

How to Achieve Organizational Justice for Stakeholders: Simple Rules to Balance Stakeholder Interests

DISSERTATION
of the University of St.Gallen,
School of Management,
Economics, Law, Social Sciences
and International Affairs
to obtain the title of
Doctor of Philosophy in Management

submitted by

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Dissertation no. 4834

Difo-Druck GmbH, Untersiema 2019

The University of St.Gallen, School of Management, Economics, Law, Social Sciences and International Affairs hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St.Gallen, October 23, 2018

The President:

Prof. Dr. Thomas Bieger

With gratitude to my loved ones.

“Be generous in prosperity, and thankful in adversity. Be worthy of the trust of thy neighbor, and look upon him with a bright and friendly face. Be a treasure to the poor, an admonisher to the rich, an answerer to the cry of the needy, a preserver of the sanctity of thy pledge. Be fair in thy judgment, and guarded in thy speech. Be unjust to no man, and show all meekness to all men. Be as a lamp unto them that walk in darkness, a joy to the sorrowful, a sea for the thirsty, a haven for the distressed, an upholder and defender of the victim of oppression. Let integrity and uprightness distinguish all thine acts. Be a home for the stranger, a balm to the suffering, a tower of strength for the fugitive. Be eyes to the blind, and a guiding light unto the feet of the erring. Be an ornament to the countenance of truth, a crown to the brow of fidelity, a pillar of the temple of righteousness, a breath of life to the body of mankind, an ensign of the hosts of **justice**, a luminary above the horizon of virtue, a dew to the soil of the human heart, an ark on the ocean of knowledge, a sun in the heaven of bounty, a gem on the diadem of wisdom, a shining light in the firmament of thy generation, a fruit upon the tree of humility.”

(Bahá'u'lláh, Epistle to the Son of the Wolf)

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List of Abbreviations

B2B	Business to Business
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
GL	Management Board
HO	Humanitarian Organization
ICRC	International Committee of the Red Cross
IOT	Internet of Things
KLD	Kinder Lydenburg Domini
MNC	Multinational Corporation
MVA	Market Value Added
U.K.	United Kingdom
UN	United Nations
SIP	Social Issue Participation
SM	Stakeholder Management
SME	Small and Medium Enterprise
PFR	Planning For Result
REX	Resource Mobilization Department

Abstract

Organizations today face the challenge of managing numerous stakeholder relationships simultaneously. This often means balancing a diversity of interests that can, at times, conflict. The corporation as an input-output entity has transformed into an actor in a network of collaborating entities. To legitimize their existence, organizations need to create and distribute value to their stakeholders. Defining who gets what part of the value created at the end of the day is not straightforward, but it is an essential management task.

Research regarding employees has found that achieving organizational justice for employees is essential for motivating them to contribute to the value creation of their employers. Researchers increasingly refer to the concept of organizational/ distributive justice regarding stakeholders despite the fact that no research so far has analyzed what it means to achieve distributive justice for all stakeholders. This dissertation applies stakeholder theory to analyze how organizations create and distribute value to stakeholders to achieve organizational justice for all stakeholders.

The first section of the dissertation consists of a theory review of concepts connected to balancing stakeholder interests in the strategic management context. The reviewed concepts include research on stakeholder theory, organizational justice and management prioritization. This section lays the groundwork for the subsequent case studies and the research findings.

Second, the empirical section builds the core of this dissertation. Using a comparative case study approach, two distinct cases are created to identify simple rules of how organizational justice is achieved in organizations. The first case covers the International Committee of the Red Cross (ICRC), a humanitarian organization that operates in a very fragmented and dynamic environment. The second case covers Schindler, a very renowned Swiss elevator company that operates in a very competitive market. The case comparison, which is presented in the third and final section of the dissertation, presents the results of this dissertation. It provides a definition of what achieving organizational justice in the stakeholder context means and presents simple rules to achieve organizational justice for stakeholders.

Zusammenfassung

Unternehmen und Organisationen stehen in der heutigen Zeit vor der wachsenden Herausforderung, eine Vielzahl von Stakeholder Beziehungen gleichzeitig zu managen. Dies bringt ein Abwägen und Ausgleichen von sich häufig diametral gegenüberliegenden Interessen mit sich. Die Unternehmung als ein Input-Output System hat sich in einen Akteur verwandelt, der in einem Netzwerk mit anderen Unternehmen zusammenarbeitet. Als Daseinsberechtigung muss es einen Mehrwert für seine Stakeholder generieren. Zu definieren, wer welchen Teil des kreierte Mehrwertes erhält, ist eine komplex zu ermittelnde und zunehmend gewichtige Managementaufgabe geworden.

Die einschlägige Forschung hat gezeigt, dass Organisationale Gerechtigkeit zentral ist für die Motivation von Mitarbeitenden und einen positiven Einfluss für deren Beitrag für ihre Organisation hat. Obwohl das Konzept der Organisationalen Gerechtigkeit in Bezug auf alle Stakeholder noch nicht gründlich untersucht wurde, verweisen bereits eine Anzahl von Forscherinnen und Forschern auf deren Relevanz. Diese Dissertation verwendet die Stakeholder Theorie, um zu analysieren, wie Unternehmen Wert kreieren und diesen an ihre Stakeholder verteilen, um Organisationale Gerechtigkeit für alle Stakeholder zu erlangen.

Der erste Teil der vorliegenden Arbeit besteht aus einem Literaturüberblick. Dieser zeigt den aktuellen Forschungsstand der Konzepte auf, die mit der Organisationalen Gerechtigkeit in Bezug auf Stakeholder zusammenhängen. Dies sind die Stakeholder Theorie, Organisationale Gerechtigkeit und Management Priorisierung. Sie legen die Grundlage für die nachfolgende vergleichende Fallstudie und deren Ergebnisse, die im zweiten und dritten Teil der Arbeit präsentiert werden.

Der empirische Teil bildet den Kern dieser Arbeit. In der Fallstudie werden zwei Fälle unterschiedlicher Organisationen verglichen. Diese wurden mit der Methode der kritischen Ereignisse erstellt, um Simple Rules (Einfache Regeln) hinsichtlich des Erreichens Organisationaler Gerechtigkeit zu erstellen. Der erste Fall untersucht das Internationale Rote Kreuz, eine humanitäre Organisation, die sich in einem sehr fragmentierten und dynamischen Umfeld einsetzt. Der zweite Fall untersucht Schindler, ein Schweizer Aufzugsunternehmen.

Der dritte und letzte Teil der Dissertation stellt das Resultat der Dissertation vor. Es beinhaltet eine Definition von Organisationaler Gerechtigkeit bezüglich Stakeholdern sowie die erarbeiteten Simple Rules, wie Organisationale Gerechtigkeit für alle Stakeholder erreicht werden kann.

1 Introduction

The responsibility of corporations to create value for society has been researched for quite some time, and it remains an active area for research. Stakeholder theory, which is largely concerned with value creation, includes both the normative and strategic perspectives (Donaldson & Preston, 1995; Freeman, 1984; Sachs & Rühli, 2013). In addition to the focus on value creation, stakeholder theory is also concerned with value distribution to stakeholders. The corporation in this context needs to balance many stakeholder interests simultaneously. From the employee who wants to be compensated adequately to the customer who asks for the best value product for money to the investor who expects an above-average return on investment, companies need to define which stakeholder gets what part of the value that an organization creates.

This is where organizational justice comes into the picture. Organizational justice is concerned with how value is equitably distributed within companies. Most research on organizational justice has focused on justice towards employees. Research has found that organizational justice has three components: (1) distributive justice, (2) procedural justice and (3) interactional justice (Cropanzano, Bowen, & Gilliland, 2007). If these three components are present, employees feel that they are treated in a just way, and they are satisfied with their jobs. They trust in the company and are motivated to contribute their share to the success of the company. Stakeholder researchers have started to include this concept of organizational justice. The assumption is that if an organization is able to establish relationships with its stakeholders based on a history of fair value distribution, stakeholders are motivated to contribute more to the overall value creation of the organization. This increases value created by the organizations and allows for more value being distributed to all stakeholders of the organization (Harrison, Bosse, & Phillips, 2010). While the mechanisms of fair value distribution of an organization towards employees has been thoroughly investigated, no empirical research has considered fair value distribution of an organization towards all of its stakeholders simultaneously, leaving a wide gap in literature.

1.1 Problem Statement

Organizational, distributive, procedural and interactional justice are often mentioned in stakeholder literature (Bosse, Phillips, & Harrison, 2009; Donaldson & Preston, 1995; Harrison et al., 2010; Harrison, Wicks, & Arnold, 2013; Sachs & Rühli, 2013). Mostly references are made to a study on managing organizational justice

regarding employees (Cropanzano et al., 2007). Nonetheless, no explicit thorough empirical or theoretical research exists that investigates organizational justice of an organization regarding its customers, suppliers, employees and the community simultaneously.

A study on balancing shareholder and customer interests in the privatized water industry in the U.K. suggests that key performance indicators should be developed that enable a company to measure its success in serving stakeholder interests (Ogden & Watson, 1999). In addition to measuring and monitoring companies' performance in regard to stakeholders' interests, this process needs to be made transparent. This would provide an opportunity for companies to demonstrate the validity of their claims about serving stakeholders. (Ogden & Watson, 1999)

Studies on Corporate Social Performance (CSP) that use KLD data are useful to understand that a correlation exists between managing for stakeholders and financial performance. Nevertheless, CSP is multidimensional, and disaggregation is necessary to better understand the relationships studied therein. Hillman and Keim (2001) recommend disaggregating stakeholder management into individual components. Unfortunately, while the KLD data are the best available to researchers studying corporate social performance, these data have unique issues in their construction and aggregation that cannot be disentangled, because the individual items within each category are summed to form a score for each category. How this is done is undisclosed by KLD (Harrison et al., 2013; Hillman & Keim, 2001).

Despite the many references to organizational justice regarding stakeholders and the various recommendations to measure and display just value distribution to stakeholders, no comprehensive model exists to support managers to implement these recommendations. Especially managers who decide which stakeholder gets what value added from the firm face this challenge. According to Hillman and Keim (2001), understanding how stakeholder demands may differ and how managers prioritize each would be a valuable area of future research (Hillman & Keim, 2001).

1.2 Research Question

To close parts of the above-mentioned research gap, this dissertation addresses the following research question: How is Organizational Justice Regarding Stakeholders of an Organization Achieved?

To answer this rather broad research question, it is divided into the following sub-questions:

- How do organizations/managers make decisions to balance stakeholder interests?
- Which processes do organizations/managers follow to balance stakeholder interests?
- How do organizations/managers interact with stakeholders to create and distribute value to stakeholders?
- Which simple rules do organizations/managers follow to create and distribute value to stakeholders?
- Do the rules differ between for-profit and humanitarian organizations?

1.3 Aim

The aim of this dissertation is to find out what organizational justice for an organization regarding stakeholders means. Because relationships between an organization and its stakeholders are mostly managed by managers of the organization, the dissertation investigates how managers are able to achieve organizational justice for stakeholders.

Managing stakeholder relationships is a very complex task. We know from emergency contexts that in times of high complexity and time pressure organizations are looking for "simple rules" for their decision-making. This means that strategies, which work, do not necessarily need to be complicated or complex. Heuristics in the form of simple rules may be powerful strategies. Following the example of Sull and Eisenhardt (2015), who identified simple rules for unpredictable markets, the aim of this dissertation is to identify simple rules for managers on how to balance stakeholder interests. Taking into account the specificities of multinational for-profit organizations (MNCs) and humanitarian organizations, I identify and present a new classification of simple rules for managing stakeholders (Bowker & Star, 1999).

1.4 Philosophical Approach

Qualitative case study research can be classified according to underlying epistemological assumptions (paradigms). Guba and Lincoln (1998) distinguish between four paradigms: positivism, post-positivism, critical theory and constructivism. My dissertation is based on post-positivism, including some aspects of constructivism. Post-

positivism represents thinking that developed after positivism and addresses some of the flaws of positivism. Positivism assumes that there is an “external reality” separate from its description (Guba & Lincoln, 1994). While positivists argue that this exact reality should be discovered through exact science and research, post-positivistic thinking acknowledges that external reality is only imperfectly apprehendable and knowledge is conjectural. Replicated findings are probably true or closer to the truth (truth likeness) (Wrona & Gunnesch, 2016). This is where social constructivism comes in. Constructivist thinking defends that every form of knowledge about reality is constructed by individuals. Reality is therefore multiple, as it is constructed by different people. The combination of the two approaches and my understanding of research is the following: There is an “exact reality”, but most people only have the ability to perceive and understand parts of the reality. Sometimes they reach certain conclusions, which are not entirely true because of their limited pre-understanding and only fragmented information about a certain situation. Therefore, every person has his/her own view on reality. The more of these constructed views that are analyzed and compared, the closer reality is portrayed. Therefore, conducting several interviews with different people and contrasting these findings with internal and external documents (triangulation) enhances reliability and allows for generalizability of this dissertation.

1.5 Relevance for Research and Practice

In a business world where managing networks and thinking in ecosystems is becoming increasingly more important, a lot of success depends on managers’ and companies’ capabilities to manage stakeholder relationships (Clarysse, Wright, Bruneel, & Mahajan, 2014; Eisenhardt & Martin, 2000; Rowley, 1997). Most of management research has focused on how companies can create additional value for themselves and also for their stakeholders (Beschoner & Hajduk, 2015; Porter & Kramer, 2011; Sachs & Rühli, 2013). Acknowledging that stakeholder relationships are reciprocal, stakeholders’ motivation to contribute to a companies’ value creation depends on the companies’ ability to manage the stakeholder relationship and to create value for its stakeholders (Harrison et al., 2010; Harrison et al., 2013; Rowley, 1997).

Organizational Justice Research has found that organizational justice is key in managing employees. Stakeholder theorists have started to refer to the importance of distributive justice in the stakeholder context. Nevertheless, no research has investigated what distributive or organizational justice means in the stakeholder context (Harrison et al., 2010).

With this dissertation, I investigate what distributive justice means in the stakeholder context and identify simple rules for how managers can achieve distributive justice for all stakeholders. With this, I contribute to the stakeholder literature, extend the simple rules concept and provide valuable insights for managers.

I contribute to stakeholder literature by defining what organizational justice means in the stakeholder context. I extend the simple rules concept by adding “simple rules for balancing stakeholder interests” to the already existing “opportunity capture” rules (Eisenhardt & Sull, 2001; Sull & Eisenhardt, 2015). Additionally, I provide a framework for managers on how to balance stakeholder interests and shed light on what value distribution to stakeholders means in practice.

1.6 Dissertation Outline

To answer the research questions, this dissertation is structured into three parts. The first part “*theoretical framing*” provides an overview of the already existing literature on creating and distributing value for stakeholders. It includes (1) a literature review of stakeholder theory, (2) the concept of organizational justice in relation to stakeholder theory, and (3) an overview of research on management prioritization.

The second part “*empirical study*” describes the empirical part of the dissertation. It outlines the research method and design and presents the two case studies of balancing stakeholder interests in a humanitarian organization and in a for-profit Multinational Corporation.

The third part “*results, summary, and conclusion*” includes a cross case analysis and presents the findings of the case studies. In this, I give an overview of how organizational justice is achieved in organizations and present a new classification of simple rules for managing stakeholders.

PART A: THEORETICAL FRAMING

2 Stakeholder Theory

Stakeholder theory was first synthesized and introduced in 1984 by R. Edward Freeman in his book “Strategic Management: A Stakeholder Approach”. Freeman observed a shift of the firm from the classical production firm as an input-output entity to the managerial view of the firm, where companies are embedded in society and exposed to change coming from internal and external stakeholders. This “Stakeholder View of Firm” is illustrated in Figure 1.



Figure 1: Stakeholder View of Firm (Freeman, 1984)

Since then, the stakeholder view has been widely discussed, applied, developed and also criticized. The growing attention to and importance of the theory can be observed by looking at the vast number of citations focused on stakeholder theory. The following figure demonstrates the substantial increase in citations from 1995 to 2016.

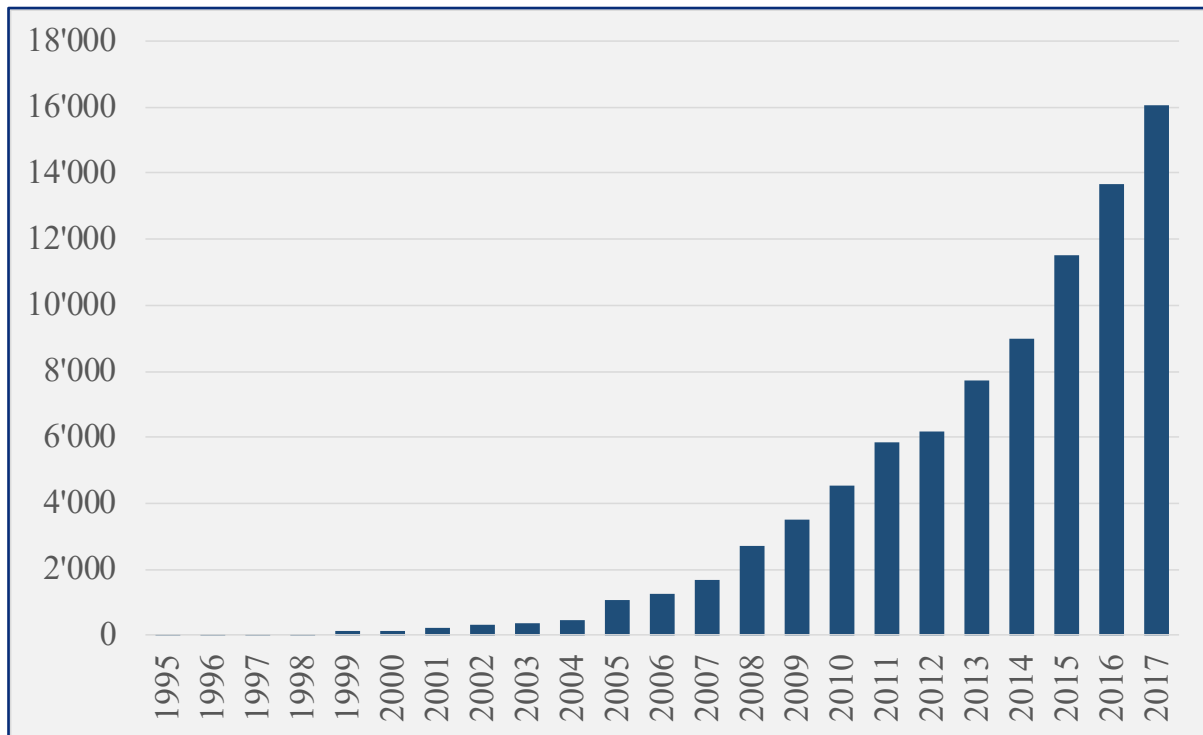


Figure 2: Citation Report Stakeholder Theory Web of Knowledge (1995-2018)

2.1 Literature Review on Stakeholder Theory and Organizational Justice

The following analysis of stakeholder theory and organizational justice is based on research in the stakeholder management and organizational justice literature. Table 1 provides an overview of the field, journals and number of articles identified and reviewed. The articles were identified by a keyword search on the Thomson Reuters Web of Science, searching for organizational and distributional justice in combination with stakeholder management. At first, I only included articles published in journals with the highest impact factors according to the Journal Citation Reports (2007-2012) of the ISI Web of Knowledge. To narrow my research, I excluded studies that either had a focus that was too specific or did not address my interest in normative and strategic aspects of organizational justice and stakeholder management.

<i>Domain</i>	<i>Journal</i>	<i>Number of Articles</i>
Management	<i>Academy of Management Journal</i>	6
	<i>Academy of Management Perspectives</i>	1
	<i>Academy of Management Review</i>	11
	<i>California Management Review</i>	2
	<i>Journal of Management</i>	2
	<i>Journal of Management Studies</i>	1
	<i>Strategic Management Journal</i>	7
	Total Management	30
Ethics	<i>Business and Society</i>	2
	<i>Business Ethics Quarterly</i>	6
	<i>Journal of Business Ethics</i>	5
	<i>Organization Science</i>	1
	Total Ethics	14
Economics	<i>Journal of Behavioral Economics</i>	1
	<i>Journal of Economic Perspectives</i>	1
	Total Economics	2
Psychology	<i>Journal of Applied Psychology</i>	1
	Total Psychology	1
Total		47

Table 1: Studies from Respective Journals Included in Literature Review

By reviewing the articles, I discovered two important aspects of the topic at hand. The first is the scientific discussion about normative versus strategic stakeholder management, and the second is concerned with the measurement of corporate social performance. Thus, I also included the articles relevant to this discussion.

I identified additional articles by going through the reference lists of selected works with attention to often cited literature. This resulted in a total of 47 articles in management, ethics, economics and psychology.

Figure 3 provides an overview of the topics identified as relevant, which were covered in the selected journals on organizational justice and stakeholder management. In the following sections, I provide a more detailed description of the identified concepts. I first define who the stakeholders are and which responsibilities the company has toward them. Second, I describe the purpose of the firm, which is to create value for its

stakeholders. Third, I give a brief overview of the scientific discussion of whether stakeholder theory is normative and/or strategic. Fourth, I describe what it means to create value for stakeholders and how it is distributed. Fifth, I elaborate on the specificities of the relationships of a company with its stakeholders. They are characterized by trust and reciprocity or the lack thereof. I further describe how the company is part of a network and cannot be isolated from its surroundings.

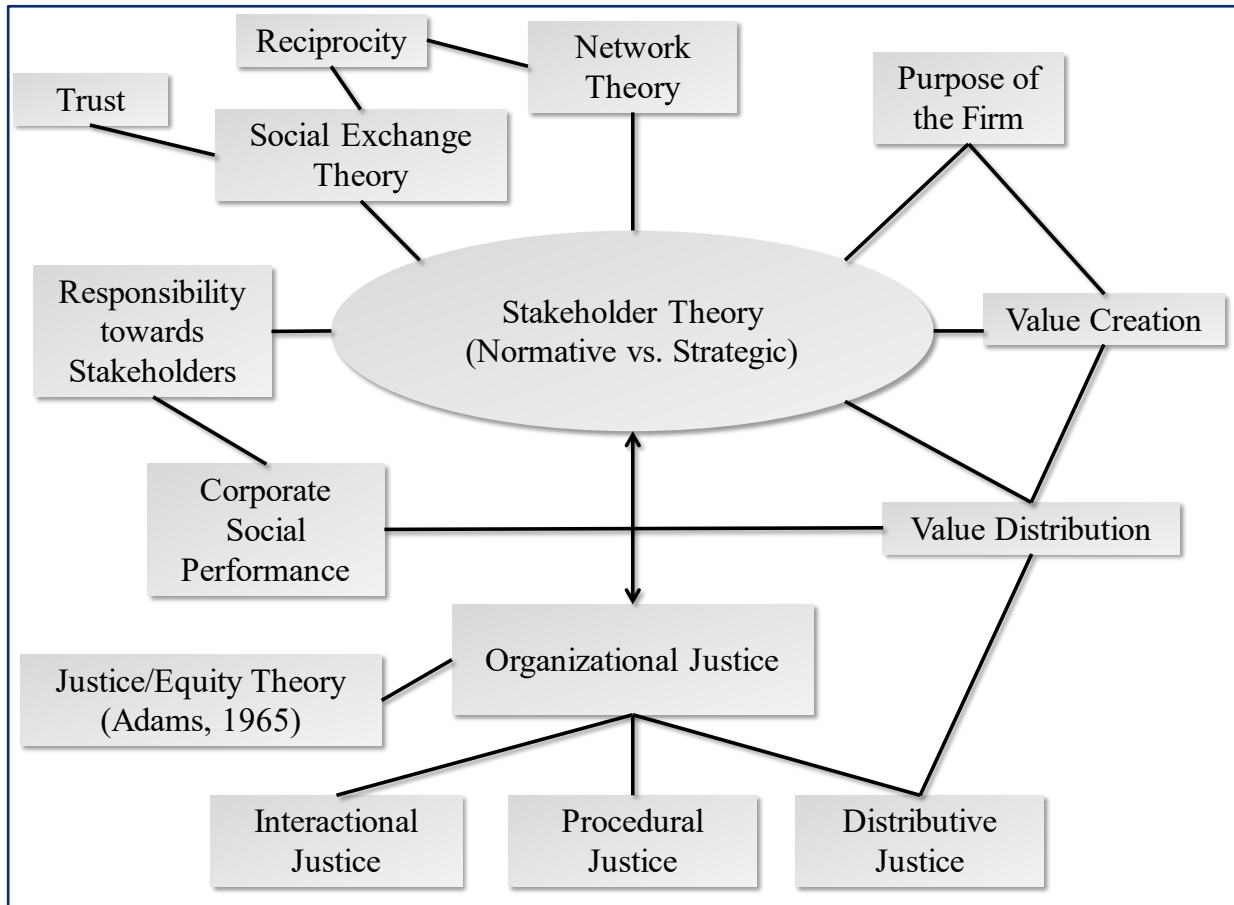


Figure 3: Overview of Concepts (own illustration)

2.2 Definition of Stakeholders

After the first definition of stakeholders by Freeman (1984), many attempts were made to define who a firm's stakeholders are. Donaldson and Preston (1995) define stakeholders as persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity. Stakeholders are identified by their interests in the corporation, whether or not the corporation has any corresponding functional interest in them. The authors take this normative definition further by stating that "the interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits

considerations for its own sake and not merely because of its ability to further the interests of some other group such as the shareowners” (Donaldson & Preston, 1995, p. 87).

The stakeholder salience model is the most commonly applied model to identify and classify stakeholder groups (Mitchell, Agle, & Wood, 1997). It identifies the following criteria to identify stakeholders (Mitchell et al., 1997):

1. Broad or narrow view
2. Claimants versus influencers
3. Actual versus potential relationships

2.2.1 Broad or Narrow View

The above-stated stakeholder definitions by Freeman (1984) and Donaldson and Preston (1995) take a broad view, stating that companies can be affected by, or they can vitally affect, almost anyone.

As this broad definition of stakeholders is quite complex for managers to apply, various narrower definitions have been proposed. In general, attempts to narrow down the scope of stakeholders state that they need to have direct relevance to the firm’s core economic interests (Clarkson, 1995; Mitchell et al., 1997). Another way to narrow down the field of relevant groups is in terms of their moral claims, stating that the essence of stakeholder management should be the firm’s participation in creating and sustaining moral relationships, or the firm’s fulfilling its affirmative duty to stakeholders in terms of fairly distributing the harms and benefits of the firm’s actions (social responsibility approach) (Donaldson & Preston, 1995; Mitchell et al., 1997). This requires that the company has broad knowledge of actual and potential actors and claimants.

2.2.2 Claimants Versus Influencers

To clarify the term “stake”, a differentiation can be made between groups that have a legal, moral, or presumed claim on the firm and groups that have the ability to influence the firm’s behavior, direction, process, or outcome (Mitchell et al., 1997). In this, claimants may have legitimate claims or illegitimate ones, and they may or may not have any power to influence the firm. Thus, “**power**” and “**legitimacy**” are different, sometimes-overlapping dimensions of stakeholder identification.

Another way to define “stake” is to ask whether an entity can be a stakeholder without being involved in an actual relationship with the firm (Mitchell et al., 1997). An

approach to stakeholder identification must somehow account for latent stakeholders if it is to be both comprehensive and useful, because such identification can, at a minimum, help organizations avoid problems and perhaps even enhance effectiveness (Mitchell et al., 1997).

Next to power and legitimacy, the third dimension of stakeholder identification is “**urgency**” (Mitchell et al., 1997). Urgency is the degree to which stakeholder claims call for immediate attention.

Stakeholders can either be relevant because of only one of the dimensions, two of them, or all of them. The more power, legitimacy or urgency ascribed to a stakeholder, the more attention needs to be paid to the respective stakeholder (Mitchell et al., 1997).

Additional features of stakeholder attributes to strengthen the argument that the definition of stakeholders is not a static predefinition but rather a dynamic process, where stakeholders gain or lose salience to a firm’s managers, are (Mitchell et al., 1997):

1. Stakeholder attributes are variable, not steady state.
2. Stakeholder attributes are socially constructed, not objective, reality.
3. Consciousness and willful exercise may or may not be present.

Whereas there is still no single valid definition of “stakeholders”, many researchers are already using the stakeholder concept in their empirical research (Bosse et al., 2009; Harrison et al., 2010; Harrison et al., 2013).

2.2.3 Responsibility Toward Stakeholders

Once the stakeholders of a firm are identified, the question of responsibility of a firm toward its stakeholder arises. More precisely: To whom is a firm responsible? On the one extreme, managing stakeholders can be perceived as a means toward the achievement of stockholder and managerial ends. So, managing stakeholder relationships makes business sense, in that it allows the firm and its managers to achieve its objectives, which are mostly seen in financial terms (Goodpaster, 1991).

While this is a very single-minded orientation toward value maximization in financial terms, the other extreme definition would be a corporation’s responsibility as an economic, legal, ethical and philanthropic entity (Carroll, 1991; Goodpaster, 1991). Somewhere in between these two definitions of responsibility lies the stakeholder definition of responsibility toward stakeholders. Stakeholder theory aims at abrogating the separation of responsibility into economic, legal, ethical and philanthropic.

The obligation of a corporation is the “stakeholder enabling principle”, which states that corporations shall be managed in the interests of their stakeholders (Freeman, 1994). Thus, there are no general responsibilities that apply to every firm in the same manner, as suggested by the CSR approach (Sachs & Maurer, 2009). Rather, responsibilities toward stakeholders depend on the characteristics of the firm’s value-creation process and on the ways a specific stakeholder contributes to it. This implies determining stakeholder responsibilities and elaborating the possibilities for stakeholder involvement in a strategic process (Sachs & Maurer, 2009). For my dissertation, I apply this pragmatic definition of responsibilities toward stakeholders by Sachs and Maurer (2009).

2.3 Purpose of the Firm

Freeman (1984) defined the purpose of the firm as “value creation and trade” and “creation of value for each appropriate stakeholder” (Freeman, 1984; Melé).

Another definition of the purpose of the firm can be identified from the following description of what the nature of a corporation is (Clarkson, 1995):

1. The corporation is a system of primary stakeholder groups.
2. The survival and continuing profitability of the corporation depend upon its ability to fulfill its economic and social purpose, which is to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation’s stakeholder system.
3. Failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its inability to continue as a going concern.
4. Failure to retain the participation of a primary stakeholder group will be the result of
 - a. the corporation’s inability to create and distribute sufficient wealth or value to satisfy one or more primary stakeholder groups, or
 - b. distribution by the corporation of increased wealth or value to one primary stakeholder group at the expense of one or more other primary stakeholder groups, causing their dissatisfaction and withdrawal from the system.
5. Failure, and success, may be lengthy processes. The stakeholder framework can be used to provide data, nonfinancial as well as financial, that can indicate whether stakeholder dissatisfaction has begun the process of failure, or whether stakeholder satisfaction is pointing toward success (Clarkson, 1995).

To summarize the different definitions of the purpose of the firm, I define it as “to create value for stakeholders”. What this value creation implies is the content of a later section in this dissertation.

2.4 Normative versus Strategic Stakeholder Theory

Despite, or maybe because of, the broad variety of disciplines that have influenced the development of stakeholder theory, researchers are not able to agree on whether Stakeholder Theory should have a normative, an instrumental character or both. In this section, I outline the most important contributions to this discussion, concluding with the implications for this dissertation.

As displayed in Tables 2 and 3, numerous scholars have weighed in on whether stakeholder theory is purely normative, instrumental or both.

Author(s) (year)	Title	Journal	Research Area	Contribution to Stakeholder Theory Discussion
Harrison and Wicks (2013)	Stakeholder Theory, Value, and Firm Performance	Business Ethics Quarterly	Ethics	Stakeholder theory provides an appropriate lens for considering a more complex perspective of the value that stakeholders seek as well as new ways to measure it. This paper draws attention to those factors that are most closely associated with building more value for stakeholders, and in so doing, allows academics to better measure it and enhances managerial ability to create it.
Harrison et al. (2010)	Managing for Stakeholders, Stakeholder Utility Functions, and Competitive Advantage	Strategic Management Journal	Strategic Management	A firm that manages for stakeholders allocates more resources to satisfy the needs and demands of its legitimate stakeholders than would be necessary to simply retain their willful participation in the firm's productive activities. This sort of behavior unlocks additional potential for value creation, as well as the conditions that either facilitate or disrupt the value-creation process.
Bosse et al. (2009)	Stakeholders, Reciprocity, and Firm Performance	Strategic Management Journal	Strategic Management	The authors employ stakeholder theory to propose how perceptions of fairness result in reciprocity (1) extending to all stakeholders of the firm and (2) affecting firm performance.
Sandberg (2008)	Understanding the Separation Thesis	Business Ethics Quarterly	Ethics	There are actually many different interpretations (or versions) of the separation thesis going around - some more to the descriptive side and others more to the normative (and one which actually challenges this very distinction). While it seems to be generally agreed that the separation thesis should be rejected, then, there is no consensus on how this thesis should be understood more precisely and exactly what it is that should be rejected.
Hosmer and Kiewitz (2005)	Organizational justice: A behavioral science concept with critical implications for business ethics and stakeholder theory	Business Ethics Quarterly	Ethics	In short, the authors propose a normative stakeholder theory of the firm, based upon ethical principles, that will have testable descriptive hypotheses derived from the behavioral constructs.
Freeman et al. (2004)	Stakeholder Theory and "The Corporate Objective Revisited"	Organization Science	Stakeholder Theory, Ethics	Stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings it core stakeholders together.
Phillips et al. (2003)	What stakeholder theory is not	Business Ethics Quarterly	Ethics	Distributive justice is essential in defining Stakeholder Theory --> normative foundation of the theory.

Table 2: Stakeholder Discussion: Normative Versus Instrumental (1/2)

Post et al. (2002)	Managing the Extended Enterprise: The New Stakeholder View	California Management Review	Strategic Management, Ethics	Proposition of the Stakeholder View of the firm as a comprehensive analytical framework for strategic management that integrates resource-based and industry-focus approaches and also includes critical, and often neglected, aspects of the social and political environment.
Freeman (1999)	Response Divergent Stakeholder Theory	Academy of Management Review	Strategic Management, Ethics	The author states that we need more instrumental theories - that is, we need more studies of the kinds of linkages postulated in the instrumental thesis - and fewer for the kind of studies that simply declare "managerial oughts" from general principles. Surely there is more than one vision of creating value or for what consequences count as valuable.
Jones and Wicks (1999)	Convergent Stakeholder Theory	Academy of Management Review	Strategic Management, Ethics	The authors propose a "convergent stakeholder theory", which is explicitly and unabashedly normative, demonstrating how managers can create morally sound approaches to business and make them work.
Phillips (1997)	Stakeholder Theory and a Principle of Fairness	Business Ethics Quarterly	Ethics	The principle of fairness derives the obligations to stakeholders. These obligations are derived and tested by the methodology of stakeholder discourse.
Wicks (1996)	Overcoming the Separation Thesis	Business and Society	Ethics	Separation thesis: Business and ethics are seen as conceptually distinct and separate realms with their own concepts, language, and logic. Preferred solution: conceptualize business activity in such a way that the dichotomies do not arise. See ethics, rather than as external and needing to be "applied", as an innate and fundamental part of the business.
Donaldson and Preston (1995)	The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications	Academy of Management Review	Ethics	Stakeholder Theory has a normative, instrumental and descriptive foundation. Claims of stakeholders are based on need, ability or effort. Distributive Justice means that value added is distributed according to the input/property provided to the company to create the additional value.
Jones (1995)	Instrumental Stakeholder Theory: Synthesis of Ethics and Economics	Academy of Management Review	Strategic Management	The paper offers an instrumental theory of stakeholder management based on a synthesis of stakeholder concept, economic theory, behavioral science, and ethics. The author suggests that the core theory - that a subset of ethical principles (trust, trustworthiness, and cooperativeness) can result in significant competitive.
Freeman (1994)	The Politics of Stakeholder Theory: Some future Directions	Business Ethics Quarterly	Strategic Management, Ethics	If we give up the Separation Thesis, we find there is no stakeholder theory but that stakeholder theory becomes a genre that is quite rich. It becomes one of many ways to blend together the central concepts of business with those of ethics. Rather than take each concept of business singly or the whole of "business" together and hold it to the light of ethical standards, we can use the stakeholder concept to create more fine-grained analyses that combine business and ethics.

