>
<td>20,950</td>
<td>780</td>
<td>600</td>
</tr>
</tbody>
</table>


### Table 2: Social Development Indicators

<table>
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<th>Social Indicator</th>
<th>Australia</th>
<th>China</th>
<th>Indonesia</th>
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</thead>
<tbody>
<tr>
<td>Perceptions of Bribery (1)</td>
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<tr>
<td>1995 (rank)</td>
<td>8.80 (6)</td>
<td>2.16 (39)</td>
<td>1.94 (40)</td>
</tr>
<tr>
<td>1996 (rank)</td>
<td>8.60 (10)</td>
<td>2.43 (50)</td>
<td>2.65 (45)</td>
</tr>
<tr>
<td>On-line Market in Asia (2)</td>
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<td></td>
</tr>
<tr>
<td>(Internet Connections)</td>
<td>1,600,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Foreign Born Citizens (%) 1985 (3)</td>
<td>20.3</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Govt Education Expenditure 1990-95 (1) (% of GDP) (3)</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total Literacy % 1985 (4)</td>
<td>100</td>
<td>78</td>
<td>82</td>
</tr>
<tr>
<td>Tertiary School Enrolment 1993 as a % of Age Group (5)</td>
<td>42</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Television Receivers (per 1,000 population) (6)</td>
<td>480</td>
<td>31</td>
<td>59</td>
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Table 3: Descriptive Statistics for the Sample

<table>
<thead>
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<th>China (204)</th>
<th>Indonesia (238)</th>
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<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td>Sex</td>
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</tr>
<tr>
<td>Male</td>
<td>176</td>
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</tr>
<tr>
<td>Female</td>
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<td>Age</td>
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<tr>
<td>Under 25</td>
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<td>0.8</td>
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<tr>
<td>25-34 years</td>
<td>112</td>
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<td>35-44 years</td>
<td>79</td>
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<td>45-54 years</td>
<td>35</td>
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<td>Birth</td>
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<td>Australia</td>
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<td>66.9</td>
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</tr>
<tr>
<td>China</td>
<td>4</td>
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<td>204</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
<td>0.8</td>
<td>0</td>
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<tr>
<td>Other</td>
<td>72</td>
<td>30.6</td>
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</tr>
<tr>
<td>Culture</td>
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<tr>
<td>Anglo/Euro</td>
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<td>Chinese</td>
<td>16</td>
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<td>Native Indonesian</td>
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<td>0.4</td>
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<tr>
<td>Other</td>
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<td>Education</td>
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<tr>
<td>High School</td>
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<td>Tech Certificate</td>
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<td>PhD</td>
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<td>Masters</td>
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<td>Other</td>
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<td>Occupation</td>
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<td>Owner</td>
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<td>Full-Time Manager</td>
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<tr>
<td>FT Manager/PT Student</td>
<td>83</td>
<td>35.2</td>
<td>98</td>
</tr>
<tr>
<td>FT Student</td>
<td>26</td>
<td>11</td>
<td>39</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>5.5</td>
<td>44</td>
</tr>
<tr>
<td>Multinational Status</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>21</td>
<td>8.9</td>
<td>39</td>
</tr>
<tr>
<td>No</td>
<td>88</td>
<td>37.3</td>
<td>80</td>
</tr>
<tr>
<td>N/A</td>
<td>127</td>
<td>53.9</td>
<td>85</td>
</tr>
</tbody>
</table>
Table 4: Stakeholder Salience by Total Respondents (via Country of Sample)

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Australia (no=236)</th>
<th>China (no=204)</th>
<th>Indonesia (no=238)</th>
<th>All Respondents (no=678)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUST</td>
<td>.291 Definitive</td>
<td>.155 Demanding</td>
<td>.275 Definitive</td>
<td>.277</td>
</tr>
<tr>
<td>EMP</td>
<td>.187 Dependent</td>
<td>.115 None</td>
<td>.139 Discretionary</td>
<td>.142</td>
</tr>
<tr>
<td>ENVGP</td>
<td>.069 None</td>
<td>.171 Dependent</td>
<td>.080 None</td>
<td>.080</td>
</tr>
<tr>
<td>GOVT</td>
<td>.127 Dormant</td>
<td>.245 Definitive</td>
<td>.166 Dormant</td>
<td>.171</td>
</tr>
<tr>
<td>INV</td>
<td>.237 Definitive</td>
<td>.211 Definitive</td>
<td>.253 Definitive</td>
<td>.245</td>
</tr>
<tr>
<td>SUPP</td>
<td>.089 None</td>
<td>.103 None</td>
<td>.087 None</td>
<td>.085</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Overall Inconsistency</td>
<td>.00860</td>
<td>.00489</td>
<td>0.00648</td>
<td>0.00494</td>
</tr>
</tbody>
</table>
Table 5: Stakeholder Legitimacy across all Respondents

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Australia (no=236)</th>
<th>China (no=204)</th>
<th>Indonesia (no=238)</th>
<th>Overall (no=678)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUST</td>
<td>.271</td>
<td>.148</td>
<td>.271</td>
<td>.274</td>
</tr>
<tr>
<td>EMP</td>
<td>.221</td>
<td>.126</td>
<td>.170</td>
<td>.174</td>
</tr>
<tr>
<td>ENVGP</td>
<td>.072</td>
<td>.218</td>
<td>.079</td>
<td>.081</td>
</tr>
<tr>
<td>GOVT</td>
<td>.094</td>
<td>.211</td>
<td>.119</td>
<td>.120</td>
</tr>
<tr>
<td>INV</td>
<td>.252</td>
<td>.202</td>
<td>.269</td>
<td>.259</td>
</tr>
<tr>
<td>SUPP</td>
<td>.091</td>
<td>.096</td>
<td>.093</td>
<td>.092</td>
</tr>
<tr>
<td>Total = 1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Overall Inconsistency</td>
<td>.00860</td>
<td>.00489</td>
<td>.00648</td>
<td>.00494</td>
</tr>
</tbody>
</table>