Table 3: Stakeholder Discussion: Normative Versus Instrumental (2/2)

2.4.1 Normative, Instrumental and Descriptive Stakeholder Theory

In 1995, Donaldson and Preston reviewed and analyzed the state of the field and explained in their paper why the stakeholder view of the firm is a valid theory (Donaldson & Preston, 1995). The authors describe the theory based on its descriptive accuracy, its instrumental power and normative validity as shown in Figure 4.

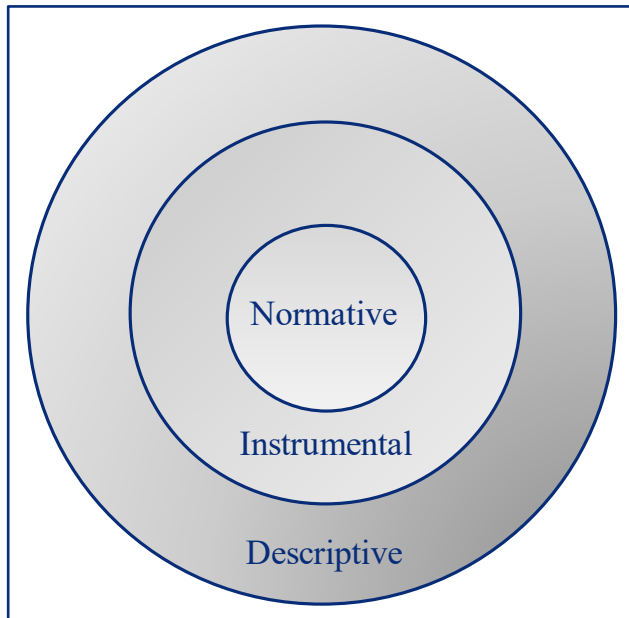


Figure 4: Three Aspects of Stakeholder Theory (Donaldson & Preston, 1995)

The fundamental basis of stakeholder theory, as Donaldson and Preston describe it, is normative and involves the following assumptions (Donaldson & Preston, 1995):

- a) Stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity. Stakeholders are identified by their interests in the corporation, whether or not the corporation has any corresponding functional interest in them.
- b) The interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of another group, such as shareowners/shareholders.

This predominance of normative concerns can be traced back to the earliest work on stakeholder theory (Dodd, 1932). Even Friedman's attack on the concept of corporate social responsibility was cast in normative terms (Donaldson & Preston, 1995). He stated that the only obligation of business is to increase profits.

Stakeholder theory serves as a critical framework for examining the connections, and lack thereof, between the practice of stakeholder management and the achievement of corporate performance goals (Donaldson & Preston, 1995). The principal focus of

interest is that, other things being equal, corporations practicing stakeholder management will be relatively successful in conventional performance terms (profitability, stability, growth, etc.).

The descriptive dimension of the stakeholder theory serves to describe what the corporation is. It presents the corporation as a constellation of cooperative and competitive interests with intrinsic value. Aspects of this model may be tested for descriptive accuracy (Donaldson & Preston, 1995).

2.4.2 Trust

If a relationship of trust has been established, stakeholders are more likely to be honest about how happy they are, especially if distributional justice has been exhibited in the past and a stakeholder therefore believes that any additional value created in the firm as a result of the information it shares is likely to improve its own situation (Harrison et al., 2010; Harrison et al., 2013).

2.4.3 The Separation Thesis

Recognizing this variety in the theory provides researchers with the opportunity to shed light on the various dimensions by looking at them more closely (Freeman, 1999). This division of the theory is called “the separation thesis”.

Opponents of the separation thesis advocate that it needs to be replaced by accepting the view that ethics and business cannot be separated (Jones, 1995; Jones & Wicks, 1999; Wicks, 1996). They state that stakeholder theory “is explicitly and unabashedly normative, demonstrating how managers can create morally sound approaches to business and make them work” (Jones & Wicks, 1999).

While most researchers of stakeholder theory have discussed both the normative and instrumental aspects of the theory, Phillips contributes mainly to literature in business ethics (Phillips, 1997; Phillips, 2003). He defines that the source of obligations for a corporation toward its stakeholders is the principle of fairness, which states that, “whenever persons or groups of persons voluntarily accept the benefits of a mutually beneficial scheme of co-operation requiring sacrifice or contribution on the parts of the participants and there exists the possibility of free-riding, there exists obligations of fairness on the part of these persons or groups to co-operate in proportion to the benefits accepted” (Phillips, 1997, p. 51).

To consolidate the diverging views on the normative and/or descriptive and instrumental aspects of the theory, researchers agree on the definition of a “theory of organizational management and ethics” (Phillips, Freeman, Wicks, & Arnold, 2003). They state that “stakeholder theory is distinct because it addresses morals and values explicitly as a central feature of managing organizations. The ends of cooperative activity and the means of achieving these ends are critically examined in stakeholder theory in a way that they cannot be found in many theories of strategic management. Managing stakeholders involves attention to more than simply maximizing shareholder wealth. Attention to the interests and well-being of those who can assist or hinder the achievement of the organization’s objectives is the central admonition of the theory” (Phillips et al., 2003).

Tables 2 and 3 provide an overview of the different contributions to this discussion.

2.4.4 A Pragmatic Approach to Stakeholder Theory

Other recent studies take a more pragmatic approach toward stakeholder theory (Phillips, 1997; Phillips et al., 2003; Post, Preston, & Sachs, 2002; Sachs & Rühli, 2013). For example, Post and colleagues (2002) define stakeholders as “individuals and constituencies that contribute either voluntarily or involuntarily to a firm’s wealth creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers” (Post et al., 2002). They add an important extension of the stakeholder theory, which is that firms are part of a network. This means that there are not only relationships between the focal firm and its stakeholders but that the stakeholders are also further connected with other firms and other stakeholders in a broader network.

Although there is no single definition of stakeholder theory, there are many aspects of the stakeholder concept that are widely researched. Whereas on some aspects, theorists agree, others are still under investigation.

I use the stakeholder theory as a framework for my dissertation, because it is the only comprehensive framework in management literature that focuses on relationships between the different actors.

2.5 Value Creation

The purpose of the firm “to create value for the different stakeholders” deserves additional attention because what value creation means and for whom the firm should

create value is not straightforward. The central tension between shareholder maximization and the stakeholder view of the firm still prevails.

2.5.1 Long-term Value Maximization

Although most researchers acknowledge the importance of stakeholders for the firm, some of them propose that ultimately, creating value for shareholders is the single goal of a corporation. They claim that a firm can only have a single-valued objective function, as multiple objectives is no objective because this leaves managers with no direction as to what to prioritize (Jensen, 2001). Therefore there needs to be an ultimate single objective, which utilizes much of the structure of stakeholder theory but accepts maximization of the long-run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders, and specifies long-term value maximization or value seeking as the firm's objective (Jensen, 2001).

2.5.2 Creating Shared Value

The “creating shared value” approach goes in the same direction (Porter & Kramer, 2011). The concept of shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer, 2011). While it also takes the viewpoint that profit maximization is the ultimate goal of the company, it acknowledges that “profits involving a social purpose represent a higher form of capitalism — one that will enable society to advance more rapidly while allowing companies to grow even more” (Porter & Kramer, 2011). It states clearly that the concept of creating shared value differs from corporate social responsibility, as corporate social responsibility is more philanthropic in nature while the creation of shared value is relevant to the core of business (Porter & Kramer, 2011).

Despite the great attention that the concept of creating shared value has received, it has also been criticized from a normative standpoint. Beschorner and Hajduk (2015) for example acknowledge the advancement of value maximization toward creating value for society. Nevertheless, they state that corporations also have social responsibilities, which cannot be excluded from management responsibility (Beschorner & Hajduk, 2015). They position corporations as active shapers of society, and thus much more responsibility is ascribed to corporations than simple value maximization (Beschorner & Hajduk, 2015).

2.5.3 Value Creation for all Stakeholders

Most stakeholder theorists don't share the view that long-term value maximization in financial terms should be the overarching goal (Donaldson & Preston, 1995; Harrison et al., 2010; Harrison et al., 2013; Sachs & Rühli, 2013). They argue that "failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its inability to continue as a going concern" (Clarkson, 1995). Harrison and colleagues (2010) take this argument one step further by stating that "a firm that manages for stakeholders allocates more resources to satisfy the needs and demands of its legitimate stakeholders than would be necessary to simply retain their willful participation in the firm's productive activities" (Harrison et al., 2010).

Little attention has been devoted to questions regarding what it means to create value for stakeholders and how to measure it (Harrison et al., 2013). Recent research finds that the definitions of value creation are different for the stakeholders involved (Harrison et al., 2013). Such differences cannot be resolved by a one-sided financial perspective, rooted in the illusion of the efficient market hypotheses. Value creation with regard to stakeholder management therefore is "anything that has the potential to be of worth to stakeholders" (Harrison et al., 2013). In this context, "utility reflects value a stakeholder receives that actually has merit in the eyes of the stakeholder" (Harrison et al., 2013). Thus perception influences utility (Barney, 2011).

The four utility factors that emerge from a focus on stakeholders and the value they seek from relations with a firm are stakeholder utility:

1. associated with actual goods and services,
2. associated with "organizational justice",
3. from affiliation, and
4. associated with perceived opportunity cost (Harrison et al., 2010; Harrison et al., 2013).

Harrison et al. (2010) illustrate the causality between stakeholder management, stakeholder relationships, stakeholders' utility functions, value creation and value distribution in Figure 5.

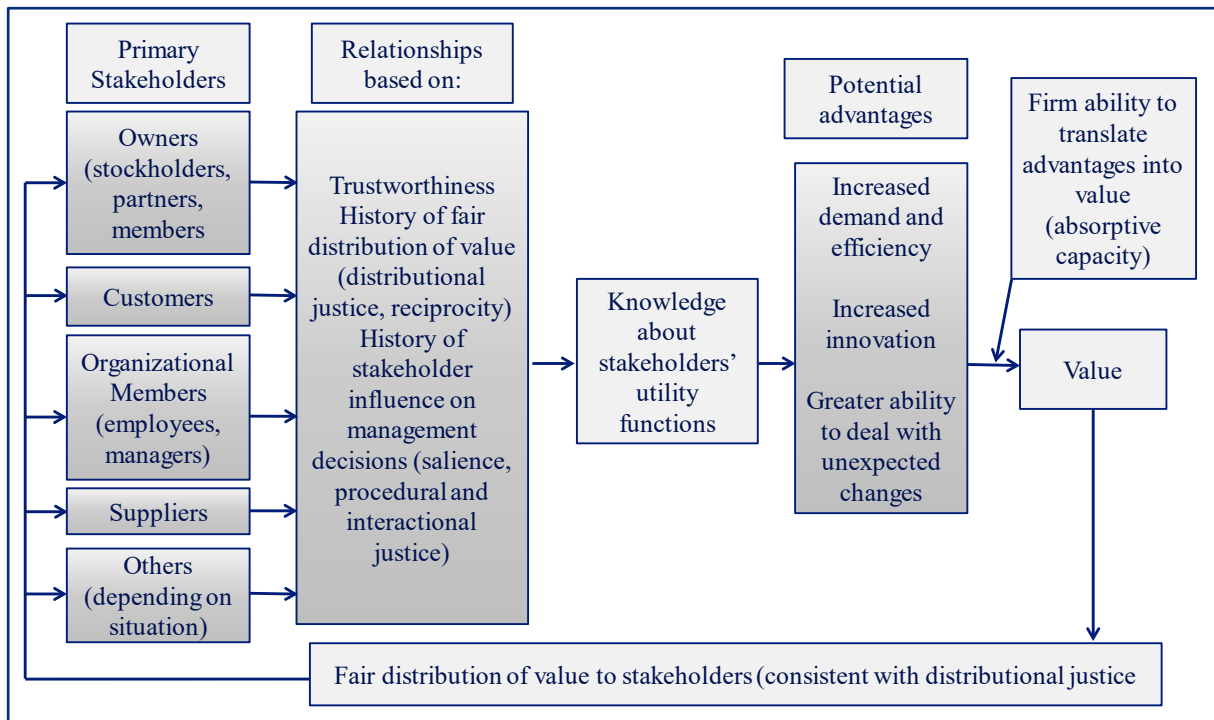


Figure 5: Managing for Stakeholders and Value Creation (Harrison et al., 2010)

This illustration builds the theoretical foundation for this dissertation, as it shows the causalities between stakeholder management, distributive justice and value creation.

In order to align stakeholder interests in this context, “firms need to understand the similarities and differences of the stakeholder perceptions of value to recognize the common ground for solutions” (Sachs & Rühli, 2013, p. 92).

Table 5 provides some examples for practitioners of performance measures from multiple stakeholder perspectives (Clarkson, 1995; Harrison et al., 2013).

	Potential Categories for Measuring Happiness/Well-being (Harrison & Wicks, 2013)	Corporate and Stakeholder Issues (Clarkson, 1995)
Employees	<ul style="list-style-type: none"> • Various components of employment contract (i.e., pay, benefits, perquisites) • Perceived fairness of decision-making processes • Perceived treatment (i.e., respect, inclusiveness) • Perceived authenticity (i.e., firm does what it says) • Consistency between stated vs. realized firm values (i.e., honesty) • Promotion policies/upward mobility • Firm's environmental performance • Firm's position/performance on other societal issues • Also, objective measures such as turnover, legal actions 	<ul style="list-style-type: none"> • Benefits • Compensation and rewards • Training and development • Career planning • Absenteeism and turnover • Termination, layoff, and redundancy • Retirement and termination counseling • Employment equity and discrimination • Women in management and on the board • Day care and family accommodation • Employee communication • Occupational health and safety • Part-time, temporary, or contract employees
Customers	<ul style="list-style-type: none"> • Product/service features • Perceived treatment during transactions (i.e., respect, fairness) • Perceived authenticity (i.e., firm does what it says) • Firm's environmental performance • Firm's position/performance on other societal issues 	<ul style="list-style-type: none"> • Customer communications • Product safety • Customer complaints • Special customer services
Suppliers	<ul style="list-style-type: none"> • Perceived treatment during transactions (i.e., respect, fairness) • Firm's position/performance on societal issues • Nature of payments (i.e., size, speed) • Also, objective measures such as longevity, availability of supplies 	<ul style="list-style-type: none"> • Relative power

Shareholders	<ul style="list-style-type: none"> • Financial returns • Perceived riskiness of investment • Governance structure and policies • Disclosure of pertinent information/transparency • Firm’s position/performance on environmental and societal issues • Objective data on returns and risk 	<ul style="list-style-type: none"> • Owner communication • Owner advocacy • Owner rights • Other owner issues
Community	<ul style="list-style-type: none"> • Perceived impact on community/environment (per community leaders or general perceptions) • Perception of integrity of firm • Also, objective data on number of positive/negative encounters, community service, charitable and infrastructure contributions 	<ul style="list-style-type: none"> • Public health, safety, and protection • Conservation of energy and materials • Environmental assessment of capital projects • Public policy involvement • community relations • Social investment and donations

Table 5: Examples Performance Measures (Clarkson, 1995; Harrison et al., 2013)

To find more complete measures, academic researchers may use a case-based method about the happiness of firm stakeholders. Archival sources as well as surveys may help to select effective (albeit not perfect) measures.

Table 5 already shows how closely related value creation is to value distribution. The following section will shed more light on the value distribution topic.

2.6 Value Distribution

Whenever wealth or value is created, questions arise regarding who receives what portion of the additional value created.

As already described in the section about the purpose of the firm, justice and balance in the distribution to primary stakeholder groups of the increased wealth and value created by the firm are necessary to ensure the continuing participation of each primary group in the firm’s stakeholder system/network and to avoid favoring one group unduly and at the expense of other groups.

If any primary group perceives that it is not being treated fairly or adequately, it will seek alternatives and may ultimately withdraw from that firm’s stakeholder system.

If that withdrawal occurs, the firm's survival will be threatened (Clarkson, 1995). Therefore, the company has a moral obligation to distribute the value created in a fair portion to the entities that have contributed to value creation.

Building on equity theory, most stakeholder theorists reason that stakeholders should receive their portion of wealth creation in proportion to their contribution in the wealth-creation process (Harrison et al., 2010; Sachs & Maurer, 2009; Sachs & Rühli, 2013). Sachs and Rühli (2013) describe this process as follows: "Due to their contribution in the value creation process, stakeholders potentially create and enhance property rights for the firm as well as for themselves. A broad range of stakeholders are indispensable for corporate operations but also for the stakeholders themselves. This has in fact important implications not only for value creation, but additionally for value distribution. Both are not exclusively of a financial nature but consist of different kinds of values" (Sachs & Rühli, 2013).

This principle of fair wealth distribution is essential in order to motivate stakeholders in the long run to participate in the firm's wealth-creation process. Firms that violate this principle, for example by distributing most of the wealth to only one or only a few stakeholder groups (e.g., to shareholders and/or management), may tend to lose both legitimacy and willingness from other stakeholder to participate (Sachs & Maurer, 2009). A problem of fair wealth distribution is how the stakeholders' contribution can be measured in order to determine the appropriate wealth distribution (Sachs & Maurer, 2009).

Stakeholder theorists agree that distributive justice is essential for value distribution to stakeholders. How this is achieved is the content of a subsequent section.

2.7 Networks

While early stakeholder theory still saw the firm as the nucleus of stakeholder dyadic relationships, it more recently describes the relationships of the firm and its stakeholders as a network. The value creation between a firm and its stakeholders is based on mutual and multilateral processes (Sachs & Rühli, 2013). The network view is a key element of stakeholder relationships. If corporations want to tap their stakeholder potentials as a source of continuous value creation, they need more than bilateral dialogues. Rather, they need collaborative procedures to build common ground with their multiple stakeholders in a network view (Sachs & Rühli, 2013, p. 41). More specifically,

the firms are the center of a network as long as they have stakeholders, but at the same time they are part of it (Sachs & Rühli, 2013).

Network theory describes the firm as a hybrid form between the market and a hierarchical entity (Williamson, 1991). In this network view, firms move beyond dyadic ties and are able to create and obtain value from their relationships with their stakeholders (Burt, 1992; Dyer & Singh, 1998; Granovetter, 1973; Rowley, 1997). This also means that firms are dependent on their stakeholders and their environment in the sense of embeddedness (Granovetter, 1985).

Dyer and Singh (1998) find that alliances between firms can only generate competitive advantages as they move their relationship away from the attributes of market relationships. They define four ways these above market competitive advantages can be attained (Dyer & Singh, 1998):

1. investments in relation-specific assets,
2. substantial knowledge exchange, including the exchange of knowledge that results in joint learning,
3. the combining of complementary, but scarce, resources or capabilities, which results in the joint creation of unique new products, services, or technologies, and
4. lower transaction costs than competitor alliances, owing to more effective governance mechanisms.

In the modern world, with technology-enhanced communication and ever-greater trade possibilities, only a network perspective of the firm makes sense. The relationships between the firm and its stakeholders are many and need special attention if a firm wants to realize competitive advantages. These relationships are partly described by the Social Exchange Theory.

2.8 Social Exchange Theory

Stakeholder management is concerned with managing exchange relationships. Thus, a great amount of reference is made to concepts such as reciprocity and trust (Bosse et al., 2009; Dyer & Singh, 1998; Harrison et al., 2010; Harrison et al., 2013). These concepts have been studied as part of social exchange theory, one of the most influential conceptual paradigms in organizational behavior (Cropanzano, 2005).

Social exchange involves a series of interactions that generate obligations, which is also a good description of stakeholder relationships (Cropanzano, 2005). The most

referred-to concepts of social exchange theory are “trust” and “reciprocity”, which are further described in the following section.

2.8.1 Reciprocity

In contrast to the concept of the selfishly profit-maximizing “homo economicus”, research has found that people often reciprocate positive gestures even if they don’t gain anything through their actions. Reciprocity in this sense means the mutual reinforcement by stakeholders of each other’s actions (Harrison et al., 2010). It means that, in response to friendly actions, people are frequently much nicer and more cooperative than predicted by the self-interest model; conversely, in response to hostile actions, they are frequently much more nasty and even brutal (Fehr & Gächter, 2000).

The reciprocity assumption does not suggest that people do not seek to maximize their utility; instead, it suggests people seek to maximize their utility while conforming to the norm of reciprocity (Bosse et al., 2009). In other words, reciprocity means that parties to an exchange willingly sacrifice self-interest for the sake of their principles.

Drawing from the organizational justice literature, Bosse et al. (2009) propose that perceptions of fairness result in reciprocity from stakeholders and subsequently affect firm performance. These perceptions of justice and the positive behavior they stimulate in stakeholders are not limited to the stakeholder-firm dyad or to the current time period (Bosse et al., 2009). The extent to which actors in the present time period bequeath benefits or burdens to actors in future time periods is heavily influenced by their perceptions of how fair or unfair other parties were in prior time periods. This implies that reciprocity is not exclusively observable between two parties in a dyad. “Indirect reciprocity” means that an actor’s reciprocal behavior is not directed at the party that provided benefits or costs, but rather at a third party. Therefore, perceptions of fairness of one stakeholder can influence reciprocal behavior of other stakeholders, either immediately or in later time periods (Bosse et al., 2009).

This concept of “generalized exchange” helps explain the willingness of one stakeholder to take a step back at a certain moment if he can expect to receive the expected satisfaction of his expectation in the future (Harrison et al., 2010). Thus, the interests of stakeholders must be adequately addressed over time.

2.9 Conclusion

The above section on stakeholder theory shows that the theory is very broad and that theorists are still contributing to a final definition of the theory. Despite the incomplete definition of the theory, I apply it for my dissertation by relating it to the following concepts and definitions. To define stakeholders, I define them as “individuals and constituencies that contribute either voluntarily or involuntarily to a firm’s wealth creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers” (Post et al., 2002). The stakeholder salience framework with the criteria of power, legitimacy and urgency serves to identify relevant stakeholders. Stakeholders can either be relevant because of only one of the dimensions, two of them, or all of them. The more power, legitimacy or urgency ascribed to a stakeholder, the more attention needs to be paid to the respective stakeholder (Mitchell et al., 1997). Who is a stakeholder in this context is not a static predefinition but rather a dynamic process, where stakeholders gain or lose salience to a firm’s managers (Mitchell et al., 1997). The following attribute features explain why stakeholder salience is a dynamic process and not a steady state (Mitchell et al., 1997, p. 868):

1. Stakeholder attributes are variable, not steady state.
2. Stakeholder attributes are socially constructed, not objective, reality.
3. Consciousness and willful exercise may or may not be present.

The purpose of the firm is “to create value for stakeholders”. Therefore, responsibilities toward stakeholders depend on the characteristics of the firm’s value-creation process and on the ways a specific stakeholder contributes to it. This implies determining stakeholder responsibilities and elaborating the possibilities for stakeholder involvement in a strategic process. In order to align stakeholder interests in this context, “firms need to understand the similarities and differences of the stakeholder perceptions of value to recognize the common ground for solutions” (Sachs & Rühli, 2013, p. 92).

As part of a network, firms need to manage their relationships with stakeholders and pay special attention to building trust and reciprocity.

3 Organizational Justice and Stakeholder Management

Justice has been described as “the first virtue of social institutions” (Rawls, 1999). More precisely, Cropanzano et al. (2007) define organizational justice as “members’ sense of moral propriety of how they are treated” (Cropanzano et al., 2007, p. 34).

3.1 Normative versus Descriptive Justice

Philosophers such as Plutarch, Plato and Socrates and social commentators have long written about justice (Colquitt, Conlon, Wesson, Porter, Christopher O. L. H., & Ng, 2001; Cropanzano et al., 2007). In accordance with the definition of stakeholder theory, the distinction between normative and descriptive justice can be made. While the above-mentioned philosophers have mostly been prescribing what sorts of actions truly are just, organizational justice borrows from these prescriptions but is more concerned with what people believe to be just. Thus, researchers have been pursuing a descriptive agenda.

As already stated in the introduction of this section, organizational justice is defined to be a personal evaluation about the ethical and moral standing of managerial conduct (Cropanzano et al., 2007).

3.2 Justice versus Fairness

Justice is not to be confused with fairness, which Phillips (2003) uses to define the ethical justification for stakeholder theory. Referring to Rawls (1971), Phillips (2003) distinguishes justice and fairness as follows: “Justice and fairness are, indeed, different concepts, but they share a fundamental element in common, which I shall call the concept of reciprocity. They represent this concept as applied to two distinct cases: very roughly, justice to a practice in which there is no option whether to engage in it or not, and one must play; fairness to a practice in which there is such an option, and one may decline the invitation” (Phillips, 2003).

Stakeholder theorists agree that both fairness and justice are core considerations in managing for stakeholders (Harrison et al., 2010). While acknowledging the importance of fairness, I will not go deeper into this concept but will focus on the aspect of justice in my research.

3.3 Three Components of Organizational Justice

Until 1975, the study of organizational justice was primarily concerned with **distributive justice** (Colquitt et al., 2001). The foundation of this researched was laid by Adams (1965), who used a social exchange theory framework to evaluate fairness (Colquitt et al., 2001). According to social exchange theory, fairness was calculated as the ratio of one's inputs to one's outcome and then compares that ratio with that of a comparison other. Levental (1976) added that other allocation rules, such as equality and need, also have to be identified.

Thibaut and Walker (1978) introduced the study of process to the literature on organizational justice. Their research suggests that the acceptance of an outcome depends heavily on the perception of whether the process to derive the result was considered fair (Thibaut & Walker, 1978). This concept has been named **procedural justice** in literature (Colquitt et al., 2001; Cropanzano et al., 2007).

Finally, the third and most recently identified concept in the justice literature, **interactional justice**, was introduced. This third aspect of justice focuses on the importance of the quality of the interpersonal treatment people receive when procedures are implemented (Colquitt et al., 2001). It can be subdivided into the two types of interpersonal treatment, "interpersonal justice" and "informational justice".

Components of Organizational Justice

1. Distributive Justice: Appropriateness of outcomes.

- Equity: Rewarding employees based on their contributions.
- Equality: Providing each employee roughly the same compensation.
- Need: Providing a benefit based on one's personal requirements.

2. Procedural Justice: Appropriateness of the allocation process.

- Consistency: All employees are treated the same.
- Lack of Bias: No person or group is singled out for discrimination or ill-treatment.
- Accuracy: Decisions are based on accurate information.
- Representation of All Concerned: Appropriate stakeholders have input into a decision.
- Correction: There is an appeals process or other mechanism for fixing mistakes.
- Ethics: Norms of professional conduct are not violated.

3. Interactional Justice: Appropriateness of the treatment one receives from authority figures.

- Interpersonal Justice: Treating an employee with dignity, courtesy, and respect.
- Informational Justice: Sharing relevant information with employees.

Table 6: Components of Organizational Justice (Cropanzano et al., 2007)

Table 6 provides an overview and short description of the three components of organizational justice.

3.3.1 Distributive Justice

Distributive justice refers to the material outcomes for the various parties of a pattern of allocation. Adams' (1965) early work on equity theory argued that an actor's ratio of perceived outcomes from and inputs to a cooperative effort must match the outcomes/input ratio of relevantly similar others in order to be perceived as fair. Otherwise, subjects will adjust either inputs or outcomes until the perceived ratios are equal. Whether distributed by markets, hierarchical rules, individual fiat, or some other system, distributive justice refers to the final outcome of the system (Bosse et al., 2009).

The concept of distributive justice with regard to the enterprise has thus far been mostly researched with regard to human resources management.

Both the prisoner's dilemma and game theory show that actors' perceptions of justice result from their assessment of material outcomes they receive (Bosse et al., 2009). This distributive justice then is positively related to firm profit.

Referring to empirical results, the effect of just/unjust treatment of employees is summarized as follows:

“Managers who were temporarily moved to higher-status offices than their position actually warranted boosted their performance. Managers in the same study who were temporarily moved to comparatively lower-status offices decreased their effort. Other studies of employee reactions to unjust distributions find that they cause workplace sabotage and employee theft” (Bosse et al., 2009; Greenberg, 1988).

Stakeholder theory draws attention to the firm's economic relationships with other types of stakeholders, such as customers, suppliers, financiers and communities (Bosse et al., 2009).

The value created by the firm is the aggregate of the value created in each of its stakeholder relationships. This raises the decision-making complexity from the comparatively simple task of managing perceptions of fairness in each stakeholder relationship as a one-off phenomenon to the more difficult task of managing perceptions of fairness across the firm's portfolio of stakeholder relationships. This portfolio approach to value creation is consistent with the stakeholder philosophy that argues that, to achieve high performance, firms should adopt a broad strategy-making perspective that incorporates the needs and demands of multiple stakeholder groups (Bosse et al., 2009).

Donaldson and Preston (1995) have identified utilitarianism, libertarianism and the social contract theory as the basis for distributive justice:

- According to utilitarianism, “*need*” is the criterion. This means that self-interest is mitigated in favor of enhancing the interest of others.
- Libertarianism proclaims that “*ability or effort*” is the criterion to determine who receives what as a result of the effort contributed to the system.
- Social Contract Theory places emphasis on the explicit and implicit “*understanding of the parties involved*” as to how the value created is to be distributed.

Very similarly, Cropanzano et al. (2007) define distributive justice with regard to employees as the appropriateness of outcomes. It entails three main components:

- Equity: Rewarding employees based on their contributions.
- Equality: Providing each employee roughly the same compensation.
- Need: Providing a benefit based on one’s personal requirements.

Based on equity theory, stakeholder theorists argue that distributive justice with regard to stakeholders does not mean that all of them should be treated the same. Rather, stakeholders who contribute more to the value-creation process should also receive greater benefits (Harrison et al., 2010; Sachs & Rühli, 2013).

To add more complexity to the concept of distributive justice, justice and the behavior it stimulates is not limited to the stakeholder-firm dyad (a relationship between only the firm and one of its stakeholders) or to the current time period. Stakeholder behavior is often influenced by perceptions of a firm’s behavior toward other stakeholders or its behavior at an earlier time (Bosse et al., 2009).

The concept of distributive justice is jeopardized if one specific stakeholder has a lot of power, to the point where distributive justice is no longer effective. Thus, the arguments regarding distributive justice are strongest in situations in which dramatic power imbalances do not exist (Harrison et al., 2010). Ultimately, distributive justice is a matter of perception on the side of the stakeholders. A lot depends on the definition of value/utility and whether the perceived benefits received balance the effort made.

Distributive justice is extended by the concepts of procedural justice and interactional justice (Bosse et al., 2009; Cropanzano et al., 2007).

3.3.2 Procedural Justice

Procedural justice refers to a stakeholder’s perception of how fair a decision-making process is (Harrison et al., 2010). Procedure is as important to stakeholder theory

as the final distribution (Phillips, 2003). Fair processes can lead to accepted outcomes by all parties, no matter what the exact outcomes are (Donaldson & Preston, 1995). Relating to the concept of Rawl's (1971) "veil of ignorance", parties agree on possible outcomes, not defining who will get exactly what part at the end. This lays the focus on the process of multiple-stakeholder coordination rather than on a specific outcome (Donaldson & Preston, 1995).

Leventhal (1980) defines distributive justice in employee relations as the "appropriateness of the allocation process" and identifies six key attributes that make procedures just (Cropanzano et al., 2007; Leventhal, 1980):

- Consistency: All employees are treated the same.
- Lack of Bias: No person or group is singled out for discrimination or ill-treatment.
- Accuracy: Decisions are based on accurate information.
- Representation of All Concerned: Appropriate stakeholders have input into a decision.
- Correction: There is an appeals process or other mechanism for fixing mistakes.
- Ethics: Norms of professional conduct are not violated.

Fair processes lead to trust and commitment, which in turn build voluntary cooperation. Procedural injustice, on the contrary, leads to intellectual and emotional indignation, resulting in distrust and resentment (Cropanzano et al., 2007). Procedural justice also helps to maintain institutional legitimacy (Husted, 1998). It affects what workers believe about the organization as a whole.

There is a great deal of research regarding the role and influence of stakeholder representation on executive boards. Theorists have suggested that stakeholder representation promotes procedural fairness (Luoma & Goodstein, 1999).

Following the same logic as with distributive justice, Bosse et al. (2009) extend the concept of procedural justice to other stakeholders. They find that research about alliance management and joint ventures shows that perceptions of procedural injustice raise costs and conflicts in international joint ventures (Bosse et al., 2009). Based on theoretical reasoning, Bosse et al. (2009) put forward the proposition that firms perceived as procedurally fair (unfair) by their stakeholders create more (less) rent, *ceteris paribus* (Bosse et al., 2009; Husted, 1998).

3.3.3 Interactional Justice

Closely related to procedural justice is the concept of interactional justice. This refers to fairness in the way that stakeholders are treated in transactions with the firm

(Cropanzano et al., 2007; Harrison et al., 2010). Although a stakeholder may not believe that its portion of the distributed share is fair, it may still believe that the process is fair and that it has been treated with respect (procedural as well as interactional justice). With reference to interactions with employees, Colquitt et al. (2001) highlight two aspects of interactional justice: First, *informational justice*; and second, *interpersonal justice*.

Informational justice refers to “whether one is truthful and provides adequate justification when things go badly” (Cropanzano et al., 2007). Bies et al. (1988) found that perceptions of procedural justice were enhanced only when explanations were believed to be adequately reasoned and sincerely communicated (Greenberg, 1990). Thus, it is not only important that the procedures are fair but also that adequate information about procedures is shared (Greenberg, 1990).

Interpersonal justice, on the other hand, refers to “the respect and dignity with which one treats another” (Cropanzano et al., 2007). Various expressions of interpersonal treatment — honesty, courtesy, timely feedback, and respect for rights — are relevant in evaluating justice (Greenberg, 1990). These factors are important regardless of the outcome of the interaction.

3.4 Conclusion

Distributive, procedural and interactional justice tend to be correlated. They can be meaningfully treated as three components of overall justice (Cropanzano et al., 2007).

McFarlin and Sweeney (1992) investigated the differences and interplays of distributive and procedural justice in work relationships. Both of them are important predictors of work outcomes, even if their influence differs slightly. The authors found that, in accordance with previous research, distributive justice tends to be a stronger predictor of personal outcomes than procedural justice, whereas the reverse was true for organizational outcomes. They also found that the fairness of a firm’s procedures may have a greater impact on organizational commitment. Thus, if employees perceive the procedures of a firm as fair, they may see the organization positively even if they are currently dissatisfied with personal outcomes.

However, distributive and procedural justice have significant interactive effects on organizational outcomes, subordinates’ evaluation of supervisors and organizational commitment. The combination of unfair procedures and low distributive justice produce low ratings (McFarlin & Sweeney, 1992).

Summarizing three different meta-analytic reviews, Cropanzano et al. (2007) found that, although the studies differed in some respects, all of them underscore the propitious effects of workplace justice. Workplace justice builds trust and commitment; it improves job performance; it fosters employee organizational citizenship behaviors; and it builds customer satisfaction and loyalty. The authors suggest that justice can be a core value that defines an organization's identity among its stakeholders, both internally and externally. Thus, a culture of justice can be created that is valuable and unique in the eyes of employees and customers and tough to copy in the minds of competitors, leading to a competitive advantage.

Stakeholder theorists extend this reasoning to all stakeholder relationships, arguing that a culture of justice creates increased value, which then can be redistributed to stakeholders in proportion to their contributions.

4 Management Prioritization

Looking at distributive justice from a managerial perspective means to ask how stakeholder interests are prioritized by organizations and their employees. The most established model of stakeholder prioritization is the stakeholder salience framework (Mitchell et al., 1997), which is also applied to identify relevant stakeholders. Other mechanisms to prioritize stakeholders are accounting and reporting systems, assigning ownership rights and seeking strategic consensus (Floyd & Wooldridge, 1992a; Hall, Millo, & Barman, 2015; Kellermanns, Walter, Lechner, & Floyd, 2005; Zattoni, 2011). Probably the most strategic and most effective way to prioritize attention and resources is the formulation of simple rules (Eisenhardt & Sull, 2001; Sull & Eisenhardt, 2015). Although the simple rules concept has so far not been considered in stakeholder theory, it is a powerful way of prioritizing stakeholder interests.

4.1 Stakeholder Salience

The most prominent and elaborated framework for stakeholder prioritization is the stakeholder salience model. In its original design, Mitchell et al. (1997) propose that classes of stakeholders can be identified by “their possession or attributed possession of one, two or all three of the following attributes: (1) the stakeholder’s *power* to influence the firm, (2) the *legitimacy* of the stakeholder’s relationship with the firm, and (3) the *urgency* of the stakeholder’s claim on the firm” (Mitchell et al., 1997, p. 854).

4.1.1 Power, Legitimacy and Urgency

Power in this context is defined as the “ability of those who possess power to bring about the outcome they desire” (Mitchell et al., 1997, p. 865). Stakeholders may exercise this power based on three types of resources: coercive power, based on the physical resource of force or violence; utilitarian power, based on material or financial resources to acquire goods and services; and normative power, based on symbolic resources, such as prestige and esteem, love and acceptance.

Legitimacy is at the heart of normative stakeholder theory and is often used to identify stakeholders (Edward Freeman & Evan, 1990; Hill & Jones, 1992). Following the definition of Suchman (1995), the notion of legitimacy in this model is very widely defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Mitchell et al., 1997, p. 866).

The attribute *urgency* is defined as “the degree to which stakeholder claims call for immediate attention” (Mitchell et al., 1997, p. 867). It consists in turn on the two attributes (1) time-sensitivity, the importance of the claim or the relationship to the stakeholder, and (2) criticality, the importance of the claim or the relationship to the stakeholder.

These stakeholder attributes are variable, socially constructed and not objective, reality. Depending on the presence of one, two or three of the potential attributes, stakeholders can be classified according to eight different classes, as shown in Figure 6.

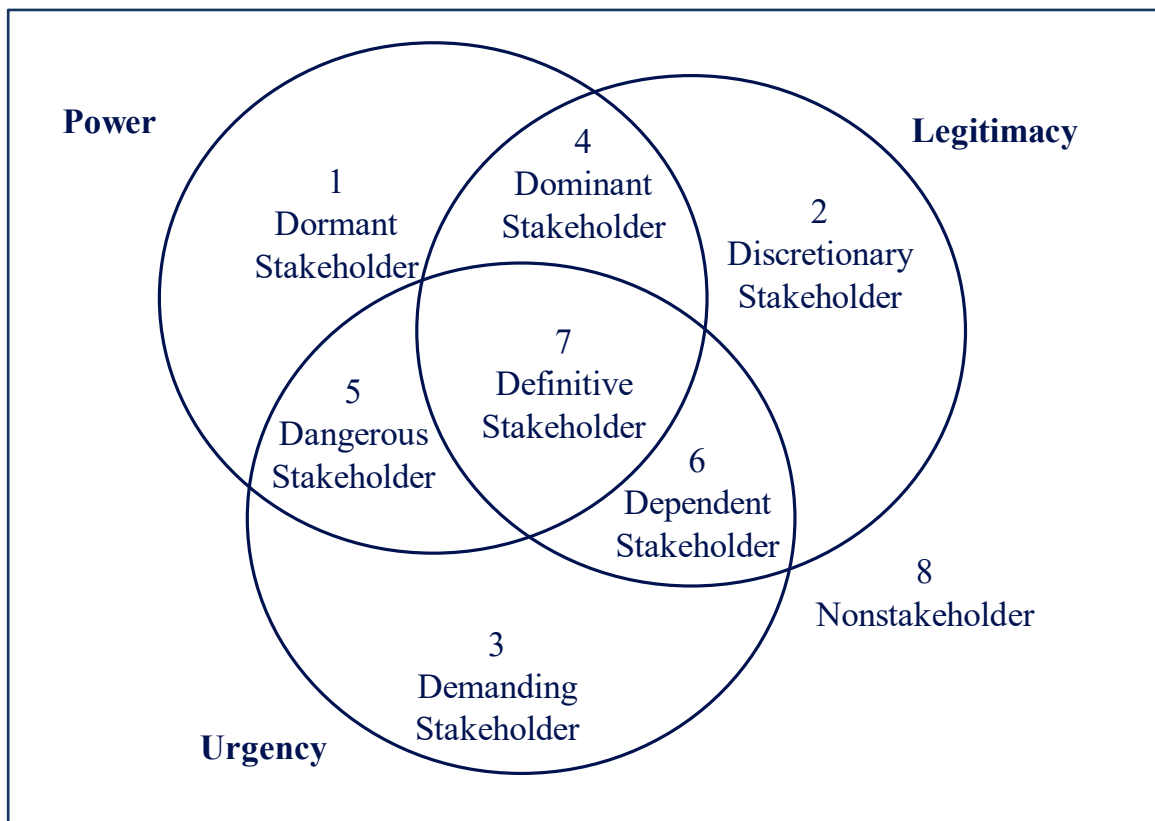


Figure 6: Stakeholder Salience Typologies (Mitchell et al., 1997, p. 874)

4.1.2 Stakeholder Classes

The framework allows managers to classify stakeholders according to their relevance for the organizations, helping them to allocate resources to the most salient stakeholders. Dormant stakeholders (1), discretionary stakeholders (2) and demanding stakeholders (3) are “latent” stakeholders, possessing only one of the attributes. Managers sometimes don’t even consider these stakeholder classes as relevant and therefore don’t allocate any resources to deal with them. Dominant stakeholders (4), dangerous stakeholders (5) and dependent stakeholders (6) possess or are attributed two of the

attributes and are named “expectant” stakeholders because they expect something from the organization. This second group are moderately salient stakeholders. Area 7 covers the highly salient stakeholders, the class to which managers should direct most of their resources. Area 8 represents all stakeholders that have no claim on the organization and are therefore not relevant for the management.

Later research tried to test and refine the model. The application of the model to CSR indicates the necessity for strategic stakeholder attention and variances in different industries.

4.1.3 Testing and Further Development of the Model

After 20 years of stakeholder salience research, Neville and colleagues (2011) conducted a literature review and refined the stakeholder salience model. In essence, they argue that first, urgency is not relevant for identifying stakeholders, that second, legitimacy needs to be defined more specifically as the moral legitimacy of the stakeholder’s claim and that third, the attributes are not to be defined as either being present or not. The attributes should rather be viewed on a continuum of varying intensities (Neville, Bell, & Whitwell, 2011). Thus the categories also need to be refined to mirror this fact. This results in the following refined definition of stakeholder salience: “Stakeholder salience is the prioritization of stakeholder claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim” (Neville et al., 2011, p. 369).

The most important advancement of the model in light of this research is the suggestion that managers should compare the net benefits, rights, fairness, and so on, of competing stakeholder claims (Neville et al., 2011, p. 368).

4.1.4 Strategic Stakeholder Attention

Whereas the stakeholder salience model indicates that managers should allocate their resources to respond to the most salient stakeholder claims, CSR research adds that the response should happen in a strategic way. Boesso et al. (2014) found that those companies that allocate their resources to respond to stakeholder claims strategically outperform companies that simply reply to the most salient stakeholder claims. Therefore, companies should link their CSR activities to salient stakeholder preferences and undertake the corporate social actions that are ultimately relevant to the company’s strategy and financials (Boesso, Favotto, & Michelon, 2015, p. 424). CSR research also

finds that different industries require attention to different stakeholder interests (Boesso et al., 2015; Weber & Marley, 2012).

While the stakeholder salience model offers a framework to classify the relevance of stakeholder groups, the subsequent sections describe possible responses to salient stakeholder claims.

4.2 Prioritization Through Accounting and Reporting Systems

Growing pressure from stakeholders on corporations and an increasing interest in environmental sustainability has led to a variety of initiatives to increase reporting for stakeholders. Examples of initiatives are the ISO 1400 standards, the Social Accountability Network's SA8000 standard, and the Global Reporting Initiative. In addition to voluntary disclosure of non-financial reporting, a public policy debate is concerned with issuing laws that would require companies to disclose information on their dealing with stakeholder issues (Boesso & Kumar, 2009; Cooper & Owen, 2007). As one of the consequences, European law requires large companies to disclose information, such as environmental protection, social responsibility, respect for human rights and diversity on company boards (European Commission, 2018).

Research on accounting and reporting for stakeholders is relatively fragmented, and a lack of an agreed-upon theoretical perspective to drive systematic research exists (Gray, Dey, Owen, Evans, & Zadek, 1997; Gray, Kouhy, & Lavers, 1995). A review of existing literature identifies accountability and stakeholder theory as the core of corporate social reporting (Gray et al., 1995). Preliminary conclusions that Gray et al. (1995) drew 20 years ago still hold true today: First, corporate social reporting is not a systematic activity across industries, countries and company sizes; second, corporate social reporting is not directly linked to profitability; third, corporate social reporting is linked to company size; fourth, there are some industry effects; and fifth, the country in which the organization is reporting and the country of ultimate ownership have an effect (Boesso & Kumar, 2009; Camara, Chamorro, & Moreno, 2009; Deegan & Blomquist, 2006).

4.2.1 EU Legal Requirements

As a response to the growing pressure for disclosure and transparency, the European Parliament and the European Council issued the *Directive 2014/95/EU*, which requires large companies to disclose information on the way they operate and manage

social and environmental challenges from 2018 onward (European Commission, 2018; European Union, 2014).

The aim was to issue a law, which allows “for high flexibility of action, in order to take account of the multidimensional nature of corporate social responsibility (CSR) and the diversity of the CSR policies implemented by businesses matched by a sufficient level of comparability to meet the needs of investors and other stakeholders as well as the need to provide consumers with easy access to information on the impact of businesses on society” (European Union, 2014, p. 1).

Large companies in this context are defined as large public-interest companies with more than 500 employees. This covers approximately 6,000 large companies and groups across the EU, including listed companies, banks, insurance companies and other companies designated by national authorities as public-interest entities.

The companies have to publish reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery and diversity on company boards. They may use international, European or national guidelines to produce their statements. For instance, they can rely on the UN Global Compact, the OECD guidelines for multinational enterprises, or ISO 26000. In June 2017, the European Commission published its guidelines to help companies disclose environmental and social information. These guidelines are not mandatory and companies may decide to use international, European or national guidelines according to their own characteristics or business environment (European Commission, 2018).

4.2.2 Accountability

Accountability in the stakeholder context is “concerned with the relationships between groups, individuals, organizations, and the right to information that such relationships entail. It is the duty to provide an account of actions for which one is held responsible. The nature of the relationships — and the attendant rights to information — are contextually determined by the society in which the relationship occurs” (Gray et al., 1997, p. 334). The primary responsibility of accounting is to provide information to address the risk-management needs of stakeholders (Harrison & van der Laan Smith, 2015; Mitchell, van Buren, Greenwood, & Freeman, 2015). So far, no standardized reporting has been established to respond to stakeholders’ needs. Rather, companies have

responded to requests for disclosure over time (Boesso & Kumar, 2009; Camara et al., 2009).

4.2.3 Public Policy Debate

A great deal of discussion and research revolve around how much the state should regulate non-financial reporting to stakeholders. Considering the influence of society and state laws on stakeholder reporting, this discussion is a central one (Boesso & Kumar, 2009; Camara et al., 2009; Cooper & Owen, 2007).

A good example is the study of the Spanish Tobacco Monopoly, which shows that the dramatic changes in Spanish forms of government, as well as a change in the state's status vis-à-vis the firm, affected the amount and type of financial information in these reports (Camara et al., 2009). A comparison of Italian and U.S. companies indicates that the managerial decision as to which of the stakeholder groups' demands to address is influenced by society-specific expectations (Boesso & Kumar, 2009). The most studied public policy debate revolves around legislation in the UK, where proponents of stakeholder accountability identify a lack of public policy that would require corporations to report and be accountable to more stakeholders than only the owner/shareholders (Cooper & Owen, 2007; Gray et al., 1995; Gray et al., 1997).

4.2.4 Moral Discourse

The lack of public policy leaves a wide space for stakeholder activists to pressure corporations toward more information disclosure. The example of how WWF-Australia's initiative influenced revisions to the Australian Mineral Industry Code as well as the reporting behavior of individual mining companies is only one example of successful stakeholder activism in this direction.

Theorists propose a stakeholder dialogue prior to making a choice regarding the application of accountability standards, based on the Habermasian concept of communicative action (Rasche & Esser, 2006; Reynolds & Yuthas, 2008). It is clear that stakeholder interests need to be taken into consideration; nevertheless, researchers do not agree on how to best include stakeholder claims in practice.

4.2.5 Inclusion of Stakeholders in Accounting and Reporting Activities

A variety of recent research proposes different approaches to how to strategically include stakeholders in accounting and reporting processes (Hall et al., 2015; Harrison & van der Laan Smith, 2015; Isenmann, Gomez, & Supke, 2011; Mitchell et al., 2015; Perrini & Tencati, 2006). Table 7 presents an overview of selected proposals. Traditional and established reporting approaches such as Financial Accounting, the Balanced Scorecard and the Triple-Bottom-Line are not included in the overview, because these are exactly the approaches that led to the proposals described in this section.

The analysis of these approaches leads to the conclusion that traditional accounting and reporting does not sufficiently respond to stakeholders' need for information. Stakeholders need more information for two reasons. First, based on their interaction with the corporation, they are exposed to some risk, which they need to be able to assess. Second, stakeholders are to be viewed as partners in a value-creating relationship, where information needs to be transparently shared, so value created can be distributed in a fair way and value creation maximized.

Considering the amount of research in this area and the ongoing public discourse, it is striking that there are so many initiatives requesting more standards for stakeholder relevant accounting and reporting and still, there is no agreement on how companies should report to their stakeholders.

Probably the most inclusive and established initiative are the GRI Standards (GRI, 2018), which give detailed directions on which information to include in company reports. Nevertheless, corporations are still very much left to themselves on how to account and report vis-à-vis their stakeholders.

	Sustainability Evaluation and Reporting System (SERS)	Value-Creating Stakeholder Accounting	Social Return on Investment (SROI)	Responsible Accounting for Stakeholders
Aim	To aggregate different management tools (e.g. social reporting, environmental reporting and key performance indicators) to a comprehensive model.	Partnership Accounting: To create more value by an activity-based, aligned, purpose-innovation-morality interactive, and reciprocal partnership and to include stakeholder broader to minimize the total value-creation risk.	Incorporate stakeholders' voices into organizational practices in order to facilitate value creation.	To lay a normative foundation for a revised perspective on the responsibility of the public accounting profession.
Goal	To build an efficient and effective methodology for an overall assessment of the corporate sustainability in order to foster and support new accounting and reporting efforts in companies (focus on SME), contribute to the integration between financial and non-financial performance measures, improve the quality of decision-making processes and of the overall business management and strengthen the corporate accountability and responsiveness towards the different stakeholder groups.	Assert that identifying the units to be counted, basing the recording process on matching reward to risk using those units of accountability, summarizing based upon accounting classification that is representative of total risk-bearing, and reporting based upon partnership rules that are rooted in the "proprietary accounting" convention.	To permit managers both to incorporate stakeholders' voices and to communicate the social value created by the firm for those stakeholders.	To challenge the reversal of the public accounting profession regarding its responsibility to provide nonfinancial resource-providing stakeholders with the information they need to manage risks associated with their engagement with the firm.
Reported Content	1. Overall Reporting System: <ul style="list-style-type: none"> - Annual Report - Social Report - Environmental Report - Set of Integrated Performance Indicators 2. Integrated Information System 3. Key Performance Indicators for Corporate Sustainability	Facts: Relevant price and cost activities relating to stakeholders) Data: Time-period accrual and Managerial accounting data accrual Information: Net value created (lost) for/from partnership capital Knowledge: Balance Sheet, Income Statement, Sources and Uses of Funds statement and Value Creation and Value Distribution Statement	<ul style="list-style-type: none"> - Select stakeholders for inclusion in the accounting and reporting system. - Develop data collection and reporting system to measure impacts of social enterprises on stakeholders impacts using monetary values. 	The normative argument from an external reporting perspective is that non-financial stakeholder groups that contribute significantly resources to the corporation are as worthy of receiving reliable information that will help them to mitigate their risks as those stakeholder groups that supply financial capital to the firm. These need to be flexible enough to cater to the needs of different industries.
Key Contribution	Presentation of a relational view of the firm, based on the strategic value of the linkages with stakeholders, and its implication in terms of corporate performance evaluation and reporting systems. Proposal in the field of sustainability accounting, defined according to this stakeholder framework in order to support companies and especially SMEs in their strategic and managerial efforts.	For Accounting: Where risk arises through lack of precision, stakeholder inclusion in the accounting process can be improved through attention to the sources of imprecision. For Entrepreneurship Theory: Proposal of four premises that capture the key process of stakeholder value creation through risk sharing: activities, alignment, interaction, and reciprocity premises. For the field of Stakeholder Theory: Proposal of an ordering process, according to the extent of risk-bearing by those who affect or are affected by the firm.	Propositions 1: The prioritization of stakeholder voices in an accounting and reporting system, is shaped by manager' epistemic beliefs. Proposition 2: The ability of managers to develop an accounting and reporting system, consistent with their epistemic beliefs, is shaped by the organization's material conditions (such as the nature of existing data collection and reporting systems, access to financial resources, and access to necessary labor and expertise.	Normative argument that companies are accountable to stakeholders based on implied contracts and residual risk, which is assumed by stakeholders contributing to the company. Based on the principle of fairness, the most worthy stakeholders for reporting purposes are those that contribute significant resources to the value-creating process of the firm thereby assuming residual risk. Broader reporting is inevitable and the public accounting profession should assume an increased leadership role in its institutionalization.

Table 7: Stakeholder Inclusion in Accounting and Reporting

4.3 Prioritization Through Assigning Ownership Rights

Similar to the prioritization of stakeholders through accounting and reporting systems, assigning ownership rights to stakeholders is a model that offers practical solutions to include stakeholder interests in the governance model of an organization. The organization should transfer control rights to stakeholders for two reasons. First, because stakeholders who have control rights will have an incentive to create corporate value or to ensure the company's survival and growth in the long term. Second, because stakeholders who do not have to worry about receiving their fair share of the cake will not over-invest resources in inefficient activities aimed at altering in their favor the value received by the corporation (Zattoni, 2011).

The model argues that contracts, market mechanisms and the institutional/legal environment all fail to govern the relationships with stakeholders in an optimal way. The two solutions proposed to govern stakeholder relationships are to create a solid company reputation of fairness and to assign ownership rights to stakeholders supplying critical contributions.

To create a solid reputation of fairness the company needs to adopt respective cultural norms and ethical codes. To assign ownership rights to stakeholders supplying critical contributions, companies have a wide range of options to accomplish this result (Zattoni, 2011, p. 266):

1. Choose a specific legal form that facilitates the creation of an efficient equilibrium between rights and duties of stakeholders supplying critical contributions.
2. Assign shares to some stakeholders, so as to involve them formally and substantially in governance, decision-making and in the distribution of residual income.
3. Co-opt some stakeholders' representatives inside the company's governance bodies, so that they can participate in governance decision-making process.
4. Adopt incentive schemes that tie the stakeholders' rewards to the firm's residual income.

Although allocating ownership rights to stakeholders is a practical way to govern selected stakeholder relationships effectively, the creator of the model himself states that it does not solve the distributive justice problem: "Any allocation of ownership rights faces, in fact, fairness and distributive justice problems, and involves a risk of abuse of authority" (Zattoni, 2011, p. 260).

4.4 The role of Strategic Consensus

Organizations and managers have a wide variety of options available to prioritize stakeholder interests in their daily decisions. While the stakeholder salience framework, accounting and reporting guidelines, and the assignment of ownership rights are means for an organization to strategically prioritize stakeholder interests, one question remains open: How do organizations ensure that managers prioritize stakeholder interests in line with the corporate strategy? Or is it even desirable that stakeholders are prioritized in a congruent way across the organization? During the past 40 years, a great deal of research has been conducted to shed light on the concept of strategic consensus, which answers these two questions elucidatively (Floyd & Wooldridge, 1992a; Kellermanns et al., 2005; Kellermanns, Walter, Floyd, Lechner, & Shaw, 2011; Ravasi & Phillips, 2011; Walter, Kellermanns, Floyd, Veiga, & Matherne, 2013).

4.4.1 Defining Strategic Consensus

The definition of strategic consensus has changed as research on the concept evolved. For the past decade, however, researchers have agreed on the definition of strategic consensus by Kellermanns et al. (2005), which I also use in this dissertation. Strategic consensus is defined as “agreement on strategic priorities by decision-making groups, including those at the top, middle, and/or operating levels of the organization” (Kellermanns et al., 2005, p. 721). This definition already reflects many research findings on strategic consensus. These are namely the concepts of “agreement”, “strategic priorities” and “decision-making groups including top, middle, and/or operating levels”. The following sections describe these aspects of strategic consensus in more detail. In addition, the aspects of “performance” and “strategic alignment”, which are both central to the context of Stakeholder Management and Strategic Consensus, are addressed.

4.4.2 Locus of Consensus

The definition of strategic consensus did not always include all levels of the organization. In the 1980s, research on strategic consensus mainly focused on shared understanding within Top Management Teams (TMTs) (Bourgeois, 1980; Colbert, Kristof-Brown, Bradley, & Barrick, 2008; Dess, 1987; Knight et al., 1999). TMT diversity (mixed results) and CEO transformational leadership (positively) were found to have an influence on consensus within TMT (Colbert et al., 2008; Knight et al., 1999).

Findings on performance were mixed, because the important inclusion of lower-level managers was missing.

With the increasing awareness of the importance of middle management in strategy formulation, middle managers and operating managers were included in studies on strategic consensus (Burgelman, 1983; Floyd & Wooldridge, 1992a, 1992b). This inclusion made research more precise and findings more clear (Kellermanns et al., 2005).

4.4.3 Strategic Priorities

With the shift from consensus within TMTs to include middle management in the consensus concept, content of consensus also changed (Kellermanns et al., 2005). Initial research on consensus framed the content of consensus as agreement of TMTs on ends and means as interactive components of strategy (Bourgeois, 1980; Dess, 1987). When middle and operating-level managers were perceived to be important protagonists in strategy formulation, the content of strategic consensus was framed in terms of strategic priorities (Kellermanns et al., 2005).

Because managers at lower levels are likely to be unaware of specific strategic ends and means, they are more likely to “view strategy content as the relative importance of specific initiatives, that is, the strategic priorities” (Kellermanns et al., 2005, p. 723). Thus, strategic priorities reflect strategic consensus in a way that is perceptible by top, middle and operational management. This shared understanding allows managers to act and decide independently, yet in line with the purpose and goals of the organization (Floyd & Wooldridge, 1992b; Kellermanns et al., 2011). A meta-analysis conducted in 2013 partially supports the hypothesis that the relationship between consensus and performance is stronger for strategic priorities than for strategic means and ends or other definition of strategy content. These findings are promising, yet they leave room for further research on the topic.

4.4.4 Strategic Alignment

Closely related to strategic priorities is the notion of strategic alignment, the widely shared premise of strategic management that the fit or alignment of an organization’s strategy with its context is crucial to organizational performance (Walter et al., 2013).

Stepanovich et al. (2002) identified three sub-sets of strategic alignment. First, external strategic alignment is concerned with the alignment of the firm with its external

environment or the external stakeholders customers, competitors, owners, community, etc. Second, internal strategic alignment is concerned with the mobilization of the firm's internal resources in strategy implementation. And third, strategic consensus is the “meeting of managers' minds”, which attempts a consensus of opinion before strategic decisions are made or strategies implemented.

External strategic alignment is closely linked to strategic stakeholder management, as it is concerned with the alignment of the organization with external stakeholders.

Internal alignment and strategic consensus as the “meeting of managers' minds” relate to organizational identity, which emerges from complex, dynamic and reciprocal interactions among managers, organizational members, and other stakeholders (Scott & Lane, 2000). Because members' identities and organizational identity are closely linked, organizational identity needs to be carefully managed to ensure strategic alignment (Scott & Lane, 2000).

4.4.5 Consensus and Performance

Strategic Management Research has long investigated the relationship between consensus and performance. Despite conflicting findings in literature, a meta-analysis published in 2011 confirms the general intuitive positive relationship between consensus and performance (Bourgeois, 1980; Dess, 1987; Kellermanns et al., 2011). But what should also be noted is that the relationship is not simple. Research finds that consensus on means has a stronger effect on performance than consensus on ends (Bourgeois, 1980). In addition, it was also found that the environment has a particular influence on the effect of consensus on performance (Kellermanns et al., 2011).

What is particularly noteworthy is the link between consensus, strategic alignment and performance (Walter et al., 2013). A study of 349 university faculty members in 63 academic departments suggests that the consensus-performance relationship is stronger for lower levels of strategic alignment, whereas at higher levels of alignment, consensus appears to have little effect (Walter et al., 2013). This means that strategic alignment is central for organizational performance. Yet, where strategic alignment is somehow missing, consensus may compensate for a certain lack of alignment.

4.5 Simple Rules

In times of high complexity and time pressure, individuals and organizations are looking for “simple rules” for their decision-making. This means that effective strategies

do not necessarily need to be complicated or even complex (Bingham & Eisenhardt, 2011).

4.5.1 Simple Rules as Heuristics

According to organizational learning theory, in the context of strategic management, “heuristics constitute ‘rational’ strategy in unpredictable markets. That is, unique rules of thumb that guide key organizational processes are not just cognitive shortcuts. They are also the basis of value-creating strategies that can be more effective than information-intensive, cognitively demanding approaches” (Bingham & Eisenhardt, 2011, p. 1438). Simple strategies are often more effective than complex ones.

Simple rules are defined as “shortcut strategies that save time and effort by focusing our attention and simplifying the way we process information” (Sull & Eisenhardt, 2015, p. 5). A famous example helps to illustrate what simple rules are and fits very well in the later research context: “In World War II, the U.S. surgeon general introduced a formal process for prioritizing care in order to reduce deaths — this process is called Triage. Given the complexity of the injuries they encounter, you might think medics use complicated algorithms to classify the wounded. They don’t. Instead they rely on a handful of simple rules, to quickly sort injured patients and thus allocate scarce medical resources to where they can do most good” (Sull & Eisenhardt, 2015, p. 4).

Simple rules confer the flexibility for an organization to pursue new opportunities while maintaining some consistency. When information is limited and time is short, simple rules make it fast and easy to make sound choices. They allow people who are participating in the decision-making process to synchronize their activities with one another on the fly. And there are cases where they produce better decisions.

4.5.2 Opportunity-capture Heuristics

Taking the examples of successful companies as well as looking at nature and the behavior of people, Sull and Eisenhardt (2015) identified the following categories of simple rules needed to succeed in a complex world:

- **How-to-rules** spell out key features of how a process is executed. What makes our process unique?
- **Boundary-rules** focus managers on which opportunities to pursue and which ones are out of scope.
- **Priority-rules** help managers rank the accepted opportunities.

- **Timing-rules** synchronize managers with the pace of emerging opportunities.
- **Exit-rules** help managers decide when to pull out of yesterday's opportunities.

These opportunity-capture heuristics enable flexible, yet coherent capture of opportunities addressed by specific processes such as product development and internationalization (Bingham & Eisenhardt, 2011).

4.5.3 How Simple Rules are Created

Simple rules emerge in different ways. They rarely arise from clever thinking. More often, they grow out of experience, emergencies, and especially mistakes (Eisenhardt & Sull, 2001). Eisenhardt and Sull (2001) in essence found the following two ways to create simple rules: drawing on experience and making implicit rules explicit.

4.5.3.1 *Draw on Experience*

An example for “drawing on experience” is how CEO George Conrades of Akami drew on his decades of marketing experience to focus his company on customer service – a surprising choice of strategy for high-tech venture. He defined the following how-to rules, which shaped customer service at Akami but left plenty of room for employees to innovate with individual customers: The company must staff the customer service group with technical gurus, every question must be answered on the first call or email, and R&D people must rotate through customer care (Eisenhardt & Sull, 2001, p. 114).

4.5.3.2 *Make Implicit Rules Explicit*

Most often, simple rules already exist in some implicit form. It sometimes takes an observant manager to make them explicit and then extend them as business opportunities to evolve. The example of eBay illustrates this very nicely. The company set out with two strong values: egalitarianism and community. Over time, founder and chairman Pierre Omidyar and CEO Meg Whitman made those values explicit in simple rules that helped managers predict which opportunities would work for eBay. Egalitarianism evolved into two simple how-to rules for running auctions: The number of buyers and sellers must be balanced, and transactions must be as transparent as possible. The business meaning of community was crystallized into a few simple rules

too: Product ads aren't allowed as they compete with the community, prices for basic services must not be raised as increases hurt small members, and eBay must uphold high safety standards as community needs to feel safe.

The example of eBay illustrates that experienced managers can define simple rules top-down. A less risky and more promising way to formulate simple rule is a bottom-up approach to craft simple rules.

4.5.3.3 *Craft the Simple Rules*

When leaders rely on their gut instincts, they overemphasize recent events, build in their personal biases, and ignore data that does not fit with their preconceived notions (Sull & Eisenhardt, 2015, p. 138). Therefore, it is much better to involve a team and use a structured process to harness members' diverse insights and points of view. Sull and Eisenhardt (2015) found that the team should include some of the people who will be using the rules on a day-to-day basis. Having users make the rules confers several advantages. First, they are closest to the facts on the ground and best positioned to codify experience into usable rules. Users can also phrase the rules in language that resonates for them, rather than relying on business jargon. By actively participating in the process, users are more likely to buy into the final rules and therefore apply them in practice.

The example of Herkimer Corporation reveals how companies can craft simple rules (Sull & Eisenhardt, 2015, pp. 138–141). In 2011, Victor Belomondo took over the Middle East and Africa business of Herkimer, a global supplier of specialized products to the oil industry. More than 400 people in 81 countries reported directly to him. To define an effective strategy, he embarked on a process to define simple rules for his region to become more profitable. First, Victor worked with his management team to group Herkimer's customers into three buckets based on the country where they operated. Seven countries were designated as strategic and would be the focus of Herkimer's efforts, three were put on a watch list for possible upgrading in the future, and the remaining 71 countries were designated as opportunistic, where sales could only be made under very favorable terms. The team also identified those products where Herkimer could charge a premium and labeled these the company's "product sweet spot". After clarifying the who and what, Victor and his management team focused on the decision of whether to bid on projects as their bottleneck (Sull & Eisenhardt, 2015, p. 139). Deciding on whether to bid or not involved users from five different departments, and Victor included representatives from each unit on the team that would develop the simple rules. Before holding a workshop to define the crucial simple rules, a facilitator interviewed each team member

and asked them to generate a handful of rules that they believed the company should use when deciding whether to bid on a project. To come up with the rules, each team member walked through examples of projects where Herkimer's bid had proved particularly successful or unsuccessful. The interviews generated a list of 57 rules, which provided the raw material for developing the final simple rules.

In the workshop that followed, the team members grouped the rules by using Post-it notes and thus were able to identify over-arching categories. A discussion on which rules were most important produced seven boundary rules. Testing the first-cut rules is critical to ensure that they work. Three of the Herkimer team agreed to test the rules against 20 historical deals to see whether the initial rules would have selected promising requests and screened out unattractive ones. After the testing, Victor convened a second workshop to further refine the rules. The team finally decided to drop two rules and tweaked the wording of the remaining five (Sull & Eisenhardt, 2015, p. 141).

This example illustrates the bottom-up process to identify simple rules by following four steps:

1. Define the crucial process for which to define simple rules.
2. Chose who should be involved in defining the simple rules.
3. Follow a systematic process, i.e., each person should first come up with a set of simple rules. These are then aggregated and subsequently tested.
4. A final round leads to the final set of simple rules.

Simple rules are a way to differentiate a company from its competition. As the example of Cisco and Ispat International shows, it is possible for two companies to have the same key process yet to apply completely different simple rules to govern it (Eisenhardt & Sull, 2001). Cisco and Ispat International both acquired other ventures to grow. Yet, they applied completely different acquisition rules. While Ispat's rules included buying established, state-owned companies that have problems, Cisco's rules limited its acquisitions to young, well-run, VC-backed companies.

In the following multi-case study, simple rules for making decisions regarding conflicting stakeholder interests are identified by analyzing how managers of organizations have taken decisions in the past.

4.6 Conclusion

The elaboration of the stakeholder salience framework, the core discussion on prioritization through accounting and reporting systems, the various attempts to define consensus, and the simple rules concept all address the same challenge. They try to answer the question: “How should managers address internal and external stakeholder interests?”

Each of the approaches sheds important light on the issue, and managers need to consider each one of them when dealing with stakeholders. Nevertheless, all of the concepts leave wide managerial discretion. The following empirical study tries to give a more practical answer to the question of how managers should address diverging stakeholder interests.

PART B: EMPIRICAL STUDY

5 Research Method and Design

To contribute to the closing of the research gap by answering the research questions, I apply a qualitative approach in the form of multiple case studies (Cropanzano et al., 2007; Eisenhardt, 1989; Yin, 2018). The more a research question seeks to explain some present circumstance (e.g., “how” or “why” some social phenomenon works), the more that case study research is relevant (Yin, 2018). My goal is to identify simple rules that can serve as a heuristic to achieve distributive justice for stakeholders in humanitarian organizations and for-profit organizations.

5.1 Comparative Case Study Approach

Each research question asks for a specific research method. If a “how” or “why” question is being asked about a contemporary set of events and over which a researcher has little or no control, then this calls for a case study (Yin, 2018). Whether a single case study applies or a multiple case study approach is preferred depends on the research question at hand. But in reality, single- and multiple-case studies are but two variations of case study designs.