Table 6: Stakeholder Power across all Respondents

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Australia (no=236)</th>
<th>China (no=204)</th>
<th>Indonesia (no=238)</th>
<th>Overall (no=678)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUST</td>
<td>.267</td>
<td>.143</td>
<td>.248</td>
<td>.244</td>
</tr>
<tr>
<td>EMP</td>
<td>.154</td>
<td>.087</td>
<td>.109</td>
<td>.109</td>
</tr>
<tr>
<td>ENVGP</td>
<td>.072</td>
<td>.123</td>
<td>.070</td>
<td>.069</td>
</tr>
<tr>
<td>GOVT</td>
<td>.179</td>
<td>.329</td>
<td>.226</td>
<td>.236</td>
</tr>
<tr>
<td>INV</td>
<td>.249</td>
<td>.218</td>
<td>.264</td>
<td>.259</td>
</tr>
<tr>
<td>SUPP</td>
<td>.086</td>
<td>.099</td>
<td>.083</td>
<td>.082</td>
</tr>
<tr>
<td>Total = 1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Overall Inconsistency</td>
<td>.00860</td>
<td>.00489</td>
<td>.00648</td>
<td>.00494</td>
</tr>
</tbody>
</table>

Table 7: Stakeholder Urgency across all Respondents

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Australia (no=236)</th>
<th>China (no=204)</th>
<th>Indonesia (no=238)</th>
<th>Overall (no=678)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUST</td>
<td>.334</td>
<td>.173</td>
<td>.307</td>
<td>.314</td>
</tr>
<tr>
<td>EMP</td>
<td>.186</td>
<td>.132</td>
<td>.140</td>
<td>.141</td>
</tr>
<tr>
<td>ENVGP</td>
<td>.070</td>
<td>.173</td>
<td>.089</td>
<td>.089</td>
</tr>
<tr>
<td>GOVT</td>
<td>.110</td>
<td>.196</td>
<td>.152</td>
<td>.155</td>
</tr>
<tr>
<td>INV</td>
<td>.212</td>
<td>.214</td>
<td>.227</td>
<td>.217</td>
</tr>
<tr>
<td>SUPP</td>
<td>.089</td>
<td>.112</td>
<td>.085</td>
<td>.083</td>
</tr>
<tr>
<td>Total = 1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Overall Inconsistency</td>
<td>.00860</td>
<td>.00489</td>
<td>.00648</td>
<td>.00494</td>
</tr>
</tbody>
</table>
FIGURE 1
A Simple Hierarchical Decision Model

Level 1: Overall Objective
The Level of Stakeholder Prominence

Level 2: Criteria
Stakeholder Attributes
Legitimacy  Power  Urgency

Level 3: Sub-criteria
Stakeholder
Stakeholder 1  Stakeholder 2  Stakeholder n

Adapted from Hosseini and Brenner (1992, p.106)
### FIGURE 2
A Stakeholder Value Matrix

<table>
<thead>
<tr>
<th>Stakeholder Attributes (A&lt;sub&gt;i&lt;/sub&gt;)</th>
<th>Influence (R&lt;sub&gt;i&lt;/sub&gt;)</th>
<th>Stakeholders (S&lt;sub&gt;j&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>S&lt;sub&gt;1&lt;/sub&gt;</td>
</tr>
<tr>
<td>Legitimacy (R&lt;sub&gt;1&lt;/sub&gt;)</td>
<td></td>
<td>W&lt;sub&gt;1,1&lt;/sub&gt;</td>
</tr>
<tr>
<td>Power (R&lt;sub&gt;2&lt;/sub&gt;)</td>
<td></td>
<td>W&lt;sub&gt;2,1&lt;/sub&gt;</td>
</tr>
<tr>
<td>Urgency (R&lt;sub&gt;3&lt;/sub&gt;)</td>
<td></td>
<td>W&lt;sub&gt;3,1&lt;/sub&gt;</td>
</tr>
<tr>
<td>…</td>
<td></td>
<td>…</td>
</tr>
<tr>
<td>Other Attributes (R&lt;sub&gt;m&lt;/sub&gt;)</td>
<td></td>
<td>W&lt;sub&gt;m,1&lt;/sub&gt;</td>
</tr>
</tbody>
</table>

Where:
- S<sub>j</sub> = stakeholders (j = 1, 2, …, n)
  - S<sub>1</sub> = Customer
  - S<sub>2</sub> = Employee
  - S<sub>3</sub> = Environmental Group
  - S<sub>4</sub> = Government
  - S<sub>5</sub> = Shareholders
  - S<sub>6</sub> = Suppliers
  - S<sub>7</sub>…S<sub>m</sub> = other stakeholder value

- W<sub>ij</sub> = value weight of the ith attribute for the jth stakeholder
- R<sub>i</sub> = relative influence of the ith stakeholder attribute (i = 1, 2, …, n)
  - R<sub>1</sub> = relative influence of legitimacy as a factor in a stakeholder becoming prominent
  - R<sub>2</sub> = relative influence of power as a factor in a stakeholder becoming prominent
  - R<sub>3</sub> = relative influence of urgency as a factor in a stakeholder becoming prominent
  - R<sub>m</sub> = relative influence of other attributes

(Source: Hosseini and Brenner, 1992, p. 100)