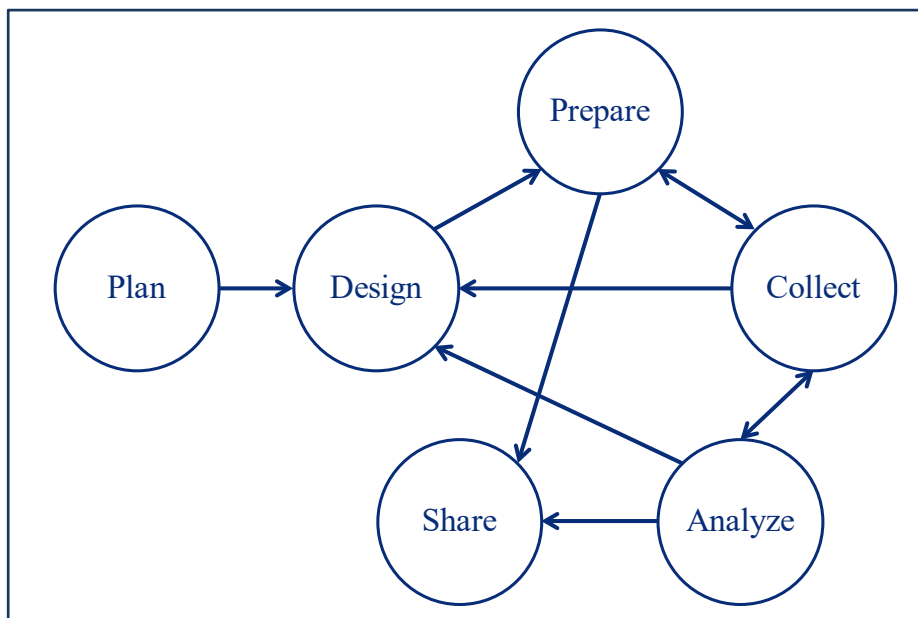


Figure 7: Doing Case Study Research (Yin, 2018, p. 1)

Case studies typically combine data-collection methods such as archives, interviews, questionnaires and observations (Eisenhardt, 1989). The process of creating

case studies is highly iterative and tightly linked to data (Eisenhardt, 1989). This process is well illustrated by Yin (2018) as displayed in Figure 7.

Wrona and Gunnesch (2016) give a more detailed overview of the boilerplates of the case study research process in Table 10. I followed their process with a small alteration and extension of step six. Figure 8 shows the process that best describes my procedure. Although the research process was an iterative one, I will describe it as a more comprehensive sequential process.

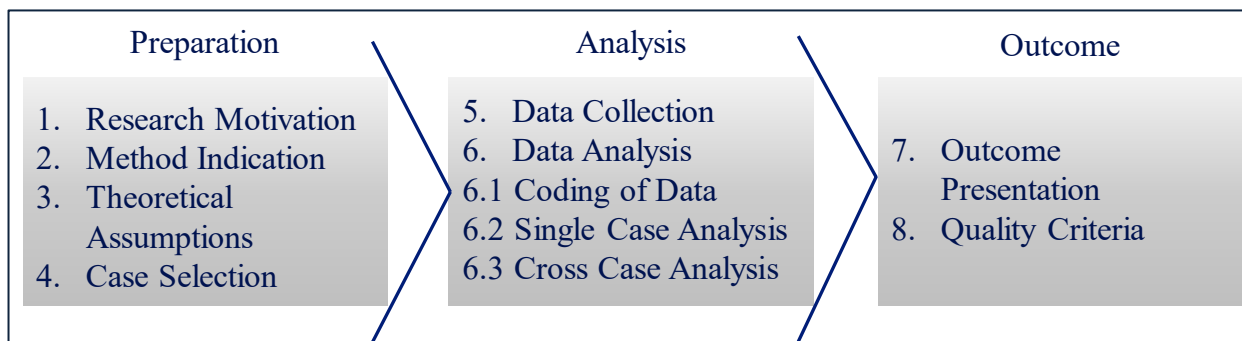


Figure 8: Comparative Case Study Approach

What is important in conducting case study research is the documentation of the process. By reviewing a number of articles that use case studies as a research method and have been published in top-ranked journals, Gibbert and Ruigrok (2010) found that authors focus squarely on the concrete research actions taken, carefully relaying them to the reader so that the reader may appreciate the logic and purpose of trade-off decisions in the context of the specific case study.

The following sections describe the applied steps in more detail. They also take into consideration the above-described relevance of including theory in the process (Wrona & Gunnesch, 2016).

5.1.1 Research Motivation

At the outset of any research, the aim and motivation of the research are explained (Wrona & Gunnesch, 2016). The researcher offers an explicit structure of her study to manage the relevance of her studies in a so-called “theorized storyline” (Golden-Biddle & Locke, 2007). The storyline explains the significance, novelty, curiosity or scope of the topic. Whereas Glaser and Strauss (1999) state that a literature review should be delayed until a late stage in a study as not to contaminate the findings, Wrona and Gunnesch (2016) argue that authors need to contextualize their studied phenomena with existing conceptual knowledge and thereby convey how their own endeavor challenges,

extends or even rejects existing findings. A literature review further facilitates the identification of research gaps and provide useful links for managing the relevance of their studies (Wrona & Gunnesch, 2016).

In line with Wrona and Gunnesch's (2016) argumentation, I first conducted a literature review to identify prior findings and a research gap in the area of my research interest. As a next step, I defined a rather general research question, which I concretized throughout my study. Researchers agree that this initial definition of a broad research question stands at the beginning of building theory from case studies (Eisenhardt, 1989; Glaser & Strauss, 1999; Wrona & Gunnesch, 2016). The rationale for defining the research question is the same as it is in hypothesis-testing research. Without a research focus, it is easy to become overwhelmed by the volume of data (Eisenhardt, 1989).

As important as an early identification of the research question and possible constructs are on the outset, it is equally important to recognize that they are tentative and that they may shift during the research (Eisenhardt, 1989).

In my case, the research question changed slightly several times throughout the research process. Although the core of the question remained the same, the wording changed due to practical reasons. At the outset, the research question was very much in line with terms used in scientific literature. When I entered the field, I realized that it was crucial to use terms and concepts that my interview partners could relate to. I therefore changed the wording, so that managers understood what I was asking them without having to explain the concepts and theory first.

This is very much in line with the finding of Flanagan (1954) that the aim should be to express in simple terms those objectives to which most people would agree.

5.1.2 Method Indication

Methodical rigor increases if researchers are able to justify their empirical approach (Flick, 2014). The research objective and the maturity level of a given theory are both indicators for a given research method. The purpose of building theory from cases is closely linked to previous knowledge "because the justification rests heavily on the ability of qualitative data to offer insight into the complex social processes, which in turn indicate qualitative case study approaches for exploring multifaceted phenomena" (Wrona & Gunnesch, 2016, p. 732). In addition, the less known about a certain topic or phenomenon, the more qualitative research methods might be appropriate for exploring the object under study. Therefore evaluating the existing literature helps to evaluate the

actual state of knowledge, which in turn indicates the suitable research method. As a side-note, many seemingly “new” topics can be approached or explained by applying previous theoretical knowledge and its explication will improve the indication of case study research by making these choices more comprehensible (Wrona & Gunnesch, 2016).

For my research project, this meant that I found a research gap in the stakeholder literature, where a range of phenomena are still unexplained. I applied findings from organizational justice research regarding employees to structure my research regarding distributive justice for all stakeholders. While the findings from organizational justice research helped to structure my study, the field in the area of stakeholder theory is still so open that multiple-case studies appeared to be the most promising method to shed light on the topic.

5.1.3 Theoretical Assumptions

Knowledge about existing theory not only points to the adequate research method for the topic under study, it also guides the researcher to identify domains of potential importance for the studied phenomenon. “Without this knowledge, the researcher is influenced only by his subjective problem definition or facets that are explicit for participants” (Wrona & Gunnesch, 2016, p. 733). Theory may also help to develop a phenomenon-specific conceptual framework.

I found relevant definitions and findings in stakeholder theory, meta-analyses on organizational justice, and in research on management prioritization, which I have presented in PART A: THEORETICAL FRAMING.

5.1.4 Case Selection

Choosing the “right” case(s) is pivotal for qualitative case study research because it predetermines possible outcomes (Wrona & Gunnesch, 2016). For qualitative case studies, theoretical — not statistical — sampling applies (Eisenhardt, 1989). The cases may be chosen to replicate previous cases or extend emergent theory, or they may be chosen to fill theoretical categories and provide examples of polar type (Eisenhardt, 1989).

Given the limited number of cases that can usually be studied, it makes sense to choose cases such as extreme situations and polar types in which the process of interest is “transparently observable”. Thus, the goal of theoretical sampling is to choose cases that are likely to replicate or extend the emergent theory (Eisenhardt, 1989; Wrona

& Gunnesch, 2016). To determine whether a case is typical, extreme or relevant, it is necessary to have a pre-understanding of the sample or phenomenon under study. Identifying a typical case or a relevant problem means to apply one's own theoretical assumptions about a meaningful "problem dimension" that should be investigated (Wrona & Gunnesch, 2016).

While single-case studies are suitable to gain a deeper understanding of certain phenomena, multiple-case studies provide a more extensive basis for building theory (Eisenhardt & Graebner, 2007; Yin, 2018). Multiple cases within each category allow findings to be replicated within categories (Eisenhardt, 1989). Multiple cases are often selected specifically if researchers have initial ideas about "problem dimensions" that are important to be considered (Yin, 2018). These dimensions usually serve as inputs to deliberate sampling plans (e.g., private and public or dependent and independent). Figure 9 illustrates a typical multiple-case study procedure.

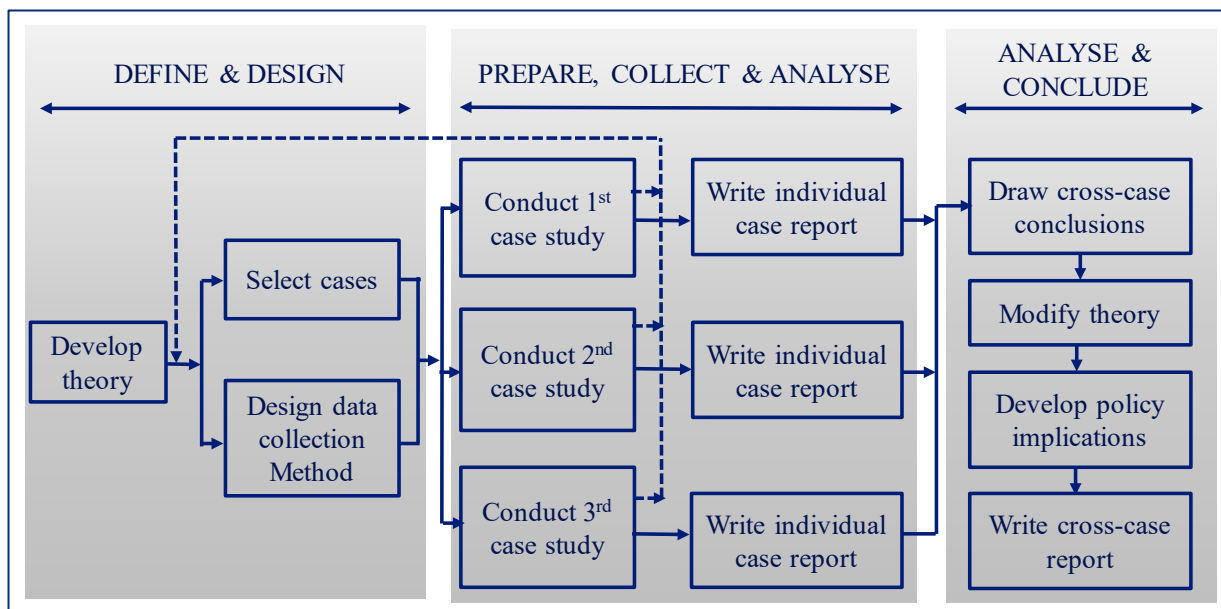


Figure 9: Multiple-Case Study Procedure (Yin, 2018, p. 58)

Regardless of whether only one case or multiple cases are selected, the selection process is a critical task because it predetermines possible outcomes. All techniques have a theoretical infiltration in common: The decision to assign the label "typical", "extreme", etc., or the categorization of a case as "relevant" requires a pre-understanding of the sample or the phenomenon under study (Wrona & Gunnesch, 2016).

To choose my cases, I considered especially the dimensions values/purpose, processes and structures. To get extreme cases for values/purpose, I compared non-profit

organizations with for-profit organizations. For the processes and structures, chose organizations that are big enough to have structures and processes in place.

5.1.5 Data Collection

Case study research can involve qualitative or quantitative data or a combination of both (Eisenhardt, 1989; Yin, 2018). Data sources for case study construction are extensive. They include observations, surveys, data analysis, interviews, experiments and archival data (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Flick, 2014). Out of these, the most commonly used methods are interviews, observations, and archival sources (Eisenhardt, 1989). For my case studies, I gathered most data through semi-structured interviews. In addition, I collected archival data relevant to the research topic. Using multiple data-collection methods and triangulating data provides stronger substantiation of constructs and hypotheses (Eisenhardt, 1989; Yin, 2018).

5.1.5.1 Multiple Investigators

To collect the data for the ICRC case study, I joined the working group on strategic decision-making and impact measurement of the NODE Transcultural Workspaces, a joint research project organized in different working groups, undertaken by the University of St. Gallen and the ICRC. The objective of our working group was to better understand strategic decision-making mechanisms in highly complex situations and under time pressure with regard to addressing the interests of multiple stakeholders.

Conducting research together with multiple investigators has two key advantages. First, it enhances the creative potential of the study. Team members often have complementary insights which add to the richness of the data, and their different perspectives increase the likelihood of capitalizing on any novel insights that may be in the data. Second, the convergence of observations from multiple investigators enhances confidence in the findings (Eisenhardt, 1989).

5.1.5.2 Semi-structured interviews

Integrating theory in the process of conducting semi-structured interviews, where researchers ask open-ended questions and use guidelines to structure the topic, can be helpful to ask the “right questions” (Wrona & Gunnesch, 2016). It helps to elude meaningful descriptions from informants, as not all facets of the issue at hand are always in the interviewee’s explicit awareness. This does not mean that the participant is forced

to agree, but it overcomes the threat of overlooking the unconscious (Wrona & Gunnesch, 2016).

“Asking the right questions basically means to craft an interview guideline on the basis of previous theoretical knowledge. This guideline has to guarantee flexibility and openness according to further problem areas or relevance settings by the participant, otherwise it would be a broad operationalization of the theoretical assumptions” (Wrona & Gunnesch, 2016, p. 735). Theory is thus utilized to define broad categories of the interview guideline. At the same time, it needs to leave enough space for the participant to introduce additional important and relevant aspects to the topic. The researcher asks open-ended questions, which animate the participant to share his knowledge and insights regarding the topic at hand. The questions are very helpful in situations where the interviewee gets stuck in his flow or where the conversation fizzles out. The prepared questions then help to bring in new stimuli or bring the conversation back to the relevant topics (Wrona & Gunnesch, 2016). Although highly formalized and standardized questionnaires used in quantitative surveys are constructed in a similar way, the openness of the semi-structured interview still leaves enough room for discovery of new facets of phenomena. The advantage of using theory as a basis for constructing the interview guideline is to be able to make the researcher’s knowledge and background implicit and to provide a certain structure in the conduct of expert interviews (Wrona & Gunnesch, 2016).

Based on the literature review, I was able to identify mainly three sources of information to construct the questionnaire, one related to organizational justice and the other two to value creation (Clarkson, 1995; Cropanzano et al., 2007; Harrison et al., 2013). In addition, it covers the broad dimensions “values”, “actors”, “process” and “interaction”.

To construct the questionnaire, I first defined the questions relevant to my research question. We then met in our research team and combined the questions of the three researchers into a single questionnaire for our interviews at the ICRC. To ensure comparability between the cases, I applied the same questionnaire for the other interviews but focused more on the questions relevant to research question.

5.1.5.3 Archival Data and Internal Documents

To construct the case studies and validate and enrich the insights gained from the interviews, I also analyzed archival data and internal documents.

I mostly analyzed publicly available information from company websites. To select “relevant” documents from the Internet and internal communications, I applied my theoretical knowledge for placing queries. In line with Wrona and Gunnesch’s (2016) findings, the theoretical background helped me to look for the relevant keywords and agreed terminologies (Wrona & Gunnesch, 2016).

5.1.6 Data Analysis

Analyzing data to create a case study is one of the least-developed aspects of doing case studies and therefore the most challenging step (Eisenhardt, 1989; Yin, 2018). Computer-Assisted Qualitative Data Analysis Software (CAQDAS) programs, such as Atlas.ti, HyperRESEARCH, NVivo and The Ethnograph are tools to facilitate data analysis. For my analysis, I used Atlas.ti. While software facilitates the process, the analysis still needs to be done by the researcher. She needs to have a strategy of how to analyze data (Yin, 2018). The most commonly applied technique to identify patterns and gain insights from qualitative data is to code and categorize data material. Initially, this means to play with the data in a more or less structured way. Possible strategies are juxtaposing the data from two different interviews, putting information into different arrays, making a matrix of contrasting categories, creating visual displays, tabulating the frequency of different events, and putting information in chronological order or some other sequence.

Coding of data takes place stepwise. For my case studies, I followed the coding procedures of Grounded Theory and integrated theoretical knowledge to overcome existing self-boundaries of interpretation (Wrona & Gunnesch, 2016). The following sections describe the process in more detail.

5.1.6.1 Coding of Data

The coding process consists of the three main steps of open coding, axial coding and selective coding as displayed in Figure 10.

It is an iterative process where codes are constantly contrasted and refined. I will give a short description of the general coding process in this section. A more detailed explanation of how I coded the case study data will follow in the case study section.

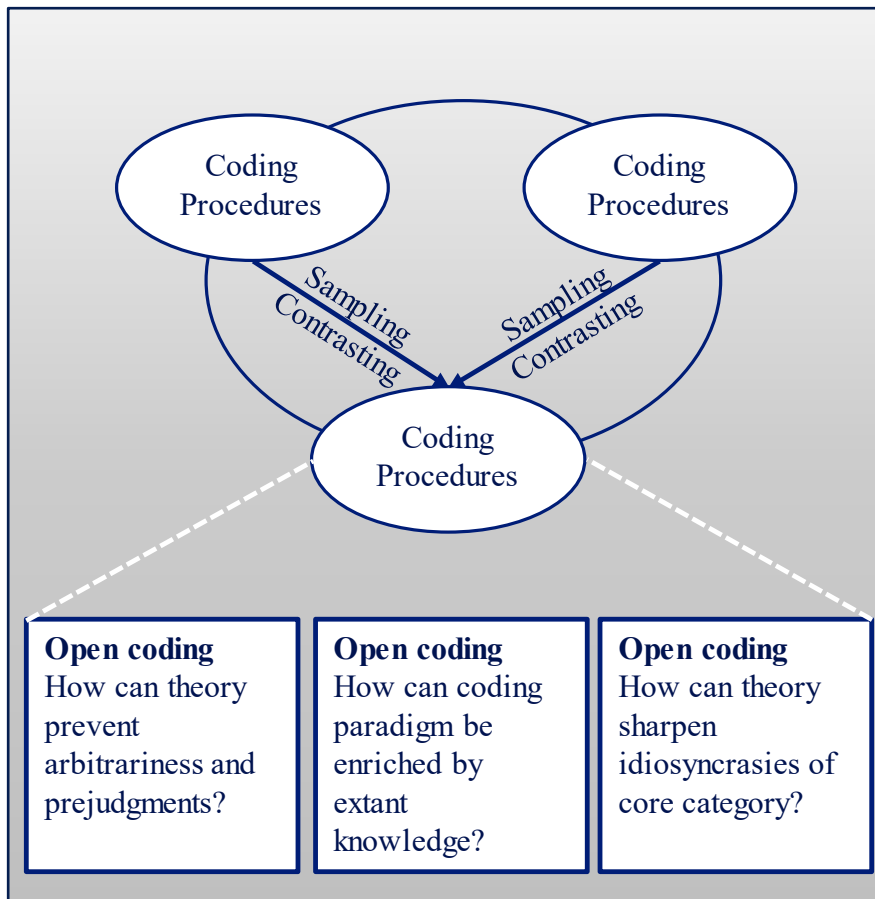


Figure 10: Coding Procedure (Wrona & Gunnesch, 2016, p. 731)

Open Coding

During the initial “open coding” process, unstructured data are analytically broken down and merged into concepts and aggregated categories (Strauss & Corbin, 1990). “Open” reflects the reconstruction of recipients’ views close to their wording. While researchers stay close to the empirical data, they don’t assign arbitrary concepts to interview passages that are unrelated to existing theory. Researchers confront their elicited surprising data with pre-existing knowledge so that those preconceptions may be revised and become consistent with the empirical data. Researchers comprehensively analyze each category by reflecting their meaning by comparing it with other existing codes and by comparing the emerging categories with their own theoretical assumptions (Strauss & Corbin, 1990; Wrona & Gunnesch, 2016).

Axial Coding

The second step of the coding procedure, axial coding, relates the fractured data back together in order to make connections between the developed categories (Strauss & Corbin, 1990). The axial category is developed in its relationships. The “coding paradigm” as defined by Corbin and Strauss (1990) relates the phenomenon to surrounding factors such as context, causal conditions and consequences. “This step is essentially linked to theory because it represents a theory of action that is rooted in pragmatist and interactionist social theory and relates the phenomenon to its surrounding dimensions” (Strauss & Corbin, 1990; Wrona & Gunnesch, 2016). Previous knowledge facilitates the assignment of relevant categories.

Selective Coding

Finally, selective coding refers to the identification of the most important and most surprising finding of the case analysis that is represented in a core category. This process continues the previous processes of relating categories at a higher level of abstraction. Here, the researcher may rely on existing knowledge to sharpen the idiosyncrasies of the analyzed case and distill its empirical essence (Wrona & Gunnesch, 2016).

5.1.6.2 Single Case Analysis

To reach my final conclusions, I followed a two-stage approach. First, I analyzed the two main cases to become intimately familiar with each case as a stand-alone entity. This process allowed the unique patterns of each case to emerge before generalizing across cases (Eisenhardt, 1989). It also allowed for distinguishing between for-profit organizations and non-profit organizations.

5.1.6.3 Cross Case Analysis

The subsequent cross-case analysis sheds further light on the differences and similarities between for-profit and non-profit organizations. It allows for going beyond initial impressions and improves the likelihood of accurate and reliable theory (Eisenhardt, 1989).

5.1.7 Outcome Presentation

Referring to theory when presenting the results of qualitative case study is certainly necessary and most undoubted. At this stage of research, theory is both outcome and input of research (Glaser & Strauss, 1999). It is outcome because the results of new categories, theoretical frameworks and typologies are a contribution to theory. Theory is also input for the dialogue between the case study findings and existing theory (Wrona & Gunnesch, 2016). As a contribution of this study, I will define new typologies of simple rules for making decisions regarding stakeholders both to stakeholder theory and to the discussion on simple rules.

5.1.8 Quality Criteria

Research needs to demonstrate certain indicators of quality and trustworthiness. This holds especially true for qualitative research. Four tests are commonly used to establish the quality of most empirical social research (Yin, 2018, p. 42). They are construct validity, internal validity, external validity and reliability. Yin (2018) gives a good overview of the tests and how to deal with them when doing research. Using theory further enhances the quality of research if integrated thoroughly (Wrona & Gunnesch, 2016). Table 8 provides a short overview of the tests, how to deal with them and how to integrate theory to enhance quality.

Tests	Case Study Tactic (Yin, 2018, p. 43)	How Theory Enhances Quality (Wrona & Gunnesch, 2016, p. 742)
Construct Validity	<ul style="list-style-type: none"> • Use multiple sources of evidence • Have key informants review draft case study report 	<ul style="list-style-type: none"> • Beside your own perception, use further sources of previous knowledge to enhance the repertoire to interpret and increase the “construct validity”.
Internal Validity	<ul style="list-style-type: none"> • Do pattern matching • Do explanation building • Address rival explanations 	<ul style="list-style-type: none"> • Use previous knowledge to discuss the “content validity” of new developed constructs — how exhaustive is the construct vis-à-vis previous constructs?

<p>External Validity</p>	<ul style="list-style-type: none"> • Use theory in single-case studies • Use replication logic in multiple-case studies 	<ul style="list-style-type: none"> • Use previous knowledge to overcome situatedness of results and to move beyond more conceptual finding — enhance the “external validity”.
<p>Reliability</p>	<ul style="list-style-type: none"> • Use case study protocol • Develop case study database • Maintain a chain of evidence 	<ul style="list-style-type: none"> • Disclose used previous knowledge and its influence on interpretations to strengthen the “procedural reliability” (transparency and replicability) of the study.

Table 8: Tests to Ensure Quality in Research

The following sections will describe how the above-mentioned quality criteria are ensured for this dissertation.

5.1.8.1 Construct Validity

This first test ensures that a sufficiently operational set of measures is developed and that “subjective” judgements — tending to confirm a researcher’s preconceived notions — are not used to collect the data (Yin, 2018). As recommended, I use different sources of evidence (triangulation) to collect the full picture and to avoid personal bias and subjective distortion. In addition, employees from both the ICRC and Schindler reviewed my findings, so subjective, preconceived judgments are avoided. The application of previous theoretical knowledge allowed for asking relevant questions, enhancing the repertoire to interpret and increasing the “construct validity”.

5.1.8.2 Internal Validity

This second test is mainly concerned with making inferences. A case study involves an inference every time an event cannot be directly observed. This raises the questions: Is the inference correct? Does it appear to be airtight?

In this study, previous knowledge is applied to discuss the “content validity”. In addition, the proposed analytic tactics “pattern matching”, explanation building, addressing rival explanations and using logic models are applied (Yin, 2018).

5.1.8.3 *External Validity*

The test to ensure external validity deals with the problem of knowing whether a study's findings are generalizable beyond the immediate study (Yin, 2018). By applying previous knowledge to overcome situatedness of results, I enhance the external validity.

Noteworthy is also the form of the original research question. Yin (2018) notes that case study research should deal with the why or how of a situation. The "how" research question of this dissertation is a good indicator for the external validity of the research study at hand.

5.1.8.4 *Reliability*

The general rule to ensure reliability is to document all the procedures and data in a study. Each step should be made explicit, so the reader can follow the line of action of the research. In my case, I created a case study database, where I saved all the documents. I transcribed all the interviews and mentioned all the sources that I knowingly used. I also always applied my previous knowledge to structure my research, which could lead to some bias. But I indicated the sources of information where possible. In doing so, I ensured transparency and replicability for readers.

5.2 **Inclusion of Theory in Inductive Research**

Up until recently, the inclusion of theory in inductive research was not well regarded and respected. The discussion about the topic dates back to 1967. Then, Glaser and Strauss in their formation of grounded theory defined that theory should only be included in inductive research at a very late stage (Glaser & Strauss, 1999). Twenty years later, Eisenhardt (1989) appreciated the usefulness of theory in shaping the initial stage in theory-building research: Using theory to define the constructs to be measured is not common in theory-building studies, but it is valuable because it permits researchers to measure constructs more accurately (Eisenhardt, 1989).

Grounded Theory has probably become the most widely applied methodology to build theory from case studies. Despite its prevalence and promotion of only including theory at a very late stage, the discussion on including theory in inductive research has prevailed (Charmaz, op. 2014; Eisenhardt, 1989; Wrona & Gunnesch, 2016). Obviously, the importance of openness and flexibility, which is pivotal in grounded theory, has not decreased over time.

Nevertheless, Wrona and Gunnesch (2016) only recently argued that theory may enhance the “repertoire to interpret” in qualitative case study research while not compromising openness and flexibility (Wrona & Gunnesch, 2016). The authors propose a framework as well as methodological rules on how theory can and should be included during the entire qualitative research process. Table 9 compares Wrona and Gunnesch’s approach with other qualitative research approaches.

I apply their framework and their methodological rules for the developing my case studies. I will give a more detailed description of the approach and how theory enhances the repertoire to interpret during the process of case study research in the next section.

Authors	Process step		Analysis	Outcome
	Preparation	Method		
Birkinshaw et al. (2011)	Topic choice	Inclusion of methodology	Transparent methodology theory	Inclusion of theory
Golden-Biddle and Locke (2007)	Articulate study significance	Situate study in literature		
Langley (1999)			Sense making strategies: Narrative, quantification, alternate templates, grounded theory, visual mapping, temporal bracketing, and synthetic	
Burgenmann (2011)			Formal grounded theorizing: Constant comparisons, joint coding and analysis, theoretical sampling	Particular generalization
Ridder et al. (2014)				General particularization
Eisenhardt (1989)	Getting started			Seeking complementary research findings versus dissimilarities
Eisenhardt and Graebner (2007)	Justifying theory building			Positioning research findings
Gioia et al. (2012)	Articulate research questions			Demonstrating a contribution
Pratt (2009)	Research motivation	Research goals		Reaching closure
Own approach	Research motivation	Method indication		
			Crafting instruments and protocols	Shaping hypothesis
			Entering the field	Enfolding literature
			Analyzing data	Reaching closure
			Writing the emergent theory	
			Dealing with interview data	
			Constantly adjust interview protocols	
			Coding of data	
			Coding procedures	
			Sampling procedures	
			Case selection	
			Theoretical assumptions	
			Data collection	
			Coding procedures	
			Transform data into grounded theory model	
			Refine model by consulting literature	
			Organizing figures	
			Outcome presentation	
			Quality criteria	

Table 9: Conducting Qualitative Research (Wrona & Gunnesch, 2016, p. 728)

5.3 Conclusion

Figure 11 shows the research process of the dissertation. To collect data, the first step of the process, I conducted semi-structured interviews. In a second step, I constructed the cases, following the case study approach (Eisenhardt, 1989; Yin, 2018). In a third step, I conducted a cross case analysis to identify patterns and differences between for-profit organizations and humanitarian organizations. As a last step, I identified simple rules for prioritizing stakeholder interests.

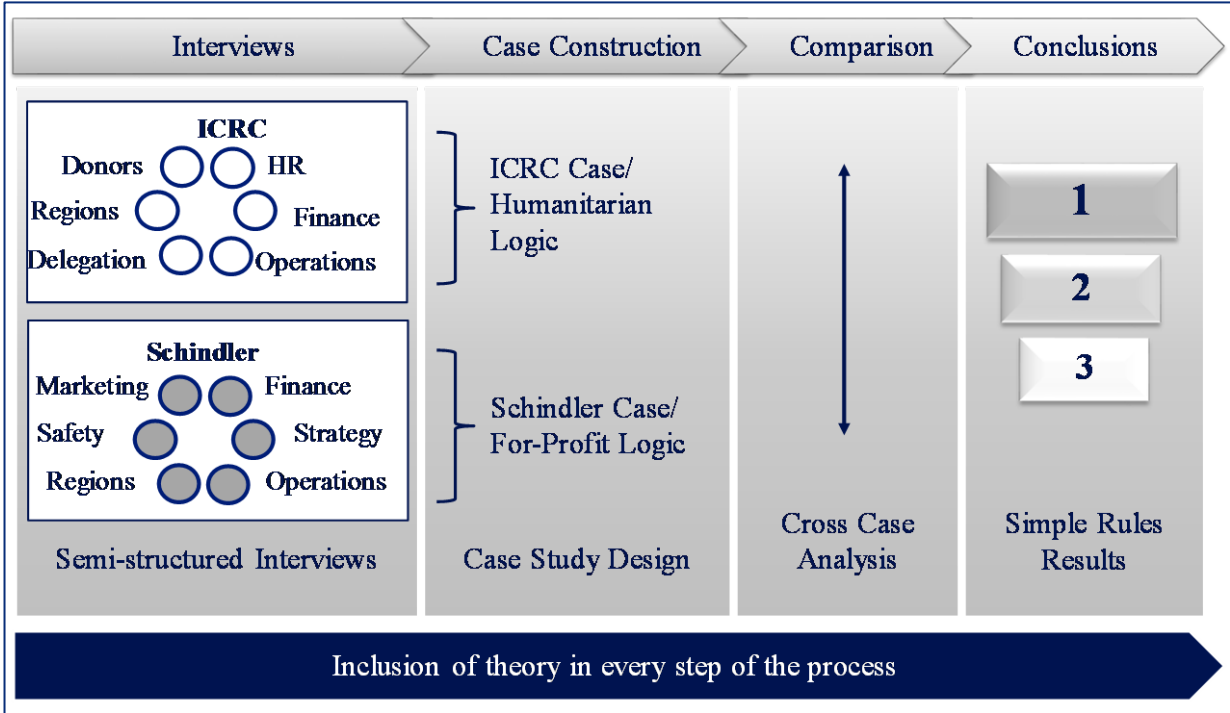


Figure 11: Research Method and Design

6 Single Case Study ICRC

6.1 Introduction

This ICRC case study is the result of my participation in the working group on strategic decision-making and impact measurement of the NODE Transcultural Workspaces, a joint research project organized in different working groups, undertaken by the University of St.Gallen and the ICRC. The objective of our working group was to better understand strategic decision-making mechanisms in highly complex situations and under time pressure with regard to addressing the interests of multiple stakeholders.

The section on the specificities of humanitarian organizations, the paragraphs on the ICRC as a research site, the first part on the stakeholder context as well as the majority of the simple rule section are a result of our working group — the brochure “*The professionalization of humanitarian organizations: The art of balancing multiple stakeholder interests at the ICRC*”. The other sections are my extension of our work and focus on the three aspects *decision*, *processes* and *interaction* regarding stakeholders.

6.1.1 Research Interest and Theoretical Perspective

There are several reasons why it is interesting to investigate humanitarian organizations. They can help us gain a better understanding of *how to decide and act in a very complex stakeholder environment and under strong pressure*: How do they interact with their stakeholders to make with decisions? How do they cope with competing and conflicting stakeholder interests? Are there specific rules that are applied to support and facilitate decision-making? How do they adapt their stakeholder management approach to the dynamic environment? What is the role of the key humanitarian principles in their decision-making? Humanitarian organizations also provide insights into the moral or socializing side of management and leadership as well as institutional responsibility (Everett & Friesen, 2010). In addition, if we look at the activities of humanitarian organizations from a performance perspective, how do they measure and report their performance and to whom are they accountable in view of the different stakeholders? Finally, humanitarian organizations are also *places of social innovation*, which are innovations with a direct link to societal problems and challenges. Do they have innovative ways to run their organizations that we can learn from for other types of organizations?

As a theoretical perspective, I use the *stakeholder theory*. Stakeholder theory was first synthesized and introduced in 1984 by R. Edward Freeman in his book “Strategic

Management: A Stakeholder Approach”. Freeman observed a shift of the firm from the classical production firm as an input-output entity to the managerial view of the firm as a firm that is embedded in society and exposed to changes coming from internal and external stakeholders. Stakeholder theorists further describe the nature of relationships of the firm and its stakeholders as a network: “We understand value creation between firm and stakeholders in the context of relational embeddedness based on mutual and multilateral processes. ... We assume that if corporations want to tap their stakeholder potentials as a source of continuous value creation, they need more than bilateral dialogues. Rather they need collaborative procedures to build common ground with their multiple stakeholders in a network view” (Sachs & Rühli, 2013). In this network view, firms move beyond dyadic ties and are able to create and obtain value from their relationships with their stakeholders (Burt, 1992).

This definition of a corporation as a nucleus of many different relationships with stakeholders is not only useful for describing and analyzing mechanisms within and around corporations, it is also very suitable to analyze humanitarian organizations. As they are increasingly under pressure to report and demonstrate their value added to their various interest groups, stakeholder theory provides a fitting framework to locate stakeholder interests and demonstrate interdependencies. Especially as we see significant change in the demands coming from internal and external stakeholders of humanitarian organizations. In this context, collaborative procedures to build common ground with their numerous stakeholders become even more important.

Stakeholders in this context are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity (Donaldson & Preston, 1995). Stakeholders are identified by their interests in the organization, whether or not the organization has any corresponding functional interest in them. This normative definition of stakeholders entails that “*the interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group such as shareholders*” (Donaldson & Preston, 1995, p. 87).

The most important stakeholders of humanitarian organizations in this case are the beneficiaries, the donors, governments, other NGOs, political parties and of course employees. Their interests vary greatly. Donors for example are interested in doing good and in showing to their respective stakeholders how much and what good they are doing. The beneficiaries on the other hand are interested in receiving the highest quality support possible in their miserable situations. From what we learned in the interviews, employees

have a high interest in providing services to the beneficiaries, as they feel accountable to do so (ICRCi6, 578-579). The above-described interests are only examples of stakeholder interests that humanitarian organizations are facing. Obviously, this list is much longer and it is very likely to change over time.

Managers in humanitarian organizations address these various interests, which often change from one situation to another. They need to make decisions that consider and respond to the needs of different stakeholders.

6.1.2 Structure of the Case Study

The structure of this case study follows the logic of achieving organizational justice for employees. The first section gives a short introduction to the data collection and data analysis as well as to the ICRC as a research site. In a second section, the normative aspects of making decisions regarding stakeholders are presented. The third section describes the stakeholder processes of the ICRC. In the fourth section, the interaction between the ICRC and its stakeholders is described. The final section presents the simple rules that I have identified for making decisions regarding stakeholders at the ICRC.

6.1.3 Data Collection

We conducted 12 semi-structured expert interviews ourselves and were granted access to two additional expert interviews, which were conducted by another team of the NODE Transcultural Workspaces. The wide range of functions in terms of hierarchy, functions and responsibilities allowed us to collect input from people with different experiences and expertise at ICRC. The different perspectives allow for data triangulation and lead to a fuller picture of the investigated issues.

In our interviews, we asked interviewees to select 1-2 very concrete strategic decisions ICRC had made at the corporate/regional unit level (emergency response situations vs. complex situations) in respective region(s). The selection criteria were (1) quite typical for ICRC, (2) highly complex decision, (3) multiple stakeholders with competing interests involved, (4) you have been involved, (5) not that long ago. We then asked them about the decision itself, the processes that led to the decision, the interaction with the stakeholders and about the accountability to stakeholders. The full interview questionnaire is attached in the appendix of this dissertation.

6.1.4 Data Analysis

Data collection and data analysis for our ICRC brochure was an iterative process. We successively analyzed the already gathered data to identify the information we still needed to obtain from additional interviews. For our brochure, we considered all the interview outcomes, identified broad topic clusters and defined a rough structure for our document. This step is comparable to the “selective coding” step described in section 7.4.6.1.

We then searched for quotes in the interview transcripts that fit the identified core categories. As a last step, we consolidated the information in the core categories and finalized the brochure.

For this case study, I have followed a more inductive process. Always considering the concepts presented in the theory section of this dissertation, I followed the coding procedure as described in section 7.4.6.1 of this dissertation. I first assigned individual codes to interview passages and then aggregated them to broader categories (code groups) and eventually to super code groups as displayed in the Appendix.

Since the interview questionnaires were already constructed in a way to consider the categories “decision”, “processes” and “interaction”, the selective coding step was quite straightforward. Although I eventually exchanged “decision” with “normative frame”, the result of this process is the structure of this case study.

As there was significant overlap in the concepts for the introduction, the stakeholder interaction, and the simple rules, I integrated the brochure content in this case study.

6.1.5 Specificities of Humanitarian Organizations

Around the globe, thousands of humanitarian organizations help during and after manmade crises and during natural disasters caused by war, drought, famine, etc. They do mainly emergency-response and relief work. Their intention is to save lives, alleviate suffering and protect human dignity. Humanitarian organizations also want to strengthen the preparedness for such situations.

Humanitarian organizations are a specific form of a NGO (Non-Governmental Organization), and an NGO is a specific type of NPO (Non-Profit Organization). Humanitarian organizations are different from development organizations. Some characteristics make humanitarian organizations unique: (1) They act under tremendous

time pressure in an increasingly complex stakeholder environment; (2) their funding relies heavily on “media attention, political self-interest, the goodwill of (wealthy) world citizens, and the sacrifices of dedicated humanitarian workers” (Kapila, 2006, p. 13); (3) most humanitarian organizations are governed by the key humanitarian principles of: humanity, impartiality, neutrality and independence. People working for humanitarian organizations often acknowledge the importance of ethical and other abstract ideals (Everett & Friesen, 2010).

There is an increasing global presence of humanitarian organizations. More than 5,000 organizations are active in this sector. Very large ones are the World Food Programme (WFP), Cooperative for Assistance and Relief Everywhere (CARE), Médecins Sans Frontières (MSF), Oxfam International, International Federation of Red Cross and Red Crescent Societies (IFRC) and Action Against Hunger (AAH), each with a budget of more than a half a billion US dollars. Their collective budgets total about \$21 billion per year. Some of the larger humanitarian organizations outsource certain aspects of their work to smaller NGOs or private companies.

6.1.6 The ICRC as a Research Site: An Organization on the Move

The International Committee of the Red Cross (ICRC) is the founding organization of the Red Cross based on the Geneva Conventions. It is the oldest humanitarian organization in the world, founded in 1863. As a humanitarian non-profit organization headquartered in Switzerland, it has the legal form of an association. The headquarters is located in Geneva. It “is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance. It directs and coordinates the international relief activities conducted by the International Red Cross and Red Crescent Movement ... in situations of conflict. It also endeavors to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles. ... The Movement is made up of the following components: the International Committee of the Red Cross, the National Red Cross and Red Crescent Societies and the International Federation of Red Cross and Red Crescent Societies (IFRC)”. The IFRC is the coordinating institution of some 190 national societies (International Committee of the Red Cross, 2016).

Until the end of the 1970s, the ICRC was an organization mainly driven by projects that were responses to major disasters. The nature of humanitarian action was more sporadic at the time. And if there was a disaster, the ICRC sent “delegates” to the disaster

site for a limited amount of time for providing humanitarian assistance. At the beginning of the 1980s, *“the ICRC really becomes, let's say, a professional permanent organization in the field of humanitarian action. Now it has as well the financial support necessary to carry that out. That's the paradigmatic change and then onwards, obviously, it has developed and increased thanks to the resources available”* (ICRCi7, 188-193).

This first wave of professionalization also brought about the emergence and development of expert knowledge relevant in major humanitarian disasters. *“If we take mental health for instance. At that time, we are unable to really solve this problem. Which is a big one, if we think about the traumas that victims often have. The problem we identified early, but the response was not there at this time for many reasons. It took quite a number of years to do that. But now we do it”* (ICRCi7, 181-186).

At this time, a first generation of career humanitarian delegates came up in the organization. *“Before you would not spend all your life in this job. You would spend there maybe a few months or a few years, but not more”*. But now they had permanent structures. *“And these permanent structures ... deserved different kind of management procedures. What was requested was a strengthening of the management structure to be able to ensure the different functions that are related to the management issues. Now the conflicts are lasting for years and decades, what adds to the notion of permanence of certain delegation operations”* (ICRCi7, 360-373).

Today, the ICRC is in a second wave of professionalization. *“Things are emerging, we are building a corporate structure, we are becoming a much more global organization”* (ICRCi12, 628-630). They now face many of the same organizational challenges of any other international corporation: How to manage the interfaces between the corporate functions (departments) and the regions/countries? How to shape the interaction between the headquarters and the operations? How to build up a global workforce? How to exploit more synergies between the operating units? Etc.

There are also a number of very specific challenges. Because of the external trends influencing humanitarian organizations mentioned above, which are also relevant for the ICRC, the ICRC by itself is challenged in its role and legitimization. Some of these challenges even refer to the host country, to Switzerland. Humanitarian organizations like the ICRC are an important lever for a small actor like Switzerland on the international stage. But the recent refocusing of several important states on their national self-interests and their withdrawal from an international solidarity puts this and the fundamentals of the ICRC in danger. In the same way, the neutrality of Switzerland has come into question more often in the last few years. However, this neutrality was always one of the major

reasons why Switzerland is a preferred location for humanitarian organizations. Neutrality, impartiality and independence are also the core principles of ICRC's decision-making. To sum up, for the ICRC, it is becoming increasingly difficult to demonstrate its distinctly independent character.

In 2015, contributions to the ICRC totaled CHF 1.502b. The operating expenditures amounted to CHF 1.489b, including 9.1% administrative costs (headquarters). Compared to 2005, this represents an increase of 55% (CHF 971.8m), and an increase of 108% (CHF 723.5m) compared to 1995, which shows the strong growth of the organization. In 2015, an average of 11,430 resident employees and 2,107 mobile employees worked in the field and 969 (6.7%) staff members worked at headquarters. In 2016, there was another budget increase up to about CHF 1.7b. Some 90% of this came from government donors, and 10% came from the private sector, corporations, individuals, and high-net-worth individuals. The annual budgets are not guaranteed. Of course, nations that signed the Geneva Conventions should support the ICRC, but there are no pre-defined contributions or fixed contributions. Every year, the ICRC has to renegotiate everything. The aim of the ICRC is that 40% of the funding is un-earmarked, which allows for the coverage of all of ICRC's operations. Budgeting at the ICRC is a kind of "... *triangulation of access, capacity to deliver, security and humanitarian needs*" (ICRCi5, 253-254).

In the following, I describe how the ICRC manages its relationships with its stakeholders. The idea is not to provide a complete description. I want to focus on the aspects that are changing, that are having a major impact on the organization and that are important, at least from my research perspective.

6.1.7 Stakeholder Context

The ICRC operates in a very dynamic stakeholder context. The expectations and interests of many stakeholders are changing significantly. The two most salient stakeholders are the best examples. Certainly, the needs of the beneficiaries should always be above all. "*I think, the most important accountability is the one that we have vis à vis our beneficiaries — the people we serve. This is for me what is central. And then you have our internal system and audit and internal controls. And you also have the requirement of the donors. You have to accommodate all this. But the first and the most central one is to be sure at all time*" (ICRCi6, 578-583). But is this easy to realize in our times?

In addition to the beneficiaries, the donors and the employees/delegates of the ICRC, “you have other stakeholders: the wider public, the humanitarian community, some kind of competitors with us and you have also in the field states and duty bearers or any actors in the field that play a role. So, whenever we take the decision, it's never sort of a single road decision” (ICRCi3a, 73-90).

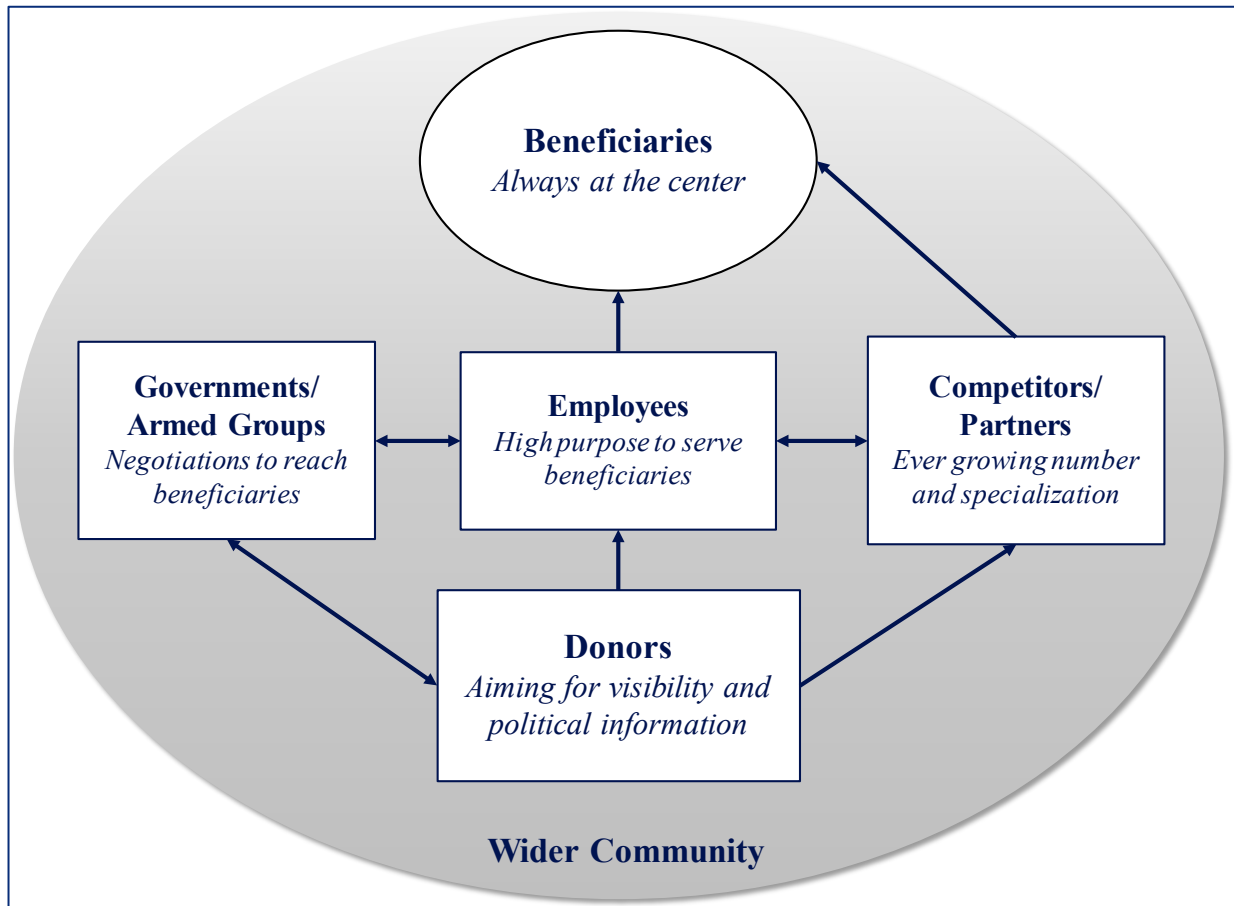


Figure 12: Stakeholder Context at the ICRC

Figure 12 illustrates the stakeholder context at the ICRC. The following sections describe the context in more detail.

6.1.7.1 *Beneficiaries: Always connected*

In the past, victims were the most important stakeholder for the ICRC, but a very passive one. Today, they are still a very important stakeholder, but now they are equipped with modern telecommunication technology, and they are very active in social media channels, which creates new communication necessities for the ICRC. Victims of today first want to have direct access to the Internet. “*Beneficiaries today have access to mobile phones, and not just mobile phones but smartphones. So they can take pictures, they can*

interact on social media, they can tell the story themselves. If you continue in the traditional way of taking a lot of time to process a certain decision, by that time, you will be already out of time, because the beneficiaries express their need differently. ... That's why I think today with social media, you must be, because everything is now reduced to at around 140 characters or less” (ICRCi8, 890-895).

In general, stakeholders have more influence on the ICRC and take more control over the services the ICRC delivers. This changes their role into a more egoistic one. A side effect of this is the change in the power relationships with and between stakeholders. *“There is clearly a power shift. The same power shift that we see in the private sector, where clients have increasingly the capacity to compare prices via the Internet. Our beneficiaries are also increasingly connected. So they will compare, they will have increasingly the capacity to compare services they can receive from one organization compared to another. And they will increasingly request these humanitarian services on digital platforms. For example, if they are looking for an uncle or for a father that has gone missing. In the past they had to fill in what is called a missing form. Then we were going to look for. Increasingly these things are done on digital platforms. So there is a shift toward empowering our beneficiaries. ... People are connected. People can compare. People know, they get information. This is for us a different situation compared to the one 20 years ago ..., where we were almost the only organization. And there was no information available except what we provided” (ICRCi12, 392-407). “You can be challenged by the beneficiaries you want to serve. They will rate what you do for them and say if it's good or not good” (ICRCi5, 88-89).*

Taking this one step further, beneficiaries even pressure the ICRC to deliver certain services and make the organization accountable for how it handles humanitarian relief: *“So, they start to be a kind of accountability mechanism, where I'm an affected population, so in the Western logic we deliver you goods and you should be happy. No — me as affected population, I start questioning you, I start basically making you almost accountable. Why do you do this in this matter? And if they don't get the answer, then it goes into the public sphere, so media, and then it becomes almost unmanageable for the organization. So you certainly have a kind of pressure mechanism that absolutely did not exist previously. And that's why they are becoming basically becoming a stakeholder” (ICRCi3a, 189-196).*

Reading the new data in the right way can help the ICRC to learn more about the identities of the people they interact with: *“We all have more and more people that are online. So, the virtual and the physical reading of the environment will become*

indissociable. I'm of a generation that certainly had my offline presence determining what my online presence would be. But generations now, their offline presence is more and more shaped by their online presence. And so I think that it would become more and more important, because it tells us so much more about people's identities" (ICRCi15, 393-400).

6.1.7.2 Donors: Global diversification and political agendas

When talking about donors of the ICRC, it is important to note that 95% of donations come from governments. "And within the international organization, probably ICRC has also benefitted from sort of a gentle or lenient or positive affective from some of the biggest donors, which are at 95% governments. And mainly Anglo-Saxon and Nordic" (BNb, 22-25). But the ICRC is undertaking strong endeavors to diversify their donor base so as not to be too dependent on the big donors like the United States, Switzerland or Germany, and to follow the globalization of the ICRC's operations. "We are trying to diversify the donor base and get countries like China and Russia to join. They haven't joined yet. Diversification is critical, because we are a global organization. We're no longer a Swiss organization. We're Swiss-based and based on Swiss law but we're a global or international organization and we need our support base to be international and it's not. It's still very European and Western. This year, the United Arab Emirates. They support us for the first time" (ICRCi5, 135-149). This diversification is also important because of the fact that governments become more and more unpredictable. "And we have to be everywhere ... on Twitter and everything to understand in which direction. And also within the U.S. administration. Because, you say: the U.S. administration. But this doesn't mean anything. When you look a bit more behind the windows, there is no coherence anymore. I mean, he says something and then the people you are talking with are telling you something completely different. And the third are telling you: we don't know. And I mean, it's the biggest donor. It's one-third of our funding" (ICRCi3b, 88-98).

The diversification is also a reaction to the trend of donors who start behaving more like an investor instead of like philanthropists, as was mostly the case in the past. They want to have detailed reports on the social returns for their investments. Or they want to earmark more of their donations based on political reasons. "*Where there are tensions is regarding government donors. They are not on our board, which guarantees our independence, but they have political agendas and politically they want to have visibility for what they give to ICRC. And sometimes we have to negotiate that they don't get the visibility they want. The tension is to tell them to support an entire operation and*

we decide where we put the money based on needs — not on their political agenda” (ICRCi5, 135-149; 159-163).

For the ICRC, it also becomes a question of “how to educate their stakeholder”. The problem for the ICRC is finding solutions that do not completely ignore the new expectations of donors but without corrupting its own principles. For example, “... *our challenge now is to give some visibility to donors on the un-earmarked and to tell them: You can explain to your parliament where the un-earmarked funding goes. Because the tension now is that donors are under huge pressure from their taxpayers and their parliaments, who want to make sure that the money is not going into the wrong hands” (ICRCi5, 188-192).* This means the ICRC cannot completely avoid playing the political game — at least for a few weeks. For example, some politicians want to make announcements very quickly. Why not deliver them some figures on “early wins” from their investments? But, of course, this is always a complicated balancing act, and it also involves looking inwards to the ICRC’s own people. Once, the ICRC “... *connected the narrative with the political interest of governments in Europe. And that was seen as prostituting ourselves by some people internally” (ICRCi5, 338-340).*

Despite all these challenges, the ICRC still has an “incredible credibility with its donors. And they do really value the fact that the ICRC is a bottom-up, needs-based organization” (ICRCi12, 262-263).

Surprisingly, donors are not only interested in supporting the ICRC to bring relief to the beneficiaries, they are also interested in the ICRC’s expertise in the field. “*In general, if there is a, let's say an operational situation of crisis taking place, donors will be very much interested to see what the ICRC is thinking of the situation, able to do and there is obviously an interest potentially to support” (ICRCi7, 250-256).* “*So, here, I see plenty of people but the so-called donors. ... Most of the time, it's not me calling after them. It's them going after me. And they don't come to me in the embassies for the money/to give me money. They come to me because they cannot go to somebody there. They have no clue what's going on in Somalia. They need to write a report to Rome, Paris, London, and they need information. So, they all come to me with the same words: We want to know the reality of country X ... They are more interested in our analysis of the context, war parties, the war and the government, than in our humanitarian work” (ICRCi9, 437-444).*

6.1.7.3 *Employees: High Degree of Purpose and Organizational Identity*

Historically, the majority of employees of the ICRC were the “délégués du comité”. “So there [was] a small committee of 15-25 Swiss individuals, right? Comité, that's the committee, that delegate you to go and do a mission and to come back. You go, and you come back. That is not the organization of today. Yet, the notion of delegate, which is one that is rich, is powerful and it is one that I believe can evolve to mean something else. To mean what we are today. The delegate can be somebody who has never left their country but always served the ICRC in their country” (ICRCi2, 74-88). The role of the delegate today is still to be the representative of the ICRC in the field but, with increasingly complex systems and growing operations, the tasks become ever more challenging. Today, they need “... more leadership skills. So one of the projects we do is a humanitarian leadership management school. Where it's a specific training aimed at sort of senior leaders or leaders that manage a team to build their capacity as leaders and managers in humanitarian work. And that's one of the areas where we're trying to build the capacity and strengthen some of the behaviors and bring people together” (ICRCi10, 228-239).

In addition to the delegates in the field, “you have this whole other species that emerged, which are the professionals that came as the organization professionalizes, you suddenly need to have a host of new people coming in, for whom field experience is really not necessary. So, be they change managers, be they IT specialists, be they procurement specialists ... these people, in order to do a good job within this organization, do not have to have been exposed to the front line. They don't have to been exposed to the diversity. And so you can really justify their presence and you need to value that. But it's a whole new species of people. And so when you bring them — and of course there is probably 10 or 20 categories of people within the organization. But if you are just looking at these big chunks, you see that, yes, that it shakes the foundations” (ICRCi10, 126-136).

This change especially shakes the foundations because of the intense sense of purpose and organizational identity prevalent at the ICRC. In the staff engagement survey, “*there is always incredibly high scores on ‘I am dedicated and believe in the place that I work in’.* Like, the dedication to the work is always like top, top marks. And I think, that that then impacts if we want to change or make decisions, because people actually see themselves, like: *I am part of ICRC.* ... So, people will really be passionate about wanting to contribute [to making a decision]. But once the decision is made, it's like: *OK! Move on!*” (ICRCi10, 89-109)!

This high degree of intrinsic motivation and the gratitude they receive from beneficiaries helps the employees to overcome difficult situations and to deal with high levels of stress. *“The indicators for feeling overwhelmed or stressed is significantly higher at the headquarter than in the field. ... The advantage you have in the field, you see the results of what you are doing. Here [at headquarters], you are kind of turning in a wheel, there is more and more pressure. [...] I mean if you are in the field and you can re-unite a family that has been separated, children with their mother, for a few years, this just helps you for a whole year. It's just the emotions and it's just unbelievable. You just don't have this here at the headquarters. Every day somebody is asking you for another briefing paper or something like this, so people are a bit frustrated”* (SD, 628-660).

6.1.7.4 Wider Public: Exposure through Social Media

One stakeholder that is relatively new to the stakeholder context of the ICRC is the wider public. “And what is new for the humanitarian world — what I have seen in the last 20 years — is that the capacity to influence from something that we don't really manage, which is the wider public, especially with social medias and the role, let's say to put it simply: communication. You go in places today. You go in most remote places. Everything is destroyed but people have smartphones” (ICRCi3a, 316-334). Social media has become a means to integrate the wider community into the stakeholder context of humanitarian organizations. On the one hand, beneficiaries use social media to put pressure on the ICRC to deliver certain services to them. On the other hand, the ICRC has started to make use of social media to put pressure on governments involved in conflicts. “I mean, going public, you know, there are many things that are confidential at ICRC. You know, what we see in prisons is part and parcel of our confidential dialogue. When our bilateral dialogue fails to see a positive change in behavior, we cannot just condone it continue to have a bilateral dialogue that will have zero impact — zero humanitarian impact. So we also owe it to the people to escalate this. First, multi-laterally. We try to influence states who might put pressure on certain state. And even if this doesn't work, we can decide to go public. So, this is not new. [...] 85-90% of our business is not confidential. Everything we do, the humanitarian situation we see, the hardship of civilian population, the stories we hear from civilians about the difficulty, the direct and indirect impact. All this is not confidential. And this is maybe what changed. Because, before, the ICRC was not savvy to communicate. And at the end of the day, communication is also aid, shedding light on a humanitarian situation in the public domain, also helps the civilian population. So, you cannot just refrain from doing so” (ICRCi6, 431-446).

6.1.7.5 Governments/Armed Groups: Limiting Factors and Gate Openers

In the stakeholder context of the ICRC, governments have two roles. The first role is their role as donors. The second role is their role as authorities and parties in conflicts, which they share with armed groups. *“The main problem is, well the authorities. Because obviously we are in a state that has problems. And in view of the situation, well, where we work in terms of conflict, we may have different parties. ... It is easier to decide over projects in favor of people affected by the tsunami than to decide of an operation in an area controlled by guerilla (forces). This is something very usual in the ICRC”* (ICRCi7, 134-145).

Governments and armed groups are limiting factors and gate openers for ICRC operations in any given context. The biggest challenge for the ICRC in dealing with authorities and parties is the large number of parties involved in conflicts. In the West, we are used to government authority over country territories. In some other war contexts, *“you have multiplicity of actors, you have fragmentation, you have conflicts that are more regionalized, where regional powers have stakes. ... So you have multiple agendas”* (ICRCi6, 194-204).

ICRC representatives at all levels (from the delegate on the ground to the president) need to constantly be in contact with all parties involved to ensure safe operations. *“Bearing in mind that a limiting factor to our operation is always the realities on the ground and it is about access, security, and acceptance by a vast array of armed groups. ... You have many groups, many tribes, lots of weapons and whatever you do — you need to make sure that everybody is in agreement. Otherwise you might run the risk of a security incident”* (ICRCi6, 126-131).

6.1.7.6 Selected Partners in a growing Competition

In contrast to the UN and other big humanitarian organizations, the ICRC primarily collaborates with the *“partners of the Red Cross/Red Crescent movement”* for two reasons (ICRCi12). First, the ICRC wants to remain an independent actor in the field. And second, it wants to keep its credibility to implement what it promise. *“Because we will not just pay money to contractors and hope that things are going well”* (ICRCi6, 558-559).

Competition in the humanitarian sector means competition for funding. And this competition is increasing because *“there is more information that is available, that is readily available. So, yes, there is definitely competition for funding”* (ICRCi12, 409-

429). What this means for the organization is that it has become harder for the ICRC to receive funding. It means more efforts and communication need to happen to receive the same amount of money.

“Historically, it used to be this way: You had a unit, which used to be called REX but now it's resource mobilization, which would be the front desk with the donors. And then, they would bring the money, and operation would spend it. How on Earth money came was never, [...] money is not a parameter. It's a given. So now, [what the delegates are told is]: No, it doesn't work like that. You need to go and talk to the donors. You need to go and see the Americans, you need to go and see the U.S. congressman. ... Some of them are good. But they are not trained” (BNb, 524-573).

6.1.7.7 *The growing salience of stakeholders*

Although the beneficiaries are always mentioned to be the most central stakeholder, the word count for each stakeholder tells us another story. When asked about making decisions regarding stakeholders, donors were mentioned by far most often (196 times compared to 83 for beneficiaries and victims).

STAKEHOLDER	WORD COUNT
Donors	196
Beneficiaries (60) / Victims (23)	83
Employees (3) / Delegate (36)	39
Governments	33
Community	23
Partners (16) / Competitors (3)	19

Table 10: Word Count for Stakeholders

To summarize and conclude this section about the stakeholders of the ICRC, it is clear that there is growing pressure and demands from all stakeholders. Donors want more visibility, information and impact measurement. Beneficiaries communicate their needs and rate the relief/services provided through social media. The wider public reacts to activities of the ICRC and to reactions from beneficiaries through social media and their governments. Competition for donations is growing because donors can easily

compare. This all puts tremendous pressure on the ICRC and especially on its employees. This is why the ICRC needs to adapt its way of working and, in some cases, needs to train its employees to better cope with these new demands.

6.2 Normative Frame

6.2.1 The 7 Principles: Blessing or Obstacle?

In the challenging environments in which humanitarian organizations operate, it can be helpful to have guiding principles. Humanity, impartiality, neutrality, independence, voluntary service, unity and universality are the seven Fundamental Principles that provide an ethical, operational and institutional framework to the work of the Red Cross and Red Crescent Movement. (International Committee of the Red Cross, 2018a). Out of these, the “untouchables” of impartiality, neutrality and independence are very central to operations of the ICRC.

The principles are a blessing in many ways. First, donors invest in the ICRC because of them. “[Donors] invest in us, because they invest in our independence. Because there are moments where everyone in the battlefield. They will need ICRC one way or another. Whatever side they are on. And ICRC is in contact with all parties of the conflict. So, donors’ interest in investing in the ICRC is multiple interest. Because it has a track record of being in close proximity to people in war zones. We do the operations ourselves with the national societies: the red crosses and the red crescents” (ICRCi5, 107-114). Second, the “untouchables” enable the ICRC to act on all sides of a conflict. The following example shows why: “So, basically, in country Y it is so critical for the principle of impartiality and neutrality to be well understood and perceived. Because, for us, not only us, but also, I think the one thing that we try to emphasize in the context of country X operation is that we must be able to act on both sides of the front lines. Which means that we must be able to act in the side of armed groups and we must be able to act on the side of the government. And that is the one defining feature of the ICRC that enables us to operate on both sides. And that is important” (ICRCi8, 266-273). And third, the untouchables in combination with the fourth very central principle “humanity” help as a compass when employees need to make complex decisions. When in doubt, they can rely on the principles to decide whether to get involved in a matter or not (ICRCi11).

But having principles also means saying no! It means leaving a context when humanitarian aid is no longer needed. It also means not communicating in favor of one side of the conflict or another. *“And here I come back to your point about neutrality.*

Because, of course the government of country X was not happy that we would communicate. But they understood it. They accepted it. But at the same time we did not go very strong on this. I mean, we had a very balanced statement, putting civilians at the center of our communication” (ICRCi6, 455-457). And it also means carrying out operations only with trusted, independent partners.

All of these are somehow limiting factors that in the end provide the ICRC with the license to operate in all contexts.

6.2.2 Accountability in the Humanitarian Context

Employees at the ICRC feel internal and external accountability. Internal accountability is mirrored in the structures of the ICRC, the lines of reporting and the annual planning system. This is the system that *“defines objectives that are indorsed by the highest body of the ICRC, the board. So, in this sense, I would say the accountability process is at all levels. Every level is accountable for what is going to be done. ... So, here I would say the accountability is institutional with a number of processes that are in place” (ICRCi7, 318-337).*

Theoretically and historically, external accountability in theory should only be “... toward the victims which is something obviously the *raison d'etre* of the ICRC or other organizations that work in the humanitarian context" (ICRCi7, 318-337). But with increasing competition and as a result of the social entrepreneurship movement, donors increasingly make the ICRC accountable for how they spend the donated money. “Now they are asking: Can you do an impact study? Can you measure the impact? How can you measure your value for money? How do you — value for money, impact study — how do you do your risk analysis? How do you integrate feedback from your beneficiaries? ... And also they basically are asking: Can you trace the entire path from the moment you receive the money to the point where you hand over what we've given to you and you've transformed either into a service — medical service or into a good, I don't know, parcel of wheat or corn. Or to cash. Because we also hand over cash to beneficiaries. Can you trace the whole, can you have a whole visibility on the entire process” (ICRCi3b, 35-81)?

The increasing pressure from donors, who hold the ICRC accountable for the impact they create has two sources. First, donors want to be able to know how the money that they provide to humanitarian organizations is spent. Second, they themselves are

accountable for how they invest taxpayer's money. *"There is a wider public that push them..."* (ICRCi3a, 316-334).

6.3 Stakeholder Processes

6.3.1 ICRC Structures: Stretching Between Standardization and Specialization

The way the corporate center interacts with the operating units depends very much on the choice between centralization and decentralization. Many see it as a tradeoff. The more centralization, the less autonomy there is for the delegations. Like most multinational organizations, the ICRC has also centralized its organization. Building up a certain level of expertise, as a result of increasing specialization in some fields, was one reason, but nowadays it is also easier with modern technologies and tools.

With the increasing influence of the departments (corporate service functions), the life of the delegations became more complicated because they now have at least two lines of reporting: *"The delegations used to see themselves as really only accountable to one department, which was operations. And then the other departments were serving them — communication, logistics, finance, right? The last five-year period has broken that to some extent"* (ICRCi2, 338-340). Some people in the field are under the impression there is an increasing bureaucracy which distracts them from their operations. *"We made the world of business far more complicated with much more bureaucracy, with much more paperwork"* as one field manager expressed it (ICRCi9, 270-272).

In former times, the heads of the delegations could act and decide quite independently. The responses were national and they had everything under their control. Today many responses are happening in different countries and they have to manage cross-nationally. They used to have to be "supermen", which is no solution for the future. They have to accept that they need the support of the departments in headquarters with their professional services. With their knowledge from the field, they can help to develop the centralized services more in conformance with local needs. This means that now they have to collaborate much more to deliver what is expected from them. But such collaborations only function efficiently if there is sufficient social capital, like trust, between the cooperating units.

6.3.1.1 Decentralization and Empowerment

Because of the increased interactions with all the specialized functional departments, people in the field perceive a more hierarchical decision culture. They see

this as being in conflict with a need for greater agility. But the ICRC recognizes the need for decentralization of making decisions — without giving up the advantages of selected centralized activities and standard-setting. *“Today we are involved in the nitty-gritty of too many decisions that really should be made locally” (ICRCi2, 347-350).*

Today, the delegations have an increasing responsibility for stakeholder relationship management: “At the beginning of the ‘90s, I didn't see any donors, because the donors, they were sitting in the capitals. Now, you have donor representatives nearly in all operations where we are present. Therefore, our management in the field is expected to ensure good relationship management with the donor representative on the spot. But there is a huge difference to most of the NGOs in the same situation: They are also responsible for fundraising. Our heads of delegation, they are not. They have to do relationship management. And donors are part of their stakeholder mapping as much as the authorities and the non-state-armed groups” (ICRCi12, 277-291). Fundraising is centralized at ICRC headquarters.

Because of the increasing importance of running the complex local stakeholder relationships, and to satisfy the very different local needs, the operating units need enough freedom to act. The idea is to give them the tools and the space to make decisions and to be accountable. *“The intent is decentralization. But we are not fully ready to let them go. We are still hanging on” (ICRCi10, 374-377).*

Moving away from a very strong hierarchical organization towards a more matrix organization also means that decisions are made at different levels of the organization and not only at the top. The challenge is to define at what level the decisions should best be taken. *“I think one of the challenges is figuring out what decisions need to be made at what level.” (RR, 41-73)*

In general, the ICRC of the past was characterized by a quite hierarchical, vertical leadership style, similar to a military organization. *“If you joined this organization, in the first three years, you just shut up and you did what you were told. And this is different now. But we grew up in a system, where it was very military, hierarchical ...” (ICRCi12, 478-486).*

Nowadays leadership has to happen, at least in “normal times”, in a much more participative, horizontal way. This shift in behavior is not so easy for everybody: *“Yes, it is difficult. Especially I would say for the older generation. I am unfortunately also part of the older generation. It's difficult because we grew up in times of command and control” (ICRCi12, 478-486).*

6.3.1.2 *Different Decisions are made at Different Levels*

For certain decisions, it is clear that they belong to the directorate. These are, for example, decisions regarding strategy, budget and highly strategic issues. Once the strategic frame is defined and the budgetary decisions are made, employees should make their own operational decisions on a day-to-day basis. *“Once that starts to go down though, I think there is quite a bit more freedom and part of the culture too, that once you get to a certain level you need to make decisions quickly, you're not gonna check back. And the Head of Operations has done a good job of reinforcing that, like, yes, we make these decisions, but you — make the decision on a day to day in the delegation what is gonna make sense for you without having to check back up. Like, we do this annual planning cycle, where the field puts in their input, it gets reviewed at headquarters and goes back down. Once they've got these plans, they have quite a bit of freedom to implement within those plans”* (ICRCi10, 89-109).

Being able to make decisions at the level of implementation is also important because the person executing the decision needs to feel comfortable doing so. Therefore *“... at the end of the day, it's still the people who are negotiating access and relevance who at the end should make the final decision”* (ICRCi4, 451-453).

6.3.1.3 *Digitalization Supports Decentralized Decisions*

New technology enhances fast decision-making at lower levels. Because even if people in the field need to make decisions, they can still quickly check back with the head of delegations or with headquarters to exchange relevant information and get the decision approved. *“So, we are trying to push responsibility back to the level of implementation. We always thought that's where it's the best. And at the same time we feel that people want that and anytime they can, they just ask confirmation before they make a decision because of the easy connection”* (ICRCi2, 220-237).

The new communication tools also facilitate more interaction between delegation and departments. The head of a delegation used to be the single point of contact for people working at the headquarters. Today, with email and smartphones, people from headquarters can communicate directly to staff in the delegations. *“So this link between Geneva and the field remains key. I mean, that's how it works. Now, we may say that in the structure of the headquarters we have indeed more departments and more direct relation between delegation and the departments themselves”* (ICRCi7, 201-213). Information can be shared directly between the departments and delegations, and the

delegations don't need to go through the line (Region and Head of Operations) to reach out to departments or other regions.

6.3.1.4 *Setting Standards*

The ICRC puts efforts into empowering its staff to make operational decisions at lower levels by creating certain standards to assure quality and alignment across the organization. So, the organization provides "... *the tools and the space to make decisions and to be accountable*" (ICRCi2, 340-350).

Some people surmise that increasing specialization and greater control mechanisms have made the ICRC slower or even stagnant. "Because the only way to keep things in place is by creating more control. And in the end you have the whole system stuck" (ICRCi3, 336-347). An example out of our interviews can demonstrate it: "I had the other day a discussion with one of my water engineers. And the guy was claiming that it's impossible to drill a well without a Hydro-Geologist. And I asked him, because I did not get it: 'Well, I mean, we have been drilling wells without Hydro-Geologists all our lives. So, what has changed? You or the well? Are you going to tell me now that drilling wells today is more complex than it was 20 years ago? And communities out there in Somalia drill wells by themselves by hand without any geological survey of any kind.' But now we are told, to drill a well, we need a geological survey, we need three consultants and a Hydro-Geologist. Result: Now we can drill only one or two wells a year, before we were doing 20 or 30. That's what has changed. We are slower, we are more bureaucratic and we are more expensive" (ICRCi9, 279-290).

Because of self-dynamics of central units there is always a danger of overspecialization: "It means more and more people request things. Of course there are excuses that donors are asking us for this. And it is true that they ask for more details. But it is also true that we have many more people ... that put more demands on us. And many people have the feeling that we end up working much more for the bureaucracy and for the machinery than for the victims. ... What slows me down in delivering are more internal hurdles than external. War parties, war, all this violence, insecurity ... yes, it's there! But we know how to deal with it" (ICRCi9, 463-473; 523-529).

But managers in a delegation also see the positive sides of such a multi-dimensional organization: "The good side of it is that you are always internally confronted with another perspective, like the different interests are represented internally.

So at the end of the day it's rare that you are going to get it completely wrong" (ICRCi2, 428-435).

To find the right balance is not easy, "... because headquarters — as any corporate entity — has another logic of working compared to the field. That complicates quite a lot the internal change capacity and adaptation of this organization" (ICRC3a, 137-140). And the right balance always has to be fine-tuned because of the changing expectations of the numerous stakeholders in ICRC activities: "We have to make sure we strike a balance between those technical experts, donors, bureaucracy environments and our capacity to deliver ourselves in the field and be close to the victims and still have those embassies that come to us, because they will tell us: I come to you because I know you are there" (ICRCi9, 470-513).

6.3.2 Crisis Management/Task Force mode

To respond to rapid changes in the environment or to crises, the ICRC enters into an emergency mode, where "the organization is remarkably aligned. All - zack!!! It's like a military system. But very powerful. And remarkable agile. So it's not exactly a military system. It's more an Israeli military system then, which means it's a bit smarter. It's not just obeying order but it works very well. The problem is or the point is, it represents 10%, 15% of our time. So in 85% of our time, as a collective, we are working in an environment — difficult — but for which you can plan for. And this is complex because then at stake you have different time of dynamic in terms of power, of decision-making, what works, which makes this moment a bit more complicated. I would, it's interesting. I would also think it would be interesting to agree somewhat that you have different moments, moments of emergency and of, let's say normal" (ICRCi4, 141-166). What is interesting to observe is that the development of the emergency mode also influences the normal mode.

The ICRC as a humanitarian organization is used to working in crisis situations and has refined its crisis management over many years of experience. When a delegation faces a crisis in a country, standardized procedures start running. A hostage crisis is one example of such a crisis. *"So, the incident management team is run by first day by the head of delegation and number one in the country. The crisis management team is run by here in Geneva by the regional director in the first days of the crisis. And the strategic committee is run by the director general. So, this is a bit our three-tier approach to managing acute alert — this type of crisis — hostage crisis. It's a standardized procedure,*

it's part of our rules and it's also, it has been enriched by years of practice” (ICRCi6, 140-149).

Another emergency management form, which has emerged in recent years is “task-force mode”. This form of managing a situation is applied when there is a crisis in the world and the ICRC needs to involve all relevant stakeholders and mobilize necessary resources to help victims of the crisis.

“Communications lead that task force. In the group, we had *ad personam* a person from every department that is critical to decision-making. And those who participate in the task force, when a decision was made, had to implement it. Without going to the hierarchy. So the hierarchy had to decide who they nominated. So, we cut the red tape and all the different levels of validation. Because it's now become daily habit. But at the time it was really not the way we worked. And we had in that task force someone from the presidency, someone from the director general's office, someone from operations, someone from communications, someone from internal communication, someone from finance and it was one hour, once per week, then once per month for nine months. And, so, we started seizing opportunities on the fly and also, very quickly, sharing experience not only from a position of knowledge. Like, I'm donor relations, so I speak of donors. Everyone would comment on anything else. And we came up with ideas to close the gap” (ICRCi5, 252-268). Meanwhile, the task-force meetings have been changed into a mobilization meeting and “we had it every month with the same group across the board” (ICRCi5, 398-402).

So the task-force mode becomes a normal mode. What are the aspects that make this mode so special that it is adopted to normal?

First, representatives from all the relevant functions are involved. It is important “... *to make sure that the stakeholders are clear for any one decision and then having an opportunity to consult*” (ICRCi2, 381-401). Decisions are made and are corrected afterward if needed. There is **consensus** to act. “*Then we also agree that some decisions may have to be corrected afterward and there is no time to go into lengthy discussions on whether this is a strategic priority and whether this are professional standards. Then we just do. And then it's really very top-down. This is just-do*” (ICRCi12, 155-191).

Second, those involved are also authorized to make decisions and implement them afterward. There is **empowerment** and a mandate to take action when needed. “*So, as we had a mandate in the team, to — when a decision is taken, we do it. We went with it, but we were prepared to take the hit. So, we knew, the minute we went with this narrative, we decided it in the group. So there was mobilization*” (ICRCi5, 351-353).

Third, the team had “control on the travel plans of the leadership. So in that task force, I had the travel plan of director general, president, which generally are disconnected” (ICRCi5, 398-402). Top management support is there, and the director general or president take action when needed. So there was **collective thinking and acting** across all levels.

6.3.3 Strategic Alignment – Collective Thinking and Acting

Part of the strength of the ICRC is its unity of action. The organization only collaborates with partners of the Red Cross/Red Crescent movement. This has two advantages. On the one hand, donors know that their money goes only to the Red Cross and not dubious third-party organizations. On the other hand, the organization can easily align internally and externally to enter strong unified action. *“But what made it happen was not me and my team alone. Or whoever alone. Is collective behavior in emergency time”* (ICRCi6, 368-382).

6.3.3.1 The Environment of Humanitarian Aid – External Strategic Alignment

The starting point for most of the changes happening at the ICRC are changes in the environment. Strategic alignment leads to adjusted priorities and processes in the organization (Walter et al., 2013). Employees sometimes find it challenging to understand necessary changes. So, then, *“... you explain it through the environment and your problem analysis, which is: Well, we don't change just to change, you change because the environment demands it of you. So, of course that's the starting point”* (ICRCi2, 54-60).

Two main environmental trends to which the ICRC is exposed are fragmentation of actors/stakeholders and the growing interconnectedness and complexity of issues (ICRC, 2018).

Fragmentation and Complexity of Actors

The position of the ICRC is weakened in its fractured environment. Operating in a country X today does not mean that it is sufficient for delegates to negotiate with government X to obtain access to a certain region to help beneficiaries there. It often means negotiating with a variety of armed groups and the government to stay safe and be able to pass several checkpoints. It also means that the parties with which you have to

negotiate today are not necessarily the same that are in power tomorrow. *“So the organization is weakened, it is a more complex and fractured environment, where things are not, you are not today a group, which we identify you, who carry certain political message. Because this group tomorrow may be split into 3/4/5 and maybe the group that represented a, tomorrow is split into 5 groups, which fight among each other again. So it has become extremely complex”* (ICRCi3a, 251-255). *“I think if you take the example of Yugoslavia, suddenly you have a huge conflict and you have this phenomenon of fragmentation that we note today. That means to reach a certain area you have a number of actors that are not necessarily under a single command and therefore you are facing a number of risks or difficulties to communicate”* (ICRCi4, 150-154). Therefore it is so important for the ICRC to keep and protect their long-lasting reputation based on its principles. Acceptability depends heavily on reputation and years of trustful cooperation.

More Interconnections and Dynamism

This fragmentation of actors in the field is accompanied by another trend, which is the consequence of globalization and enhanced communication through social media. People and conflicts are very connected and *“what would happen in Afghanistan is today very much influenced by what happened in Washington, in Yemen, in Pakistan, almost in real-time. So even if you are the boss of Pakistan, you need to integrate a number of issues and to rely on competences that are not under your control. And that has changed the way decisions are made in the organization. So it means including for me, we have to take into account the fact, it's much more dynamic”* (ICRCi4, 24-30).

Conflicts today are not restricted to single countries. They are often regional. This means that the internal setup of the ICRC needs to correspond and employees/delegates need to talk to each other, so they know what is going on not only in their countries but in the greater region. *“I mean, even if you are ICRC head of Syria, you are constantly confronted with stakeholders who are changing the position not because they talk to you because they are influenced laterally, whatever. I am hearing my colleague of Yemen for example, changing their view about how decision-making is happening in Yemen over the last six months. They will tell you – two years ago they would have told you: we know it very well. We know exactly how it works, I know rather well how the dynamic ... the key is: as long as it is the local and national dynamic that is the major factor of influence and you have been there for a long time, you know how it works. If it is being shifted by international focus. And here the focus is not so much the actor, it's the media, it's the UN Security Council, it's the political interest that is creating another type of exposure.*

Headquarters is very different. Because the headquarters over the past 10 years had – as an organization – to be exposed exactly to that. It means, we had to be exposed to different thinking on policy. Different thinking on international law” (ICRCi4, 56-70).

Making decisions in this kind of environment is certainly not an easy task. But the ICRC is learning to cope with this new setup. And delegates are used to hardship and complexity in the field. One of the delegates in the field puts it very straightforward: “*So then, it's all about reading the context, reading what's happening, seeing your team, seeing the situation and making a decision” (ICRCi9, 401-402).*

6.3.3.2 Internal Strategic Alignment

This increasing fragmentation of actors/stakeholders and the growing interconnectedness and complexity of issues require corresponding adaptations of the ICRC operations and how decisions are taken regarding stakeholders.

The biggest change in the organization to respond to this more dynamic and interconnected environment is the shift from a very hierarchical way of making decisions to working more horizontally. The ICRC used to work in very strong silos, following strict hierarchical procedures. Almost like a military system.

But the organization has learned to make decisions differently. “We have introduced for instance for the political movement X, to see how they are connected, we have a small unit here, that is connecting the dots between all the movement networks and the people that are interacting with the network in the ICRC. So we have found responses to a changing environment that allows us to work more horizontally, to make sure that people in country Y, they know if we met somebody important of the network in Country Z that this information is shared because it's totally important to share this information. Because these are networks, that are sharing information among themselves. So, if they meet an ICRC guy, whom they really think didn't go well, it will have repercussions. They talk among each other. So, we need to know” (ICRCi12, 492-509).

Internal structures and the flow of internal information have started to mirror external network structures. Delegations in one country don't only consider what happens in their country alone. They connect to other delegations in their region, delegations in other regions and include experts from headquarters to deal with their realities on the ground

This change from a very hierarchical organization to a system that is able to work in a matrix structure also facilitates faster decisions. People don't have to go through the

hierarchy to reach people in other business units, they are able to connect with them across the organization horizontally. *“The most simple rule was: can we connect or join the dots in real-time between: operation, policy, public positioning, funding-donor relations. And this, we had never done before”* (ICRCi5, 462-491).

This internal collaboration across units and in interdisciplinary teams, which encompass all internal competencies/functions necessary to solve an external issue, has only emerged recently and is key to remaining competitive in the world of humanitarian organizations.

6.3.3.3 *Strategic Consensus: From Setting Priorities to Making Decisions*

Strategic consensus is defined as “agreement on strategic priorities by decision-making groups, including those at the top, middle, and/or operating levels of the organization” (Kellermanns et al., 2005, p. 721).

The ICRC has been struggling with making decisions fast while still keeping the organization strategically aligned. “We used to have 60% Swiss. Swiss are very much consensus-driven. The whole Swiss philosophy is — we don't agree but we find a way to go along. Everybody does a bit of a concession and we go together. It's a consensus-driven organization. And ICRC has been a consensus-driven organization. The decisional process was and is still meant not to create the decision. The decisional process is to create adhesion, internal ownership, internal understanding, internal adherence to the idea and consensus and so it's an extremely costly process. Because you need to go to everybody, discuss and ... but the decision is not what is important” (ICRCi3b, 345-367).

This strong consensus orientation has created an organization that is very much aligned and is able to act very quickly in emergency situations, because of standardized procedures and a good understanding of the strategic priorities. In its changing environment, making decisions that are not straightforward and need a new approach, aligning with everybody becomes a very long and costly process. Therefore the ICRC needs to distinguish between decisions that need to involve the entire organization to set priorities and a framework of orientation and decisions where only the relevant internal people need to be involved and a decision can be made relatively fast.

The task-force mode is already an organizational entity, which is structured to involve the relevant people to make a fast decision. The task force represents the entire organization and you have all the constituencies of each department. Because the entire organization is represented, the task force is able to make legitimate decisions without

getting consensus from everyone. Aligning across functions to make decisions is crucial to make good decisions. Because the wide range of expertise in the organization works as a form of checks and balances not to make a one-sided decision.

To make sure that decisions are eventually implemented, vertical alignment is crucial. Vertical alignment for a head of delegation means to involve the staff on the ground, who will eventually implement the decision, as well as headquarters to support the decision. To involve the people on the ground is important because they are the ones who have to eventually implement the decision, and they are also the ones who will be most affected by potential ramifications. *“So, you need of course to make sure that your people on the ground are comfortable with strategic decisions, because there are ramifications that are connected to their own security. So, this is very important to have even a quick but a consultative process. For instance for the news release. It was a day off and I organized a Skype conference from my place with the head of delegation country X, with the head of delegation of country Y, with the COMMS teams here and in 30 minutes, we were all aligned and we took the decision”* (ICRCi6, 709-719).

Support from headquarters or the responsible authority is often connected to receiving the necessary budget but also to backing the decision up politically and with the necessary expertise to support the field in implementing the decision. *“I mean, I want to do it and I can make the decision at my level but if I want my decision to go through, I have to make sure that those in the headquarters that are supporting that decision, do so. So, you also prepare that decision in the headquarters by talking to them and warning them beforehand of what's happening, what's coming and testing how they feel about it. So, it's a whole process”* (ICRCi9, 156-174).

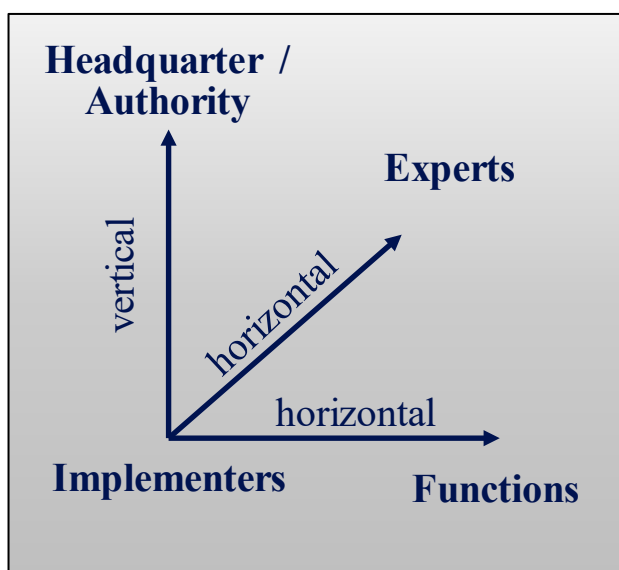


Figure 13: Consensus for Operational Decisions

In summary, a broad consensus is important for long-term strategic changes that have an effect on the entire organization. For operational decisions, the project owner needs to align horizontally with all functions and experts needed to make a well-grounded decision and vertically to have the buy-in from headquarters for budget and the buy-in from the staff who will eventually implement the decision. Figure 13 illustrates this alignment for operational decisions.

6.3.4 Strategic and Financial Planning: From Needs to Funding

6.3.4.1 Strategic Planning

To position itself in the humanitarian context and to guide the organization, the ICRC has created a strategy for the years 2015-2018 (International Committee of the Red Cross, 2014). The strategy was developed on the basis of consultations with major stakeholders such as the National Red Cross and Red Crescent Societies, major donors, ICRC staff at headquarters and in the field, and various professional networks engaged in humanitarian action (International Committee of the Red Cross, 2014, p. 2).

The strategy document contains the ICRC's mission, as "The ICRC is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance. The ICRC also endeavors to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles. Established in 1863, the ICRC is at the origin of the Geneva Conventions and the International Red Cross and Red Crescent Movement. It directs and coordinates the international activities conducted by the Movement in armed conflicts and other situations of violence" (International Committee of the Red Cross, 2014, p. 3).

Following an overview of the challenges the ICRC faces, it defines the five objectives through which the ICRC wants to accomplish its mission: "(1) *Strengthen the ICRC's capacity to protect through law, operations and policy; (2) Enhance the ICRC's distinctive response to growing needs; (3) Secure the widest possible support for ICRC action; (4) Contribute to a more significant response by the Movement to large-scale emergencies; (5) Adapt and strengthen organizational capacities to sustain growth and the continued relevance of ICRC action*" (International Committee of the Red Cross, 2014, p. 13).

Although stakeholders were involved in creating the strategy, the strategy document contains no information on its relationships to main stakeholders and how it intends to create value for stakeholders, leaving some room for improvement.

6.3.4.2 *Planning for Results*

Delegations/operations have two possibilities to request funding for projects. The first possibility is to request funding through the annual “Planning for Result” (PFR) budgeting process. The second possibility is to ask for a budget extension.

One of the most standardized processes at the ICRC is the annual PFR budgeting process. “So, every autumn, this PFR, this is a huge exercise where we look into, OK, what have delegations achieved and what are delegations planning and proposing for next year? So, at every delegation there is planning for results and then it comes to the regions, where they already have to see, OK, what are the achievements, what is proposed for next year? And then it all comes at our level, where we have to put a whole, what I now call operational budget for next year together and this is now about 1,600 million Swiss Francs. ... So we are directly confronted with this planning tool and we are using of course some of these KPIs that are there in this planning tool to also see where we should put our priorities and what works and what doesn't work” (ICRCi12, 320-330).

It is a bottom-up process, where every delegation/operation defines what it wants to achieve in the coming year and where it requests the respective funds. So, the budget is really a result of the needs assessment in the field and the calculation of the costs of delivering services and goods to beneficiaries. “*Where we start from is really we look at the population we want to assist and what are their needs? And that's reflected in the field work and what comes as a proposal and then it is discussed with the internal level. And that requires time and sometimes, yeah, decisions to be made on what to do more and what to do less in terms of country or program*” (ICRCi2, 53-56).

After the budget for the coming year is defined, the ICRC launches its appeals to the donors.

6.3.4.3 *Appeals*

To launch appeals to donors, the ICRC puts together a document with all the budgeted projects and sends it to the donors for funding. “*And then, donors can choose whether to give us money for the ICRC*” (ICRCi6, 531-546).

Donors can decide to give earmarked or non-earmarked money to the ICRC. “Non-earmarked — which is of course the best quality money for us. ... Because this gives us the flexibility to use it wherever we want. They can decide also to earmark it, whether loosely or tightly. But the tightest earmark is at the level of a country or a program. But we won't accept that the donors tell us to do a thing that we did not plan to do. This we don't accept. We have things on the table and then donors can choose. And it's also our job to make sure that at least 35 to 40% of the money is non-earmarked. Because this is what, at the end of the day, makes us truly impartially, independent” (ICRCi6, 531-546).

This is how the ICRC asks for money from its donors on an annual, regular basis. There is another way that the ICRC asks for money from donors. Given the unpredictable operations of the ICRC in crisis operations, it often happens that needs arise that could not have been foreseen in the annual budgeting process, because the need did not exist then. In these cases, delegations/operations ask for a budget extension.

6.3.4.4 Budget Extension

If a crisis, for instance famine or the migration crisis, requires more funding than budgeted, delegations/operations can ask for a budget extension. The Head of Operations has the possibility to grant budget extensions up to a certain amount of money (ICRCi11). If more funds are required, then an official budget extension needs to be requested. This request follows a very well-defined process. Three factors help to convince management to grant a budget extension. First, there needs to be an urgent need from beneficiaries. Second, the ICRC needs to have the internal capacity to respond to this need — sufficient human resources and capabilities. Third, it helps if a certain donor interest for funding is present — if the wider community is aware of the crisis and donors can easily be mobilized. “So, basically what I am doing is to convince now the management here, to say, we need this money and there are three factors that are important: Why? **The needs are there. Clearly, the situation is deteriorating, there is a donor interest.** Now, at that particular point, at that particular point in February, we had had visits of the secretary general of the UN, we had had a lot of media interest, talking about the crisis situation. So, the world had become mobilized. And the moment that the world is mobilized and paying attention to a particular crisis that is when you must then name your need. You must state exactly what you want to do and state your ambition, the scope of your mission and clarify how you want to do. So that is the second point. The third point of course was

the capacity internally — to say: are we able to respond? Do you have the human resource, you have the structures, do you have access in the field” (ICRCi8, 340-417)?

To request a budget extension, the regional director needs to first get a green light from the Head of Operations to enter the process. If the green light is given, planning starts. The regional director and the delegation in the field define the scope of the extended operations and how much additional budget is required. If the committee agrees to grant the budget extension, then the organization reaches out to donors to ask for additional funding.

On a very practical side, the organization then needs to find out: “How are we going to engage the donors to give us the money? How are we going to participate in the different forums that are coming up? So there was a conference a week later in Country B, meanwhile we had made this decision and we knew that we needed to pitch our demand and our ambition in that and we needed a high level representation and our director general had to go” (ICRCi8, 445-458).

This means that when a crisis comes up, ICRC needs to find capacity to assist victims and at the same time needs to ask for additional funding from the donors. The fact that a humanitarian crisis emerges also means that the wider community knows about this and that governments are moved to support humanitarian organizations to bring relief to victims. A dynamic is created among governments and humanitarian organizations that needs to be considered when requesting funding.

“I said that the window was very small. Between making that decision, having the figure and then the week after, there was meeting. And we had to decide immediately. Why? Because we wanted to capitalize on the momentum. Country A had called a donor conference on the crisis situation. And they were calling all the capitals and it was not just country A, it was not a meeting for country A only, but it was an international conference call for a number of governments that would be interested to support” (ICRCi8, 444-451).

6.3.5 Accounting and Reporting

The increasing demand from donors for accountability and transparency leads to more and more detailed reporting. Not to guide the actions of the ICRC but to make sure that what the ICRC says is what it does. “*One example, if we would distribute some assistance kit to people displaced. And we're moving away from a place, where we have identified 200 families and distribute this to them, we have a list of families with their*

names and everything and that are registered. And when they get what we wanted to give them, they sign off a sheet of paper and this sheet of paper is put in a system that makes it possible for donors to see the name or the reality of the list of people we've been assisting” (ICRCi2, 97-106).

Compared to companies and especially financial institutions, the requests for reporting are still relatively low, but demands are increasing. Standards have not yet emerged also because governments have differing interests. *“And, as always, you are dealing with governments, they are not fully aligned. So, one asks this, the other one asks that. Which also leaves a bit of capacity to navigate through” (ICRCi3b, 35-81).*

Humanitarian organizations are roughly 10 years behind companies in implementing certain practices and standards. *“I very often say, we are behind the commercial companies by 10 years, roughly speaking” (ICRCi3a, 261-277).*

6.3.5.1 Pressure from Wider Public

Another request for more transparency and reporting originates from the wider public. People want to know where their money goes and how it is spent and hold governments accountable for it. *“There is a wider public that push them” (ICRCi3a, 261-277).* The main reason is that they have understood that within the humanitarian world, there *“have been instances where things have just gone nowhere. And they want third-party control” (ICRCi3a, 216-334).*

Especially in the areas of compliance, fraud management and risk management, the requirements have gone up significantly. *“Risk management was done in a rather unstructured way until three years ago. Now there is a risk manager, that there is a process in place and again, internal control since the early ‘90s we do have formalized control” (ICRCi3a, 261-277).*

6.3.5.2 Influence of Social Entrepreneurship Movement to measure Impact

The Social Entrepreneurship Movement has contributed to the increasing demands of governments for impact measurement and reporting. *“Now they are asking: Can you do an impact study? Can you measure the impact? How can you measure your value for money? How do you — value for money, impact study — how do you do your risk analysis? How do you integrate feedback from your beneficiaries? And also they basically are asking: Can you trace the entire path from the moment you receive the money to the point where you hand over what we've given to you and you've transformed*

either into a service, medical service or into a good, I don't know, parcel of wheat or corn” (ICRCi3b, 118-120).

These new requests put pressure on the Finance and Accounting Division of the ICRC because they need to calculate and show the impact they have created. In addition, the ICRC needs to provide sort of an end-to-end reporting, and this means a significant amount of additional work. It also means that the organization needs to redesign some of its processes. *“The way we have designed the financial system is clearly not fit for this new trend, which is relatively reasonable” (ICRC3b, 35-81).*

6.3.5.3 Reporting as Part of the Contract with Donors

Reporting has attained such an important station for some donors that they may make their payment to humanitarian organizations dependent on reports and proof of impact. They ask: *“Have you done it? Let us check that you've done it. By the way — if you have not complied to what you have said, then there is a relation with the funding. And that link never existed before and today, within the contract, it is clearly mentioned: you take the contractual commitment to measure your performance, to do an impact study, to be able to have feedback from beneficiaries, to show measurable efficiency... and it's what they call elegantly ‘performance funding’” (ICRCi3b, 35-81).*

Sometimes donors even finance additional reports because they are not standard at ICRC, but they need them for their own internal reporting. But all of this has limits. First of all, the ICRC’s capacities are limited. Second, limits also arise when beneficiaries need to be protected and information cannot be shared due to safety reasons. Third, the ICRC won’t promise to report on anything that it cannot deliver. This is especially important because of the principles of neutrality and independence.

6.3.5.4 Standardized Reporting Process

The reporting process is a very standardized process that is moved to the field in Manila. This is where the delegations send their reports and minutes and where the final reports are produced. The operational and financial data are consolidated there and the reports are produced. Before they are published, the delegations and operations may review the parts that concern them. At the end, the Operations Coordinator signs off on the reports.

For internal reporting, the BFR, which is an internal version of the annual report, is produced twice a year. In addition, each specialized department collects its specific

data, and indicators are computed. For most of the technical divisions, there is a quarterly report. These reports come with a few explanations, so that everyone can understand whether we are on track or not (ICRCi11).

6.4 Stakeholder Interaction

The way that the organization interacts with its stakeholders has a big influence on how stakeholders perceive a specific decision (Cropanzano et al., 2007). The changing environment also has an influence on stakeholder interaction. Especially globalization and modern communication technology have strong effects on interactions of the ICRC with its stakeholders. Globalization on the one hand makes it more challenging to identify the right stakeholders with whom the organization needs to interact in order to achieve broad acceptability of decisions. Communication on the other hand facilitates interaction with stakeholders. Here the challenge is to communicate the right message, through the right channels, at the right time to the right stakeholders.

Interaction between the ICRC and its stakeholders naturally creates relationships between the persons and entities involved. This section describes how the ICRC deals with challenges of building and maintaining relationships that are transparent, trusted and reciprocal through adequate and timely communication and interaction.

6.4.1 Building and Maintaining Relationships

Relationship management is one of the central tasks for each employee at the ICRC. “All of us play the role of engagement with external stakeholders. It’s also our role. At management level, to do representation, but also present and represent the institution to the external world. So, that is a continuous engagement that we do” (ICRCi8, 564-568).

The strong and trusted relationships with its external stakeholders is one of the ICRC’s strengths and something the organization wants to preserve and protect at any costs. “*Before outsourcing you have to very carefully see, what do you want to preserve at any cost? At any cost, relationship management. I would never ever ever ever outsource relationship management, which means talking to the governments, political groups, engaging and then you have to really go for it. Right? That’s also why we are changing human resources with all the problems. But at least to make sure that we have the right people*” (ICRCi4, 511-520).

Figure 14 shows how the ICRC manages relationships with external stakeholders.

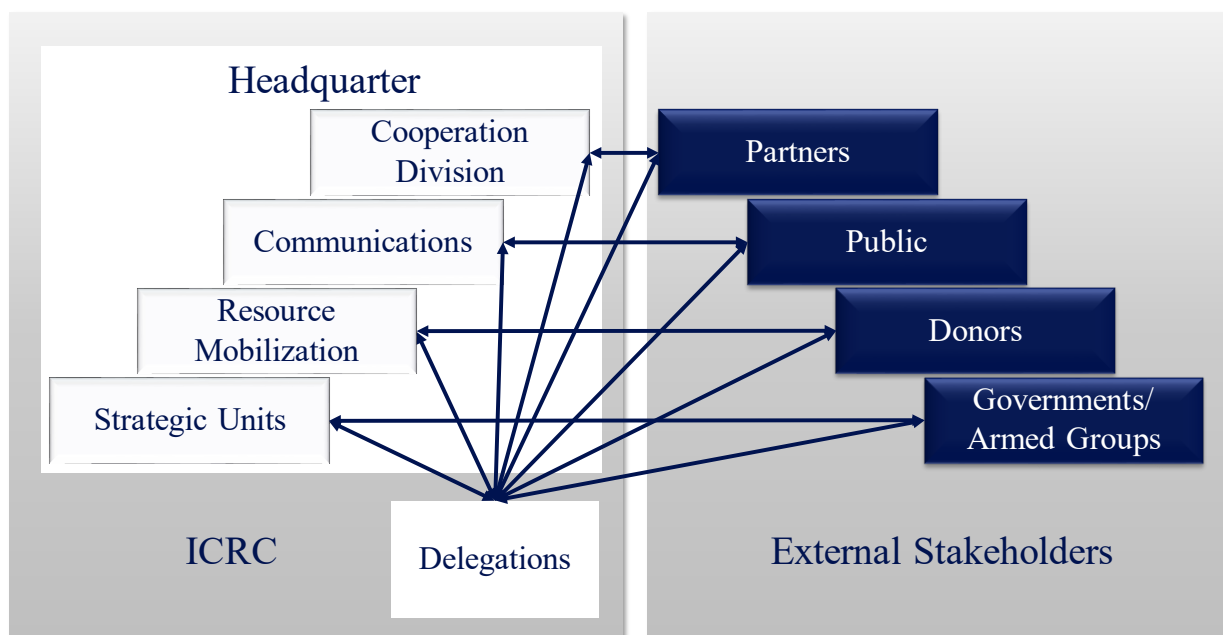


Figure 14: Stakeholder Management at ICRC

Special units at headquarters deal with respective stakeholder groups. Delegations are also increasingly in direct contact with stakeholders. Especially their engagement with donors has intensified remarkably.

To cope with these rising expectations and additional tasks, delegations receive support from the departments at headquarters. *“So this link between Geneva and the field remains key. I mean, that’s how it works. Now, we may say that in the structure of the headquarters we have indeed more departments and more direct relation between delegation and the departments themselves”* (ICRCi7, 202-213).

The two relationships that are key but also absorb most resources to be managed are the relationships to governments/parties for safe operations and to donors for resource mobilization.

Governments, State Groups and Different Parties

Maintaining good relationships with governments and different state groups is essential for the ICRC’s operations for many reasons. First, they need the protection of the governments and armed groups on the ground in order to be able operate safely. Second, they need to have access to deliver services to beneficiaries. Both are fundamental prerequisites for the ICRC’s operations. But maintaining good relationships with armed forces at war is not an easy task. Therefore, the ICRC has established an

entity whose job is to interact with different groups. *“For example, talking about armed groups, we got staff whose job it is to network with different groups. And we interface with them or we interface with the unit here that matches their work”* (ICRCi14, 255-261). In addition, the president, the director general, the heads of regions and the delegates are also regularly involved with these political powers.

The way it works in practice? *“You sit together. You cannot sit with all of them, because they are warring parties, so, it can be explosive. But, yeah, I mean our teams, we have today close to 300 people operating in Country X. So, every day you have ICRC delegates or national colleagues interacting with parties to the conflict. ... So this is basically the discussion, that then you tailor-made according to the interlocutor you have. Of course you won't use the same words if you talk to a checkpoint and with the president of the revolutionary committee, who is sitting in the capital. It's two different types of discussions. But, you know, the message is the same: There are more needs, the ICRC is willing to do more, but we need also your commitment as parties to the conflict to facilitate our work and to guarantee the security of our staff. This is a bit the main parameters of the discussions”* (ICRCi6, 345-361).

Donors

Previously, all activities connected to fundraising were mainly coordinated by the resource mobilization department (REX). While the responsibility of fundraising still remains with the REX, *“today, delegations are asked as much as possible to replicate some of the processes that take place at headquarters. What does that mean? It means that the ICRC expects the delegations to be more in contact with donors, to do more resource mobilization. Not so much fundraising. But the dialogue, relationship management. To have more dialogue, more contacts, mobilize and engage with the donors. And be available for short-notice participation in either a donor meeting or a donor conference or a briefing of the donors, if asked”* (ICRCi8, 851-869).

For some of the delegates — the ones that are very good at building and maintaining relationships, this additional task comes easy. But some of them struggle. *“They have not been prepared. They have never been trained for this”* (ICRCi3b, 524-573).

Maintaining relationships with donors sometimes also means to communicate boundaries and manage expectations. Sometimes even in collaboration with other organizations: *“Again, you have to create alliances with other organization to push back*

donors or create some dynamic around the donors. And that's complex. Absolutely” (ICRCi4, 304-306).

6.4.2 (Non-) Reciprocal Relationships

It could be argued that the relationships at the ICRC are non-reciprocal in the sense that the donors who are paying the ICRC don't receive the services. “*We have a non-reciprocal relation. Meaning, we deliver services to beneficiaries that don't pay for it and we get the payment from entities that will not get the service, so it's a non-reciprocal relationship*” (ICRCi3a, 60-65). But this logic only holds true if we think in the classic consumer logic, which is: one entity pays another entity to receive a product or a service. Considering from the logic of stakeholder management, we see that donors do receive something in return to their donations. assurance that their money is well spent (or their humanitarian objectives are met/that people in need get support through their funding) – and ICRC's reading of the situation.

Also beneficiaries have started to reach out to the wider community and to humanitarian organizations to demand the services and help they need. Figure 15 shows the reciprocity of the relationships.

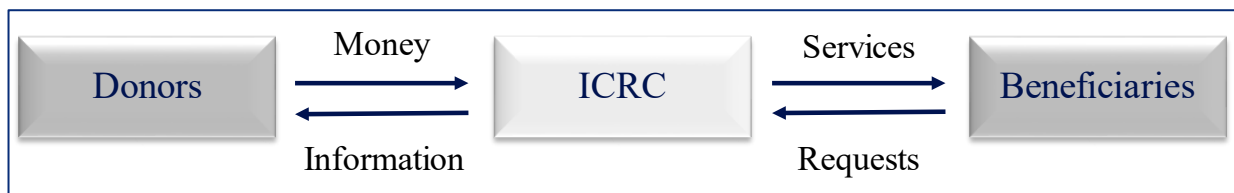


Figure 15: Reciprocity in Stakeholder Relationships

Many of the relationships with stakeholders of the ICRC are reciprocal relationships. “We do repeat interaction with the same people. Don't forget that. So I am not doing a one-off and then you don't see me. I am coming to you and maybe in a week's time I am coming to you again. So, I am really careful because I know that if you are not happy with me, I will hear it” (ICRCi4, 363-277).

6.4.3 Trust

Scandals both in the for-profit as well as in the humanitarian context have shown how important trust is for stakeholder relationships (Osterloh & Weibel, 2006). At the ICRC, trust is essential for the four stakeholder relationships to donors, to

governments/war parties, with beneficiaries and amongst employees. “*Building trust in the ICRC to facilitate its humanitarian action*” is Principle 1 of the External Communication Doctrine (ICRC, 2018). The doctrine states that “*By raising the ICRC’s public profile and managing its reputation, communication enhances the organization’s capacity to mobilize political support for its action and positions, build and deepen trust, and secure human and financial resources. The ICRC’s external communication enhances acceptance, security and access to people in need*” (International Committee of the Red Cross, 2018a, p. 6).

The next sections describe how this affects relationships with external stakeholders.

6.4.3.1 From Donors

The ICRC has earned a great deal of trust from donors in the past. Its humanitarian agenda, Swiss impartiality and long-standing track record have almost idealized the ICRC. . But there have been reports on deficiencies within the humanitarian sector and donors “*have understood that within the humanitarian world thing, there have been instances where things have just gone nowhere. So, there is bit of the lack of trust, which you have with regard to since 2008 and before with EON and those candidates. You feel that within the wider financial community, there is a lack of trust. If you look at how the banks behave. And that same lack of trust is also affecting us and hence, more controls*” (ICRCi3a, 316-334).

This lack of trust is part of the increasing demand for reporting and transparency.

6.4.3.2 From Governments and War Parties

To obtain and maintain the trust from governments and other warring parties is crucial for the ICRC to ensure access to beneficiaries and safe operation in conflict areas. The long-standing reputation as a trustful organization is a big advantage for the ICRC. “*So, obviously, this is something that makes things easier. When you are working in other environments, where the Red Cross does not have that tradition or that perception, obviously, you have to do an exercise of explaining what it is. But on the other side, if you take Country C, we have had for so many years contacts with the different parties there that the ICRC is perceived as a trustful organization. So that's obviously we may say that the time helps to the understanding of what the institution stands for. And therefore the acceptability is higher. Today obviously there are a number of groups that*

have not that long tradition with us and that may be more difficult to convince” (ICRCi7, 159-167).

6.4.3.3 In other ICRC Employees

With the shift from an organization with mainly delegates to an organization with experts and cross-functional project teams, trust in employees has become even more important.

From a matrix perspective, delegates and employees in the organization need to trust that the people in other functions do their job right, because they are dependent on others' expertise. *“One is codified works but the difficulty to let go and somewhat to trust you if you do, if you are doing health, I trust you to do the job. You know, in the organization, because we are somewhat matricial, it's a complex endeavor if you are not in emergency” (ICRCi4, 176-186).*

The project teams need the trust from the organization that they can make good decisions and execute them. *“But we had the trust and I think we had the right people in the group” (ICRCi5, 439-440).*

6.4.4 One-way Communication or Dialogue?

The External Communication Doctrine shows how important communication with stakeholders has become at the ICRC. Communication happens constantly at many levels. *“They almost weekly are in contact with the big donors of the ICRC and at the strategic level. Director General, President, Director of Operations, so all of those levels have constant regular contact” (ICRCi3a, 93-100).*

While the communication doctrine provides guidance on how to communicate important information to different stakeholders, our interviews also showed that communication is essential to involve stakeholders for decision-making. The following sections describe the nature of communication to and with employees, the wider public, governments/armed groups and stakeholders as a collective.

6.4.4.1 Employees: Communicate Changes and Make Use of Consultation

Communicating changes to employees is one of the most difficult, yet most important, steps in managing change (Kotter, 2012). This also holds true for the ICRC.

Being able to effectively communicate changes with all their interdependencies in their complexity is one of the greatest challenges that the ICRC faces.

As one tool to inform employees about ongoing changes, the director general “... gives sort of quarterly updates that are videotaped and shared with staff” (ICRCi10, 640-646).

In addition to sharing information with employees, a great deal of communication also takes place to involve others in making decisions. “So, what's really great, I think, about an organization as complex as ours and multi-disciplinary with so many professions within it, it's heavy but the good side of it is that you are always internally confronted to another perspective, like the different interests are represented internally. So, at the end of the day, it's rare that you are going to get it completely wrong. That you're gonna have all these like-minded people, who are gonna go straight into the wall because they didn't see this and this and this and that. You kind of have built in these checks and balances into the organization as a result of its complexity” (ICRCi2, 428-435). Involving others and consulting with them to make decisions takes time and requires an understanding of whom to involve. But it also has a number of advantages. First, the people who are affected are involved and will better accept the decisions. Second, the people who need to implement the decisions are involved and will support the implementation of the decision. And third, the relevant expertise is consulted and decisions are not taken one-sided.

6.4.4.2 Wider Public: Social Media supports real-time communication

Social media has changed the way that the ICRC communicates to the wider public. It is only relatively recently that the ICRC has begun using social media channels to share its messages. “Before, the ICRC was not doing social media interface. This is a five-year thing. Not more than five years. To be active on Twitter today by the President, by the Regional Directors, it is new” (ICRCi8, 877-924).

Twitter has become the most important social media for the ICRC. A message needed to be summarized in 140 characters, although this has been made more flexible over time. Otherwise it could not be communicated via Twitter. And this is one of the most important channels to communicate with donors and beneficiaries, so they understand the ICRC's message.

The possibility to communicate in real time has also changed the way that the ICRC goes public when something happens. “You need to independently decide when

you go public on something. Not always wait to be cornered to say something about an issue. To manage your message better. If you decide on the timing of public communication, you are controlling the message. ... Because it can have an impact on the populations you serve” (ICRCi5, 59-71).

Timing and speed have become critical to get interest and engagement from donors. Sometimes a narrative needs to be built in less than 24 hours because politicians need to make their announcements very quickly after an incident has happened (ICRCi5, 297-320).

This new in-time communication through social media, especially through Twitter, will remain key to engage donors, beneficiaries and the wider public.

6.4.4.3 *Governments and Armed Groups: Negotiations and Diplomatic Interaction*

The priorities for delegates, when communicating with governments and armed groups in their area of responsibility, are security, access and acceptance. *“Our colleagues go in the field and do this all the time. And now, as we speak, I’m sure there are like 10, 15 people around the world speaking to local authorities about who we are, what we do. So that we can do the work. But this is supported by kind of a global image of the ICRC. People know more or less who we are. And these are things that we can shape according to the way we communicate broadly”* (ICRCi14, 44-57).

This interaction with governments and armed groups is very diplomatic. It means communicating the right message to the respective recipient. It also means to pass on important information to the authorities in delicate situations. Predictability in this context is key. So, when the ICRC states something publicly that could upset a political actor, it gives a heads-up to the respective responsible person. This helps to prevent that the affected stakeholder reads a negative message on social media at the same time as the rest of the world and can prepare in advance to react to it. This requires a frank dialogue with all the political actors (ICRCi6).

Communication with these governments and armed groups often also means negotiation and frank, firm discussions with the parties whom the ICRC thinks have certain influence on what is happening. *“So, yes, it is permanent front-line negotiations by ICRC delegates who have to keep a very firm attitude toward all parties to the conflict”* including non-state armed groups and governmental forces – who may all be tempted to instrumentalize humanitarian aid in their favor (ICRCi6, 212-228). Thus, the ICRC has gained a lot of experience and has built up a strong expertise in front-line negotiation.

The organization leverages this knowledge in their new center for front-line negotiation. *“It's not about just training. It's about making best use of the existing experience. Because we realize that we have a wealth of negotiating experience at ICRC, ranging from the president to the field delegate in Taz, who is negotiating with groups, who cross the front line”* (ICRCi6).

6.4.4.4 Stakeholder Dialogue

Many organizations are implementing stakeholder dialogues as part of their corporate social responsibility (CSR) activities. These dialogues serve to better meet the stakeholders' interests and take various forms (Schreyögg, 2013). The dialogues range from stakeholder communication on the corporate website to bilateral dialogues with stakeholders to bringing all stakeholders to the table to solve a specific issue.

Bringing all stakeholders to the table makes little sense in the humanitarian context in crisis situations. But bilateral dialogues with stakeholders are very important and present at the ICRC.

Dialogue with states has become central to ICRC operations. It is a way to get access to resources, obtain access to beneficiaries, maintain security and keep control over operations. *“We realized that Country X was on every single issue we had in the region, from Logistics to Internationally Emitted Law. That it was not anymore a question of control but it was a question of organizing the dialogue”* (ICRCi4, 92-111).

Parties to the conflict also ensure access to beneficiaries. In addition, they sometimes also voice the needs of the affected populations. So, it is really a negotiation for the ICRC to receive sufficient resources and security in return for delivering services to beneficiaries. *“So, every day you have ICRC delegates or national colleagues interacting with parties to the conflict. And every day you have parties to the conflict saying: We have massive needs, we want the ICRC to do more. So, our response is: We are ready to do more, but we need reasonable security guarantees, and if we are not convinced by the guarantees you give us, we are not going to increase our exposure to risk”* (ICRCi6, 345-381).

Dialogue with donors happens in many ways. The most institutionalized way is the donor conferences, where the ICRC enters into dialogue with donors on critical issues and where the ICRC also presents what it is ready to do in a certain conflicts and how many resources it needs for this. *“So, we get invited, the institution gets invited, sometimes at the level of the president, at the level of vice president, sometimes it's an*

invitation to the ICRC and we have to decide ourselves, the nature of the meeting, opportunities, both for resource mobilization, dialogue, but also the engagement on wider issues. Because it is not always about looking for money. It is also about putting on the table critical issues about protection of the population, about respect of the law and all sort of things” (ICRCi8, 481-498).

6.4.5 Transparency

With the increasing demands for accountability and with the help of communication through social media, the ICRC is also learning how to communicate more transparently with its stakeholders.

The challenge in communicating information publicly is to keep sensitive information confidential. Therefore, in the past, the ICRC only communicated very little information. As a consequence, the wider public perceived the ICRC as a somewhat secretive organization. Although it was well-known and well-respected due to its humanitarian work, most people still didn't know what the organization really did. With growing requests for transparency from the public, the ICRC was moved to publish more information. As a result, the organization has realized that most of the information was not confidential and could be shared. Some 80% of ICRC's activities are not confidential. And to protect what is confidential, the ICRC has started to be very open about everything else that it does (ICRCi5).

This transparency has become crucial to collect funding and receive support from the wider public. “But in order to attract support from the public — the wider public — you need to be out there in the public and you need to engage with them. You need to share with them what your challenges are and give them opportunities to support other than just giving a check. They need to understand your dilemmas and your challenges to do that. So, I think, we used to always think in binaries in the past. Like: confidential-public. Actually they go together. You need to protect confidential information. But you need to be very open about the rest” (ICRCi5, 90-102).

Another reason for sharing information transparently is the increasing demand for accountability. Donors want to know how their money is invested and what the impact is.

Transparency with competitors or other humanitarian organizations increases humanitarian impact. ICRC representatives regularly meet with UN bodies to exchange data and information on where the ICRC assists beneficiaries and what help the

organization provides to which affected populations (ICRCi8). Sharing information with competitors in this context does not decrease competitive advantage. On the contrary, it increases the reputation of the organization and the humanitarian impact toward beneficiaries.

Transparency increases trust, and both are essential to collaborate in crisis situations. “I stay rather transparently with [the people] around me. ... And also being able to have this discussion as a private discussion. Where I would say, OK, could you make this decision for me because it will give me a bit more freedom. And having enough confidence to be able to discuss that. It comes when we talk about difficult things like hostage taking — very difficult. Or political situations where we are a bit squeezed, where we decide, well one of us will just jump in. As an example, where you need to trust the other” (ICRCi4, 339-349).

Transparency and trust are closely linked, yet they are two different concepts.

6.5 Complexity reduction by adopting a few simple rules

At the ICRC, we studied whether there are *simple rules* that are applied in order to make adequate, but especially good decisions. We have seen that employees probably follow many simple rules without doing so consciously. We were able to identify five prominent rules that employees apply when making decisions.

First, they use subject-matter expertise as a rule to decide where to become engaged. Second, they see the need to seize the window of opportunity in real time, which entails spotting the window of opportunity in real time, cutting quickly through validation layers (less hierarchical), relying on gut feeling and expertise, trust that we will be able to navigate through, decide quickly whether one can delegate or whether one needs to decide, and have communication ready as soon as public attention falls on an issue. Third, the ICRC always puts the beneficiaries in the center. Fourth, it uses the principles, the so-called “untouchables”, as a kind of “inner compass” to guide employees in their daily work. And given the increasing importance of communication and stakeholder dialogue, the fifth simple rule for managers to make good decisions at the ICRC is to “have the opportunity to consult” with relevant stakeholders.

6.5.1 Subject-Matter Expertise: Sketching the Scope of Activities

The mission of the ICRC is very clearly defined as: “The ICRC is an independent, neutral organization ensuring humanitarian protection and assistance for victims of armed

conflict and other situations of violence. It takes action in response to emergencies and at the same time promotes respect for international humanitarian law and its implementation in national law” (International Committee of the Red Cross, 2018b). People at the ICRC see this mission as a kind of framework, helping them to decide which opportunities are within their scope. *“We have a framework, let's put it this way, which is the scope, the field in which we work — conflicts and other situations of violence that obviously give us the overall framework in which we are going to act. Then, I would say, protection issues come very high. And in this sense, what we observe is that a conflict has often the same patterns. You know, people are detained, people are displaced, families are separated, maybe the use of all kind of munitions that may have an impact on the population and therefore wounded and so on. So, you have, let's say these global patterns and the ICRC will respond to them. ... Well, if people are arrested en masse, obviously the ICRC will focus on getting access to these people detained. If it is mass casualties because of bombardments and so on, so that should be the medical approach. If it is displacement of population, as we observe it for instance in South Sudan, then obviously that will be an assistance in the field of food and non-food items because these people do not produce anymore. So, the framework is there. Then, you have to take the context of sort of the partition on which you are going to play, depending on obviously what are the priorities in each context”* (ICRCi7, 295-314). The activities in which the ICRC has been involved over the past decades are visits to detainees, delivery of basic medical care, medical assistance in war zones, providing people with water and habitat, restoring family connections and reminding authorities and others of their legal obligations under international humanitarian and human-rights law. In recent years, the ICRC has expanded its activities in areas that are close to its mission and where it can draw on its experience from past activities. These activities are by no means exhaustive and include, among others, “addressing sexual violence”, “forensic science and humanitarian action”, and “migrants”.

Obviously, the closer the activities in which the ICRC becomes involved are to its mission, the more it can draw on its subject-matter expertise and the more effective the organization is in delivering solutions to beneficiaries. *“I think, our subject-matter expertise is certainly an additional guiding principle. Especially when it comes to engage in unfamiliar areas, whether they are Ebola or migration. The less clear the role of the ICRC, the more the organization should focus on getting engaged in action related to its core topics, where we know that we can contribute to the betterment of the situation. For example “visiting detainees”. It is not surprising that we took care of detainees during the Ebola crisis, so they don't fall ill of Ebola. This is our “bread and butter”. Or also*

the “missing migrants”, because they are missing. We have specific expertise in this area. Or again Ebola — we did not take care of the Ebola victims but we took care of all the other diseased, as we have a strength in “basic medical care” and we can adapt that to another context” (ICRCi11, 650-670).

To ensure effectiveness in fulfilling its mission, the ICRC should continue to further develop a shared understanding of the areas in which it wants to build up and apply subject-matter expertise as a boundary rule for deciding where to become involved in an engagement.

6.5.2 Seizing the Window of Opportunity: Deciding in Time

As the ICRC often operates in crisis situations, speed is critical and fast action is important in being able to catch the window of opportunity. We identified several rules that can help lead to quick responses in crisis situations.

6.5.2.1 Spotting the Opportunity

The first rule is to constantly monitor situations so action can be taken when needed and so opportunities can be seized as they unfold. Monitoring in this sense means to be aware of the needs and actions of the various stakeholders, such as the needs of victims affected by conflicts, readiness of governments to address these needs and the media’s interest in documenting the situation. *“We were monitoring what the donors were saying publicly. And the donors, it was no longer the bureaucracy, but the politicians” (ICRCi5, 433-439).* Only if the ICRC perceives the readiness for action on the part of the different stakeholders involved can it connect the dots and become active in filling the gaps where needed.

6.5.2.2 Have Communication Ready

Once an opportunity is spotted and the ICRC has sufficient grounds for becoming active in a situation, it needs to be prepared to communicate very quickly, both internally and externally. The narrative needs to be clear to all the parties involved so coordinated action is possible. *“And the minute they were making public statements, you would go public on something connected to them. In their domestic markets. And we managed the internal stakeholders, who were screaming at the same time but we were just moving really — we were — speed was critical. But we went public with it and then we fine-tuned*

it. And you know, when you're in crisis mode, you don't have the perfect narrative outside. You just need to have something” (ICRCi5, 437-451).

In such heated situations, it is not possible to keep everything under control. It means one has to take some risks if one clearly wants to deliver a specific message at that time. *“What generated most coverage was the fall of Aleppo in December 2016. We were hugely present in the media at that time, internationally. So, whether we like it or not, we have to be able to take up the opportunities when they arise, because we have strategic messages to pass at that time. Whether it’s to demand access or to speak about just how grave the situation is, and to push for a better humanitarian conduct by the warring parties, it depends. But we still have very clear messages to pass at that time” (ICRCi14).* To act in a systematic way, the ICRC had to define a list of target groups for its communications. *“We determine every three months a list of key contacts and key themes where ICRC wants to really be sure that we’re positioning” (ICRCi14, 180-182).*

6.5.2.3 *Can I Delegate or do I Need to Decide?*

Managers need to be able to decide whether they need to make decisions themselves or whether they can delegate the issue at hand. Thus, managers at a high level prevent themselves from being overloaded and decisions are made by the people who have the right amount of relevant information to take well-informed decisions. *“I’m always trying to understand: Is it a one-off, so what is the transaction cost somewhat. And will it be possible to delegate? Which means, is it a decision that is simple enough and clear enough to allow people to change their practice, or do I make a decision that is still so complex that it will most likely take us a year, two years to sort out some of the question” (ICRCi4, 314-327).*

6.5.2.4 *Make Decisions*

A fourth rule is to be able to catch the window of opportunity and to remain effective, namely, to make decisions. *“I mean, a simple rule is: decide. Not leave anything, I mean, whatever you can decide, decide. And if something goes wrong, you correct. A simple rule is: this is not a talk-shop. This is about decision-making. This is a task force, where we make decisions and where people then have to go away and come back and produce results” (ICRCi12, 239-242).* This applies not only for the emergency mode, but also for delegations in the field. In order to function properly, delegates need to be able to make timely and relevant decisions.

One innovation in the organization that has facilitated fast decision-making and a subsequent legitimization of action is the implementation of task forces in crisis situations. And this leads to the fifth rule, which is to cut validation layers quickly and move on.

6.5.2.5 *Cut Validation Layers Quickly*

Task forces allow for fast decisions because they bring together the relevant people with the authority to make decisions. “ICRC is like a military organization. So, we are very hierarchical. And the big change that happened with the task force is that we moved into a matrix. So, we are a matrix and a hierarchical organization. But when it comes to deciding on security issues, you know we are very strong in that: operational issues, the hierarchy moves fast. When it comes to policy, public positioning, funding, these are seen as support things. So, they never get top priority. But they come together. Look at the crisis end of last year. We were the only organization on the spot. 35,000 people evacuated from the city. At a time where people are getting their 13th salary in Switzerland. So, they're watching the news, they see the ICRC. They can give donations online, they can give it by the government. We made one million Swiss Francs in less than a week digitally. Without doing anything. Just because we're present in the media. I think, the best simple rule was: can we connect or join the dots in real time between: operation, policy, public positioning, funding-donor relations” (ICRCi5, 479-493).

6.5.2.6 *Rely on Gut Feeling and Experience*

While in past years the ICRC has invested in creating checklists and systems to facilitate structured decisions, many decisions are still made on the basis of experience. The organization has a large number of employees who have been with the organization for many, many years and in a variety of different positions. “*There has been a bigger trend toward doing lessons-learned and trying to create some checklists and systems. But as it stands now, I think, when the pressure comes on, people don't refer to them. They refer more to, OK, how did you handle this before, when you were sort of instinct-based*” (ICRCi10, 329-333).

6.5.2.7 *Trust in the Strength of the Organization*

Similar to the reliance on a gut feeling and on vast experience, employees of the ICRC are also able to rely on the strength and standing of the organization. “*Because the*

profound idea of this organization is: we will be able to navigate through it. This is a fundamental and, I think, a very helpful and powerful mindset, when you are on the field and you face hostile people that prevent you from gaining access to the beneficiaries, to the people you are trying to help” (ICRCi3a, 106-110).

While the seven rules to seize opportunities are quite specific, a more general, but also very central rule is to put the beneficiaries in the center of all decisions and actions.

6.5.3 Putting the Beneficiary in the Center

Similar to the simple rule of applying subject-matter expertise, this rule is very much linked to the mission of the ICRC. It makes an employee think of the interests of the affected individuals and communities when making decisions and it also serves to rank the interests of the beneficiaries first if there are conflicts of interest. *“Well, at the end of the day it's the interest of people affected by a conflict and violence. And not: what is in the interest of our organization and donors and ... it's what is in the interest of the communities that are affected? This must be the overriding rule. If there is a kind of: what do we do, it's a dilemma” (ICRCi12, 249-254).*

A concretization of the beneficiary-centricity of decisions at the ICRC is based on the central role of IHL (International Humanitarian Law) as a moral compass. *“What helps a lot to navigate dilemmas is always, putting the people we serve at the center. Because this is ... and putting also IHL, which is at the end of the day, our moral compass, because IHL as four whole bodies of flows are engineered to protect the most vulnerable. So, when we have dilemmas, this is a good compass” (ICRCi6, 723-726).*

To put this rule into practice is not always straightforward and obvious. Two challenges were mentioned by the interviewees: First, the distance to the beneficiaries, especially for employees who work at the headquarters, and second, the authorities in war-torn countries:

(1) No direct contact to beneficiaries: To put the beneficiaries in the center “... works very well when you are in the field, not always but in the field beneficiary means something for you because you are confronted, so you have to reflect. And what is interesting with the ICRC as, and you really have to understand and compare it to other decisions, we do repeat interaction with the same people. Don't forget that. So I am not doing a one-off and then you don't see me. I am coming to you and maybe in a week time I am coming to you again. So, I am really careful because I know that if you are not happy with me, I will hear it. So, the beneficiary-centric is something,

which helps. It's true as a compass to find the right way. At the global level it's much more complicated. Because, of course, it's one element but I am not confronted on the daily base. So of course I have to take into account a large array of different elements which could be internal” (ICRCi4, 363-377). So, in general, to put the beneficiaries in the center is a very good rule, but as decisions become more detailed and less concerned with the core mission of the organization, additional rules need to be applied to ensure that aligned decisions are made.

- (2) The authorities in the affected countries: “I would say, the main problem is the authorities, because obviously we are in a state that has problems. Where we work in terms of a conflict, we may have many different parties. ... It is easier to decide over projects in favor of people affected by a tsunami than to decide on an operation in an area controlled by guerilla forces. This is something very usual in the ICRC. But this obviously will need a number of green-lighting that depends obviously on circumstances that are beyond the scope of the institution. That means authorities may have their own views and there is the issue of access” (ICRCi7, 134-141).

6.5.4 Using the “Untouchables” as “Inner Compass”

Besides the very strong consensus in the organization to put the beneficiary in the center, another fundament on which the organization is based is its principles. From the seven principles — humanity, impartiality, neutrality, independence, voluntary service, unity and universality — especially the untouchables “impartiality, neutrality and independence” have a strong influence on decisions and actions within the ICRC (International Committee of the Red Cross, 2018a). They serve as a moral compass for employees.

As the integral part of this moral compass, the untouchables (a) attract employees who believe in the principles and adhere to them in their decisions and actions; (b) strengthen the outward perception of having no other agenda than a clear humanitarian agenda, which in turn (c) provides the organization with the possibility to be able to act on both sides of the front lines.

Despite the many changes the organization has undergone in past decades, there are a few things that have not changed. One of these elements is these principles, which were proclaimed in Vienna in 1965. They bind together the National Red Cross and Red Crescent Societies, the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies and guarantee the continuity of the Movement and its humanitarian work (International Committee of the Red Cross, 2018a). *“The principles have not changed, fortunately, for the ICRC but they are increasingly questioned and under threat. But this goes up and down. There are periods where they are very much questioned. And there are years where they are more or less accepted. Fortunately, the ICRC has maintained a very coherent line on that. The basis of our work are the principles and we defend them”* (ICRCi9, 310-315).

On the different concepts of morality:

Moral compass: Individual (or intra-personal?) system of ethical standards that guide the orientation toward matters of right and wrong. Is needed to incorporate ethical values into action.

Moral commitment: The willingness and ability to prioritize and strive for moral goals. Acting consistently and courageously upon moral standards, despite barriers.

Moral sensitivity: The ability to recognize a moral issue.

Moral problem solving: The ability to develop a satisfactory moral course of action that resolves conflicting tendencies.

The principles also influence employee behavior and decisions. “Especially impartiality and humanity are two of the ones that come in to how we make decisions. And you attract people that like that concept. So, they are naturally doing that and it does come into the way that you work” (ICRCi10, 477-479).

Although employees perceive the principles as given and as the foundation of their work at the ICRC, the principles are nevertheless very present when decisions are made. They also lead to discussions on where to become involved and which actions to take or not to take. *“This is the case in conflict areas. In Kiev, for example, we feel that we should go ahead and get involved, and perhaps in Moscow we feel that — wow — this would question our neutrality principle”* (ICRCi11, 619-648).

The principles are also relevant and discussed by ICRC employees in refugee crises: “Now, more and more repatriations and repatriation agreements. We therefore sometimes get questioned by governments: If we send people to Afghanistan, what do

you do for them? Then we need to assess, how the question at hand relates to our principles. How we as ICRC need to delineate from state policies. How to prioritize our humanitarian work and humanitarian needs? We thus don't question the principles. They are very present. In any case" (ICRCi11, 619-648).

Especially in war regions, where the ICRC is involved with various parties to the conflict, the principles of impartiality and neutrality become particularly important. As all the parties involved know and can perceive that the ICRC acts neutrally, in favor of detainees and victims, and impartially, the ICRC is able to provide services to beneficiaries on all sides of the war.

"In country X it is so critical that the principles of impartiality and neutrality are well understood and perceived. Because the one thing that we try to emphasize ... is that we must be able to act on both sides of the front lines. Which means that we must be able to act on the side of warring parties and we must be able to act on the side of the government. Now, in a famine situation, you run certain risks, and we have seen in the past that, because of security constraints, some of the organizations do what we call dumping of aid, because they are unable to have proper negotiations. They then compromise on the question of impartiality and only provide assistance that is based on the instructions of the governments, instructions of the parties. But for the ICRC, we do all the assessments ourselves, we do the distribution directly by ourselves. So that is the main difference. And this is well-understood by the government, but also by warring parties, who respect this principle, because they see that we act on both sides. And why is it important for warring parties to let us work? Because they know that we visit places of detention in the government-held areas where their people are held. So, we haven't had a lot of blockages" (ICRCi8, 270-289).

6.5.5 Having an Opportunity to Consult

Given the increasing importance of communication and stakeholder dialogue, the fifth simple rule for managers to make good decisions at the ICRC is to "**have the opportunity to consult**" with relevant stakeholders. "*So, I think the compass would be to make sure that the stakeholders are clear for any one decision and then having an opportunity to consult*" (ICRCi2, 381-401).

What does stakeholders mean in this context? It means first, to involve people with different perspectives and expertise. "So, what's really great, I think about an organization as complex as ours, and multi-disciplinary with so many professions within it, it's heavy

but the good side of it is that you are always internally confronted with another perspective, like the different interests are represented internally. So, at the end of the day it's rare that you are going to get it completely wrong" (ICRCi2, 428-435).

Second, it means to involve everyone concerned, everyone who could be affected by the decision. "So, then immediately, I look at it and then, I enter into immediate consultation. And then it's a consultation process. What we are trying to do is to seek an understanding of everyone concerned. Or who could be implicated by the decision" (ICRCi8, 121-171).

And third, it means to especially involve the people who in the end will implement the decision. Because, if a decision is made without the implementers, "*then we have go back and we have to go forward*" (ICRCi10, 89-109).

Consultation in this sense means to involve relevant stakeholders, seek their input, consider it and then make the best possible decision. One example of such a consultation was a situation where a unit met and jointly decided on: "*Do we all go in the same direction? Are there any major obstacles? What are the goals? What is the timeline? What are the resources? And who takes care of what*" (ICRCi11, 297-305).

Drawing from the conclusion in the section on communicating with employees, involving others and consulting with them to make decisions takes time and requires an understanding of whom to involve. But it also has a number of advantages. First, the people who are affected are involved and will better accept the decisions. Second, the people who need to implement the decisions are involved and will support the implementation of the decision. And third, the relevant expertise is consulted and decisions are not made one-sided.

6.6 Summary

To summarize, the ICRC is still *perceived today as an organization that has no other agenda than a very clear humanitarian agenda*" (ICRCi4, 543-544). The principles of impartiality, neutrality, independence and humanity give the organization a clear direction but also legitimacy to act. Putting the beneficiaries in the center of all actions and relying on the principles gives the employees both a purpose and a boundary for their decision-making. This strength of the organization should be maintained and further nurtured.

On the other hand, the ICRC has also undergone many changes in recent years in order to respond to a fast-moving environment. The two most prominent developments

we perceived in our interviews are, first, the growing importance of subject-matter expertise and, second, the need to be able to seize the window of opportunity. Although the ICRC has been restructuring its organization and has developed tools and guidance for employees in order to better equip them to respond to changing needs, many employees still do not see why changes have happened and how they and the organization as a whole benefits from these changes. They only see the short-term additional work that change brings with it.

The organization would therefore benefit from making the implemented changes more visible to its employees and explaining to them why they are happening and how the organization will benefit from them.

7 Single Case Study Schindler

7.1 Introduction

One of the oldest and most renowned industrial companies in Switzerland, Schindler is a professional for-profit organization with well-established structures, processes and stakeholder relationships. With growth slowing down in Europe and even in its biggest growth country China, the company is challenged to leverage its global presence to create value in different zones through a range of products and services. Digitalization offers additional growth opportunities that Schindler is pro-actively seeking to capture. This case study sheds light on how managers at Schindler prioritize stakeholder interests in a for-profit environment, creating organizational justice for stakeholders.

7.1.1 Structure of the Case Study

The main structure of the case study follows the logic of the three components of organizational justice (Cropanzano et al., 2007; Wrona & Gunnesch, 2016). After a short introduction, it includes the normative frame, stakeholder processes and interaction with stakeholders. As a fourth main point, the case study presents a few simple rules for making complex decisions regarding stakeholder interests.

7.1.2 Data Collection

To collect data, informal conversations and formal semi-structured interviews were conducted with Schindler employees from May 2017 to July 2018. Interviewees included eight top managers at the corporate, zone, and affiliate levels with different functional backgrounds. The semi-structured interviews were transcribed and added to the database.

Publicly available news and information enriched and completed the picture on the mentioned normative frame, processes and interaction patterns regarding stakeholders.

7.1.3 Data Analysis

Analyzing data for this case study was an iterative process. To analyze the interviews, I used the Atlas.ti software for a computer-assisted qualitative data analysis. The coding process followed the three steps “open coding”, “axial coding” and “selective

coding” as described in the Comparative Case Study Approach section. During the “open coding” step, the relatively unstructured data was analytically broken down and merged into concepts and aggregated categories (Strauss & Corbin, 1990). “Open” reflects the reconstruction of recipients’ views close to their wording. While staying close to the empirical data, concepts related to existing theory were assigned to interview passages. In the second step, “axial coding”, the fractured data was related back together in order to make connections between the developed categories. The categories of the “selective coding”, the third step, were more or less pre-defined through the literature and the research design.

To enrich, complete and triangulate the data, publicly available data was added to the categories, resulting in the following case study structure. The table in the appendix shows the result of the coding process. The structure of the case is very close to the results of the coding.

7.1.4 Schindler as a Research Site

Founded in 1874 in Lucerne, Switzerland, by precision engineer Robert Schindler, Schindler is one of the world’s leading providers of elevators, escalators and moving walkways as well as maintenance and modernization services (Schindler Management Ltd., 2018a). In the course of its history, Schindler has grown from a local manufacturer of machines into a global elevator and escalator business.

The long history and the continuous evolution from a patriarchic family business into a multinational corporation with more than 1,000 branches in over 100 countries make the corporation a rich ground for valuable insights on stakeholder management. Its most distinct features are its governance structure as a publicly listed, closely held family corporation, its strong engineering background, its matrix structure and its continuous efforts to grow and innovate.

7.1.4.1 Publicly Listed Family Business

Over the course of the 141 years of existence, the corporation has been heavily shaped by the founding Schindler family, members of which long led the business directly. In recent years, the family withdrew from directing daily business. As part of his succession planning, Alfred N. Schindler stepped down as CEO in 2011 and handed over his Chairman duties to Silvio Napoli at the Shareholders Meeting in 2017.

Today, the influence of the family remains present. The family influences the business in two ways. On the one hand, the Schindler and Bonnard families own 71.1% of voting rights of the share capital entered in the Commercial Register (Schindler Management Ltd., 2018c). As shareholders, they influence the strategic orientation of the company and are able to guide the general direction of the company. In addition, the 5th Generation of the family is active in several executive roles – ranging from board members to heads of operative units – and thus have an immediate influence on the business (Arno Schmocker, 2017). Also, Alfred N. Schindler remains an advisor to the company and is still present for specific questions. So, the family retains a strong influence (SCHINi4, 95-104).

7.1.4.2 Engineering Company with Strong Values

The strong influence of the founding family and the focus on delivering high-quality elevators and escalators have created a solid engineering corporation with clear values. The engineering background has led to a corporate culture that is built on clear processes, checklists and fact-based decision-making. For engineers, facts and measurable parameters are key. It is their task to make sure that elevators run smoothly. This is only possible if the technical components are perfectly aligned. Therefore, an engineering culture is characterized by equations, checklists and reliable facts.

Putting it another way, “it's maybe overly process driven. And this is because this is an engineering company. And a financially driven company. So, for everything they want a process. But it goes to the other extreme that there are people managers, who say: Give me checklists on how I need to structure a team meeting! Give me a checklist on how I need to structure a one-on-one discussion with my employee. And I am like, if you need a checklist for that, you should not be a manager. I mean, these are things that you need to know before you go into a management position. So, this company likes to work with checklists. And I think it's sometimes overly processed” (SCHINi4, 408-421).

For the patriarch, Alfred N. Schindler, safety, code of conduct and compliance were very important. This is the reason why these values are so deeply anchored in the organization. There is zero tolerance. Now, with the new governance, this might change (SCHINi1).

7.1.4.3 Matrix Structure

With Schindler operating across the globe, the corporation needs an organizational structure that ensures efficiency while simultaneously addressing regional particularities. Therefore, the organization is organized in a matrix structure, with the regions/zones on one axis and the functions and product lines on the other axis.

	Europe North	Europe South	Americas	Asia- Pacific	China
HR					
Finance					
Field Quality & Excellence					
Technology					
Operations					
Escalators & Supply Chain					

Figure 16: Schindler Matrix Structure

It is noteworthy that China is considered as one zone, equivalent to the Americas, Europe North, Europe South and Asia-Pacific. This has become necessary because of the rapid growth and therefore high strategic relevance of the country.

A matrix structure has clear advantages because it helps in addressing external complexity. On the other hand, a matrix structure also creates complexity within corporations. The example of Schindler shows that employees in a matrix structure are required to both report to the region and also to their functional head. At times, these multiple reporting lines create redundancies and inefficiency. It also increases complexity for employees because they need to align with both the function and the region (SCHINi1). To roll out a project in the organization, managers need to get the buy-in from the executing colleagues. Simply giving orders does not work. Convincing and clear communication is necessary to get all necessary stakeholders on board (SCHINi3).

Matrix structures also create silos because employees working on similar issues in different organizational entities don't necessarily communicate and exchange information. This also leads to inefficiencies. *“And then you discover, well, [this other part of the*

organization] is also doing skills development. So, why are we not working together? Well, then it turns out that they are aware and ultimately, they want to have a similar approach but they are not there yet” (SCHINi4, 95-124).

7.1.4.4 Digitalization and Cultural Change

The challenges and opportunities that come with digitalization and the war for talents have also left their traces at Schindler. It comes as no surprise that Schindler has defined “customer and markets”, “people and organization”, “innovation and technology”, “modularity” and “digitalization” as its strategic priorities alongside growth and profitability (Schindler Management Ltd., 2018d).

The long history and the well-established processes and expertise are clearly Schindler’s strength and its rock-solid foundation. But it has also created a measure of inertia and resistance to change. Schindler has great potential in various areas of agility. Digitalization offers many opportunities, and Schindler is an early mover. *“I think we have many more possibilities. And with this digital organization we also feel that we should move forward with these topics. But, so far, we have been hesitant” (SCHINi1, 384-391).*

This is why Schindler leadership is putting a lot of emphasis on cultural change and becoming more agile to respond to new opportunities.

“Our cultural change is about: How can we work more in an agile world? How can we work more fact-based? How can we become more independent of individuals? Schindler has grown out of a company, where the company language was Swiss German 30 years ago. Then people started talking High German. Then, almost 20 years ago, the corporate language became English. But now we move into a big phase, where shared teams, shared locations, common goals are being established. And this means extreme efforts from the top. I would say, it is a journey. You never get to the end destination and we are in the midst of it. And with this digitalization and this agile development in this international setup, we are in a phase where we need to change our mindset. It’s exciting, let’s put it like this” (SCHINi3, 375-390).

The Internet of escalators and elevators is one of the latest initiatives in which Schindler is making use of the new possibilities offered by the Internet of Things and machine learning.

7.1.5 Stakeholder Context at Schindler

On the first page of its Corporate Sustainability Policy, Schindler states that, “to create value for our stakeholders, we provide innovative vertical mobility solutions and high-quality services while continuously working to improve our environmental performance and thus contribute to the development of smarter cities” (Schindler Management Ltd., 2018g). This mission sounds easy and appealing, yet it mainly addresses one group of stakeholders, namely customers. Its customers are one of the two most important stakeholders because, in the end, they are the ones that pay for the products and services. The second most important stakeholders are its shareholders because they are the ones to approve and direct the strategic orientation. A third group of stakeholders that is essential to Schindler’s operation are its employees. To deliver high-quality innovative solutions and products, Schindler depends on highly qualified and motivated employees, which in a time of “war for talents” becomes more and more challenging.

Additional stakeholders are Schindler’s suppliers, consultants, competitors and governments. From a helicopter point of view, one could argue that “*Whatever the decision is, I think it is only a good decision if the stakeholders see the added value. If they are informed on time and if they are not taken by surprise and if it actually helps the business moving forward*” (SCHINi4, 398-403). In reality, dealing with stakeholders requires knowledge about their interests and positions. The following sections specify the Schindler stakeholder context further.

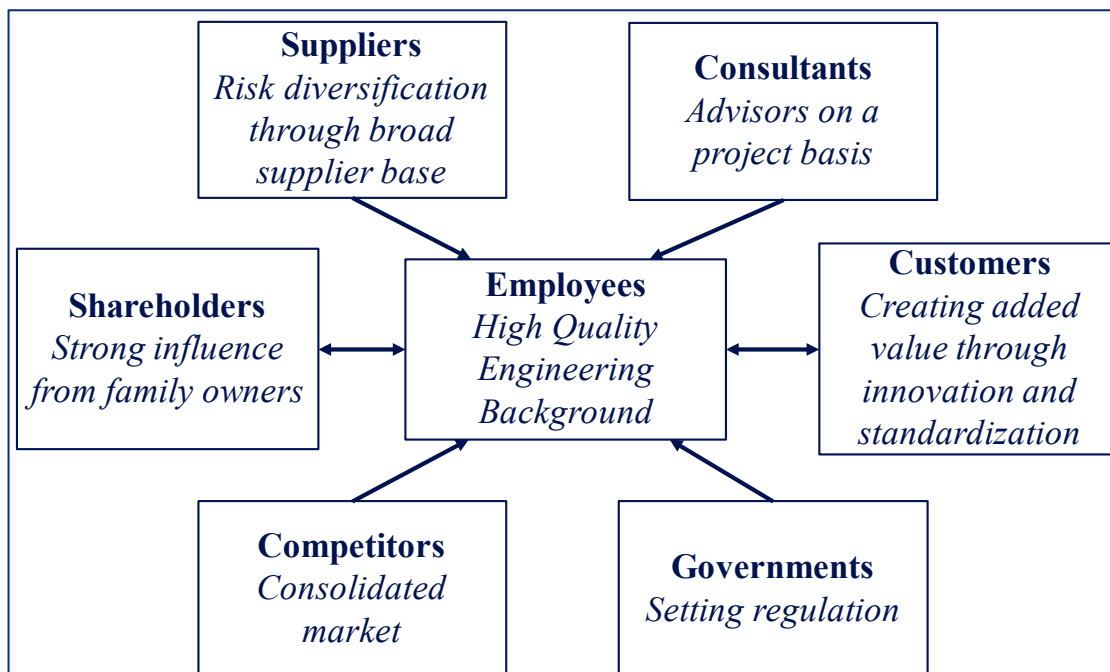


Figure 17: Stakeholder Context at Schindler

7.1.5.1 *Stretching Between Shareholders and Customers*

Putting it simply, Schindler needs to sell and deliver attractive products and services to customers in order to create growth and profit for shareholders.

7.1.5.2 *Shareholders/Owners*

Theoretically, shareholders should only influence the main direction of a corporation through the election of the board and by approving the annual report and making the main strategic decisions during the general assembly. In the past, Mr. Schindler as a patron was very much involved in most of the important decisions regarding the corporation. *“He wanted to have everything under control. I think that, with the change of governance and with the new CEO, there will be more General Management. And the regions and countries will get more responsibilities and autonomy. This often happens in the industry. The patron hands over the business, and many things change”* (SCHINi1, 603-613).

7.1.5.3 *Customers*

The elevator and escalator market is a highly competitive market. Elevators have become almost commodities. In this competitive environment, customers have the choice of where they want to buy, and they can compare and contrast easily. This is likely one of the reasons why Schindler’s first strategic focus — after growth and profitability — is “customers and markets”. In this, Schindler is committed to continuously develop and improve its product and service offering. Since 2012, the corporation has been running its Customer Excellence Program to systematically measure and analyze the satisfaction of customers (Schindler Management Ltd., 2018d).

One example of this customer orientation is the following statement: “At the end of the day, we want to make our customers more successful. And our customers are developers. Building developers, residential or commercial, real estate developers. And they have to first build and then they have to sell or pre-sell. So, if we can give them solutions, and it is not just solutions about a cheaper product, we also give them innovative solutions. So, if you think about a high-rise building in Asia. In Shanghai. Or in Tokyo. You know, there are buildings where 50,000 people go to the offices at 8 o’clock in the morning, 50,000 people want to get to their offices in five minutes. At lunch time, 30,000 people need to come down and have lunch or, you know, and then they go back again. And at 5 o’clock, 50,000 people want to get out of that building. So,

you see, from that point of view, I mean, in Switzerland you don't see it. But when you go abroad and you go into these massive buildings, Hong Kong, Singapore, you see hundreds of thousands of people walking in and out of buildings. And then you have customers. So, from that point of view, it's not just what we can offer in terms of pricing. Now if you think. We offer our customers — hey! With our solutions, you will have zero waiting time. Or you have minimal waiting time. And your customers — because their customers are either tenants or people who work there — and they go up and down smoothly. And they will not complain” (SCHINi6, 543-568).

7.1.5.4 Employees

Digitalization and new opportunities through the Internet of things (IoT) also bring about the necessity of a cultural change. Schindler has many employees who have been with the organization for more than 20 years. These employees are highly committed and identify with the organization. It used to be the case that salespeople did not have to go out to acquire business. Customers would simply call and order elevators and services. Today, with increasing competition, this has changed. Salespeople need to follow more instructions and guidelines. They need to change their attitudes to keep up with Schindler's and the customers' expectations (SCHINi1). This puts enormous pressure on employees. Therefore, attracting the right people has become a strategic priority for Schindler. *“Schindler aims to attract and retain the best talents over the long term. By providing an open, communicative working environment and challenging roles, Schindler creates the necessary basis to allow employees to develop their skills and realize their potential”* (Schindler Management Ltd., 2018d, p. 38).

7.1.5.5 Suppliers

Schindler engages with a wide variety of suppliers. Some of its suppliers deliver elevator components, others deliver services to Schindler, and sometimes they even deliver services to Schindler's customers. The suppliers that deliver services to Schindler are its consultants. *“So, it's not always possible to have all the competence in-house. So, we do have consultants. We have a lot of strategy consulting. We also have a lot of technical consulting. We bring in experts. Especially when we have to do some new tests. We have to set new standards. Then we work with universities, with technical institutes, with technical consultants to do this stuff. Or we have to test some stuff from the field. So, we are using collaborations with universities and with external consultants”* (SCHINi6, 418-424).

The suppliers that deliver services to Schindler’s customers are its subcontractors. To cover peaks, Schindler engages subcontractors to deliver to customers. The challenge in working with subcontractors is to ensure quality and safety. Often, they may not be used to the high safety and quality standards that Schindler applies. If Schindler depends on subcontractors, it is also not easy to insist on adherence to these standards. That’s when dilemmas arise (SCHINi7, 651-684).

In dealing with all suppliers, risk diversification is crucial. First of all, if suppliers are too salient, then they can demand more — higher prices, low adherence to standards or anything else they can demand (SCHINi6).

7.1.5.6 Competitors

The global elevator and escalator market is expected to grow from \$89 billion in 2015 to \$125 billion in 2021. The market is dominated by five large international corporations and additional small local players. While the main elevator vendors are situated in Finland, Germany, Switzerland, the U.S. and Japan, the largest markets for elevators and escalators are India and China (Statista, 2018). In terms of revenue, Schindler is currently the second-largest elevator and escalator company worldwide and number one in Switzerland, its home base.

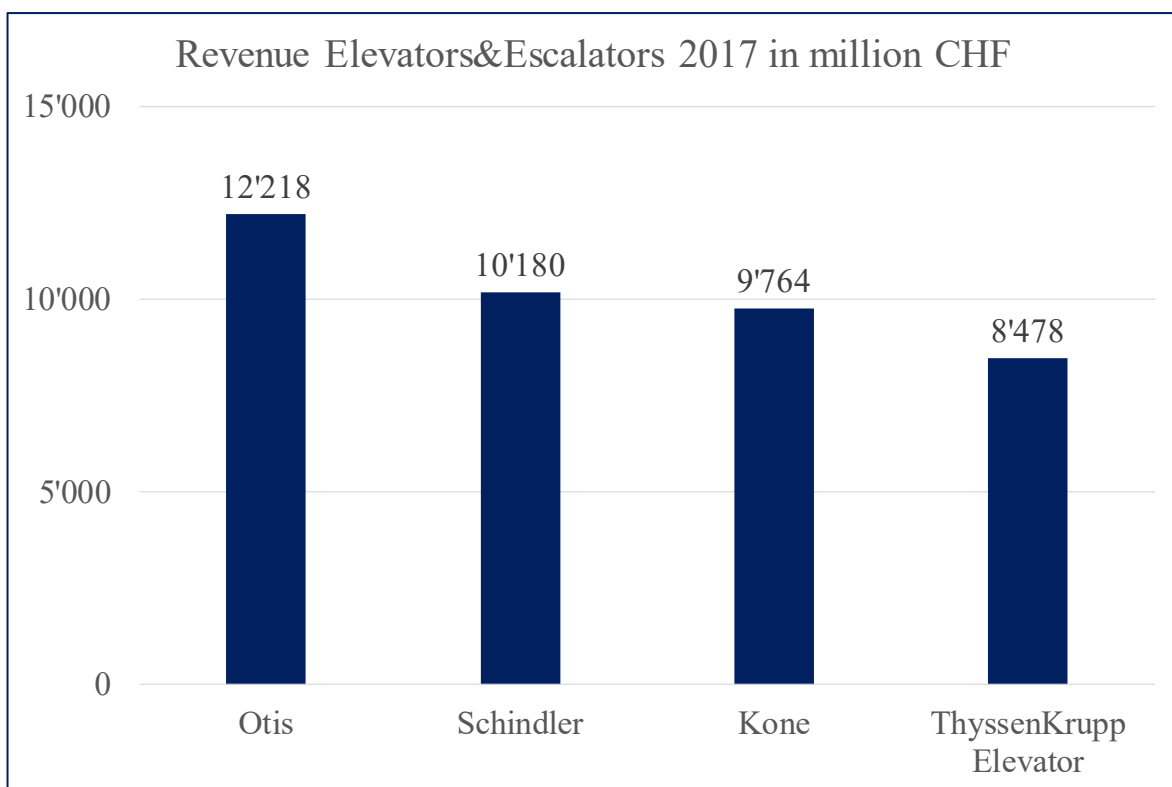


Figure 18: Top Elevator Companies Worldwide (Schindler Strategy Data)

As one of the biggest players in the market, Schindler is prone to infringing on cartel laws. In response to this risk, Schindler has placed the issue “Comply with all applicable laws and regulations” as number one on its code of conduct (Schindler Management Ltd., 2018f). In a document “*Sample Do’s & Don’ts against Hard Core Cartels*”, Schindler employees find, for instance, items that they cannot discuss with their competitors, such as *prices and costs, allocation of sales territories and offers before submission* (Schindler Management Ltd., 2018f).

The fierce competition has a significant influence on margins. Customers can easily compare between offers and can often negotiate a good price, which reduces margins for elevator companies. This holds especially true in the high-rise segment, where building an elevator in a prestigious building, such as the Burj al Arab in Dubai or the ICC in Hong Kong becomes a marketing effort (SCHINi2, 306-323). To win such renowned projects, elevator companies frequently offer their solutions almost at cost.

To increase market share, elevators are sold at lower prices. Companies then try to sell options and aftersales services to increase revenue (SCHINi8, 229-241). As a consequence, intense competition pushes companies to innovate and offer attractive solutions at competitive prices to customers.

7.1.5.7 Governments

Governments are both a limiting factor and a catalyst for Schindler’s business. They are a limiting factor because they dictate the rules of the game. Legal requirements increase complexity of products because countries define norms for elevators. As one interviewee put it: “*The norms are different. So what I can sell in Europe is not what I can sell in India and not what I can sell in China — not, for sure, is not what I can sell in the U.S. The U.S is completely different. So, for some of these zones, you know, we have not even yet developed our product*” (SCHINi6, 456-474). Competition laws also limit the scope of action to protect consumers.

Governments can also become catalysts. For example, the trade agreement between the Swiss and the Chinese governments supports exports from Switzerland to China, which generates important sales and growth for Swiss companies like Schindler (SCHINi2).

7.2 Normative Frame

When managers at Schindler make decisions regarding stakeholders, they are strongly led by their accountability and commitment toward the company. Achieving

their numbers to contribute to the growth and profitability goals of the company is therefore always on top of their minds. The second priority, “delivering values to customer”, is partly a result of this commitment to create value for the company.

The values, especially safety and code of conduct, serve as zero-tolerance guiding principles. As a result of the engineering culture, managers at Schindler make sure that they decide based on well-founded facts and analyses. If they make mistakes, they evaluate and learn for the future, contributing to sustainable growth.

The following sections describe in more detail how managers adhere to a normative frame when they make decisions regarding stakeholders.

7.2.1 Accountability

Schindler employees feel a strong sense of accountability toward the corporation. “Because at the end of the day, we all work for the company, and we are all accountable to the GL (board of directors and group executive committee)” (SCHINi6, 520-568). The accountability to the corporation is the sine qua non, the indispensable accountability of all employees. “Somehow it needs to work out. We need to fulfill the expectations of the family and the corporate management with our plan and our performance. Because otherwise, everything is questioned” (SCHINi8, 364-383).

Taken more broadly, employees feel that they are also accountable toward all stakeholders, “including the customers of course and the broader society. And through taxes, you are somehow also supporting the broader community. We are more looking at from a, like I said, from a perspective, customer — end of the day, we all work for the customer. The whole company exists because there is a customer who buys our products. So, the words of the customer for us are key. In making any decision. So, if there would be, let's say, two conflicting decisions. One would be beneficial for the customer, one not. Then, for sure, we go with the one that is beneficial for the customer. If you think about the overall accountability, that's the whole thing” (SCHINi6, 520-568).

So, to fulfill their accountability toward the corporation, employees feel that their number one accountability is toward the customers. And to fulfill their accountability toward customers, managers need to make sure that they support their employees. Managers feel that they need to provide employees with the capacity to cope with their daily tasks and that they need to empower them so they see a way into the future (SCHINi8).

To summarize the accountability of managers toward stakeholders, they first feel accountable toward the corporation/board of directors/family owners. Second, they feel accountable to deliver value to customers, and third to their employees. Although society was mentioned, this accountability seems to be a more general accountability with no strong priority.

7.2.1.1 Profitability and Growth: Balancing Short-term and Long-term Orientation

In its sustainability report 2017, Schindler states that “*always looking beyond short-term financial results, Schindler is committed to a long-term growth strategy*” (Schindler Management Ltd., 2018d, p. 31). This long-term growth strategy is supported by the family ownership structure. The family shareholders are interested in the continuation of the company’s 140-year success story. Nevertheless, to attain long-term growth, the company needs to be able to deliver on short-term obligations.

“Therefore, we need to continuously balance short-, mid- and long-term success. In this, we notice quickly that different stakeholders have different expectations. The owner family has the most long-term approach. But there are always short- and mid-term aspects to consider” (SCHINi8, 34-53).

To achieve long-term growth and short-term profit, Schindler has a strong focus on financial KPIs. “As soon as financial numbers are concerned, the company is very sensitive. Because this is how the corporation is evaluated at the end of the day — on its EBIT” (SCHINi1, 369-392).

Putting it more generally, success is the underlying expectation for any undertaking in the company. So, the expectation is always that projects are successful and that they meet the deliverables (KD, 432-447). The CEO of Schindler summarizes the long-term orientation: “*So, we don’t only look at the next quarter, but whatever we do, we do the things that are the right things for the next 10 or 20 years*” (Thomas Oetterli, 2018).

7.2.1.2 The Example of Product Pricing

One example of balancing short-term profit with long-term growth is the pricing structure of products and services along the product life cycle.



Figure 19: Elevator Life Cycle

Considering that Schindler sells various products and services during an elevator’s life cycle, it sometimes makes sense to accept a lower margin on the initial sales price of the elevator because it can generate additional revenues in the future through maintenance and modernization services (SCHINi8).

For product development, this means that products need to be viable in the market. In addition to high quality, customers expect reasonable prices. Therefore, balancing costs and quality to achieve profit is crucial for the success of a product (SCHINi2).

With the high quality standards that Schindler sets, this becomes a real balancing act. It raises questions, such as “*what do we want to standardize and what not? What can we offer as optional and what is essential?*” (SCHINi3, 62-84)?

The example of product development and product delivery to achieve short-term profit and long-term growth shows that customer/market orientation and innovation to solve dilemmas are two essential factors for success.

7.2.1.3 Innovation and Creativity to Solve Dilemma

Often, customers want the highest quality at the lowest price. Development engineers are also very much in favor of designing fancy high-quality elevators with every feature possible. This causes a dilemma because quality and extras usually come with higher costs.

Innovation and creativity help to solve this dilemma (SCHINi1). For example, Schindler has developed a modular approach, so that customers can choose what they are willing to pay for. Often, customers are also willing to pay higher prices for innovative products. And sometimes innovation also helps to reduce costs for the elevator company (SCHINi3).

To facilitate this innovation and to take advantage of the possibilities offered by digitization, Schindler has also adapted its structures. It has incorporated cross-functional teams to bridge silos and to create a high-performance culture (SCHINi5).

7.2.2 Influence of Values on Decisions

Schindler's strategy is built on its core values of safety, creating value for customer, commitment to people development, integrity & trust and quality (SCHINi8). These values are truly part of Schindler's DNA and culture. *“The values are very important at Schindler, which I appreciate. Because they are actually lived. They are not just a poster on the wall. And, you know, it's safety, quality, customer focus, integrity and trust and focus on people. And these values are truly embedded in everything we do. There is a high level of integrity in this organization. Of course you have internal politics, but there is a high level of integrity. High focus also on compliance, strong focus on safety and customers. And those are also principles that I try to, you know — not try to, that I incorporate in my ways of working. So, it's truly established. It's not just a poster on the wall”* (SCHINi4, 325-338).

Although all the values are important, the word count of the values in the conducted interviews reveals an interesting picture as shown in table 11.

For Mr. Schindler, especially safety, code of conduct and compliance are very important. This could be an explanation why these values are so deeply rooted in the company. There is zero tolerance when it comes to these two values (SCHINi1). This historic focus on certain values is one explanation of why some values are more influential than others. The following sections give more insights into how the values influence decisions at Schindler.

Customer	58
Safety	52
Quality	36
Code of conduct, trust, integrity	33
People development	3

Table 11: Word Count for Values in Interviews

7.2.2.1 Customer/market Orientation

For long-term growth and existence, Schindler needs to create value for its customers. Therefore, Schindler constantly analyzes customer needs and considers

market conditions to develop a strategy, to develop products and to define a pricing structure.

For its strategy development, Schindler considers macro-economic parameters on the one hand and the profitability of market segments on the other hand (SCHINi8). Elevators and escalators can only be sold if buildings are built. This requires construction activities in the market. Macro-economic developments are therefore suitable indicators for potential growth. Profitability and sales figures for product segments indicate what customers want and where future growth is to be expected. Schindler thus defines which segments to focus on and which segments to reduce. A pricing structure is only successful if customers are willing to pay the demanded prices, and products are only sold if they fulfill customer expectations. Knowing the customer and responding to her needs is therefore essential for Schindler (SCHINi1).

Elevator consultants are a fruitful source of information on customer needs. They are the ones who advise end customers on which elevators to buy and therefore know exactly what customers value. Not considering customer needs may result in the design of elevators that are never sold (SCHINi3).

7.2.2.2 Safety

While customer orientation is highly important for complex stakeholder decisions, Schindler has zero tolerance regarding safety and code of conduct. In the end, even the customer expects that elevators operate safely. *“If you would ask a customer: Would it be alright if some worker is injured on your construction site because of our elevator? Of course, he would disagree”* (SCHINi7, 310-331).

Safety serves as a reason to conduct maintenance work on elevators. *“Usually we put up a little note on the elevator doors, saying: Sorry! This elevator is not available. In Poland, they put up a big sign saying: We are currently working for you to make this elevator safer. This gives the whole operation a positive connotation”* (SCHINi7, 510-523).

Of course, everybody agrees that safety is important. Why is it such a big issue then? Safety regulations often conflict with short-term business targets. Technicians are supposed to achieve certain numbers and therefore are forced to work fast. Thus, they may be tempted to take shortcuts, compromising on safety measures (SCHINi7).

This is how safety becomes a cultural aspect. Safety does not only mean following safety rules, it means to be aware that safety is closely connected to quality and structured

work. To reduce incidents, it is important that technicians set quality standards and not take shortcuts. It also means to be aware that safety sometimes increases costs because maintenance work takes longer. At the end, increasing safety is a journey that requires the right attitude from every employee (SCHINi7).

7.2.2.3 *Quality*

Schindler elevators and escalators stand for Swiss premium quality. “It is easy to say ‘quality first’ and ‘safety first’, but it is always important to keep control over costs. Because no customer will buy an elevator that is four times more expensive than the competition. Because eventually all elevators just go up and down. It’s as simple as that” (SCHINi2, 99-108).

To keep costs reasonable, Schindler has several options. The most straightforward is to reduce quality from excellent to high quality. Another option is to move production from expensive Swiss production to Eastern Europe or other locations. Yet another option is to offer different configurations, so the customer can choose himself what he is willing to pay for (SCHINi2).

One of the challenges is to define costs. “Do we consider materials costs? Do we consider maintenance costs? Do we only consider longevity” (SCHINi3, 62-84)?

Similar to safety, quality is an attitude. It takes effort to engrain safety and quality into the DNA. Schindler pursues various initiatives to increase safety and quality in the company, often independent of each other. If the connection between the two were made more explicit, synergies in enforcing the two attitudes could be realized. But this would mean to bridge existing silos, which is a lofty vision (SCHINi7).

7.2.2.4 *Integrity and Trust*

Schindler states in its values that “all our employees, regardless of position, function or location adhere to Schindler Code of Conduct. Schindler fosters open and trustworthy relationships between employees as well as with customers. (Schindler Management Ltd., 2018e)”

When asked about values, Schindler employees don’t often explicitly mention integrity and trust, but they know the code of conduct very well. They know exactly what the no-goes are concerning interaction with competitors (SCHINi3). “*Every employee needs to complete regular online trainings to refresh his/her knowledge and awareness*

of the code of conduct” (SCHINi1, 411-436). So, there is a very high degree of integrity — while trust is a concept on which there is less of a common understanding.

7.2.2.5 *Commitment to People Development*

The value that was mentioned least in terms of influencing stakeholder decisions is “*commitment to people development*”. Top managers know how important high-potential employees are for long-term success and that they need to offer career paths in their organization. Therefore, people development is one of the values and part of Schindler’s strategy. For example, the strategy for Schindler Switzerland was developed in a way that it left enough room for people’s career development (SCHINi8).

Although high-ranking managers emphasize the importance of highly qualified and high-performing employees, this value does not have the same influence on decisions as the other values. The statement “*for example, development of people — you are free to implement it as you feel appropriate*” shows that employees have a lot of room for interpretation on how to implement the value (SCHINi1, 459-466).

Schindler’s values are a framework. But it is very important these values are lived and implemented. “Culture varies at Schindler, depending on with whom you collaborate. Therefore, a lot depends on the extended team. The 10-15 people you are in constant contact with” (SCHINi3, 348-373).

This is not an easy task. It takes strong leaders to create a consistent culture across the company. Realizing a cultural change is even more difficult. “*Values and culture are a leadership task — to make sure that we have the right culture. And it is one of the most challenging tasks to improve it. To achieve a cultural change is extremely difficult. It is easier to solve any technical problem than to change a culture. And we are in the midst of it*” (SCHINi3, 348-373).

7.3 Stakeholder Processes

Due to its size and long history, most important processes are well-defined at Schindler. There is a high degree of standardization, which contributes to efficiency and effectiveness. In this well-defined organization, bridging silos — which naturally exist in a matrix organization — becomes a challenge. The same challenge exists for innovation and agile management.

The following sections describe how the high degree of standardization and the well-established processes influence managers' decisions regarding stakeholders.

7.3.1 Standardization

In general, Schindler as an engineering company has a very clear structure, which indicates when to make which decisions on the basis on which facts (SCHINi3). In this sense, operations and most process are well structured and defined. The company works as precisely as a Swiss watch when the processes are defined and people work in areas that they are familiar with. The delivery of quality is one of Schindler's promises to its customers: *"We aim to reflect genuine Swiss quality not only in product design but also in our delivery, maintenance and modernization. Our century-old legacy and track record in delivering value is nothing but a consequence of our ability to deliver reliable solutions"* (Schindler Management Ltd., 2018b).

7.3.1.1 Simplification and Efficiency

In some areas, the highly defined processes are maybe even over-engineered or overly complicated. Newly developed technology offers possibilities to simplify processes and make them more efficient. *"We want simpler processes. We are still too complicated. Much too administrative, an administrative overload, where we have the feeling that we need to become simpler. Much more simple. In all processes"* (SCHINi1, 329-343).

Simplification is a constant task. Operations need to become simpler, more efficient and more professional (TE, 569-585). This optimization of processes and structures is also closely connected with saving costs, which contributes to the strategic goal of generating profit (SCHINi6, 202-203).

7.3.1.2 Standardization for Effectiveness and Empowerment

In addition to contributing to the bottom line of the company, the standardized and well-defined processes at Schindler help to increase effectiveness and empower employees at all levels to make adequate decisions. One example of this effectiveness and empowerment are the *sales funnel* and the *big project approval*.

Standardization Increases Effectiveness

High-rise projects are flagship projects for elevator companies. The Zurich Prime Tower, the International Commerce Centre in Hong Kong and the Costanera Center in Chile are three prestige buildings that feature Schindler elevators. Operating elevators in such prominent buildings shows competence to visitors and increases brand visibility.

At the same time, to construct and install elevator systems for such highly frequented hotspots also exposes the elevator company to risks. *“There are approximately 30,000 people in the ICC in Hong Kong. And when the elevators stop operating, 30,000 people are stuck. This can ruin a company”* (SF, 386-429).

The *big project approval process* structures the decision and execution process to ensure that all necessary stakeholders are on board and costs as well as risks are calculated.

“If you equip such a high tower, then the first feedback is: OK, sounds good, to have a 30 million mandate. But then you need to install about 80 elevators. And then it begins: Are we in one of our focus markets? Do we have the necessary people? Do we have project managers? Do we have technicians to assemble the elevators? Are the suppliers on board to supply the material? Will we make profit? ... And so, we have elaborated a set of questions that we need to answer in order to assess whether a project is viable or not. After all these questions are answered, the CEO decides whether Schindler bids for such a project. He has the last word” (SCHINi2, 386-429).

Empowerment to Decide

The checklists and processes also empower product managers to assess whether a project even has a chance to be approved by the executive committee. The *sales funnel*, for example, is a tool that asks 10 questions, such as: *“Do we know someone in this project? Do we have a promoter, a gatekeeper?”* Depending on the answers, the project manager can decide quite quickly whether it has the potential to be a successful project or not. Because relationship management in this business is key.

So, having the answers to the sales funnel questions has become part of big product approval. With an increasing number of potential new projects, pre-selection has become crucial to reduce costs from unsuccessful bidding processes (SCHINi2, 438-494).

7.3.1.3 Cultural Process Dimension

Processes are one element. Culture is the other. Schindler has relatively strong processes. Yet, the outcome of a defined process may be completely different for different companies, even for different teams. *“When the team culture is different, then also the result is different. And therefore it is important that the process does not only exist on paper but that every single employee knows what is expected from him. This depends a lot on the kind of people in the project management”* (SCHINi3, 261-291).

Of course, this can be a weakness. Because solutions depend on people. So, processes should be regarded as guidelines, and management needs to regularly ensure that employees understand how they are expected to implement the processes.

7.3.2 Innovation

Innovation and technology, modularity and digitalization are three of Schindler’s current strategic priorities. In areas of innovation, where process are being defined, the company takes time to analyze the facts and define the new products and processes. This leaves room for uncertainty and irritation while employees figure out how to achieve their business goals. *“Yes, I think, in some areas we have very clear processes. In some areas, there are no processes. And then you also see that the information flow is not good”* (SCHINi4, 408-421).

One approach to operate in areas where an issue arises or where processes are not yet defined is the deployment of project teams or task forces (SCHINi6, 400-406).

Although task forces are a very powerful and effective way to handle projects and solve issues, they need to be deployed very specifically and with a clear assignment. Where the company is struggling is to accommodate and foster bottom-up initiatives.

7.3.3 Having the Facts Ready

Engineers are scientists who are used to making a lot of calculations and analyses before constructing and designing a product or solution. As a company with a strong engineering background, most of decisions at Schindler are made after a thorough analysis and based on reliable facts. Be it on the strategic, on the project or on the individual level.

7.3.3.1 *Strategy Development*

For strategy development — as is the case for most companies — Schindler conducts competitive analyses and market analyses before making decisions. “*Now, together we do competitive analysis. We do market analysis. We look at the trends. We look at our situations. And based on that, a few things come up and out of which they may pick up, OK, these are the three or four things we would like to look at*” (SCHINi6, 254-265).

7.3.3.2 *Big Projects*

For big projects, scenario analyses and risk maps facilitate the decision-making process. “*Primarily we created all the facts and based on the facts, then we created a few scenarios. What happens if, what happens if, so we also created the risk map. What happens here, what happens here? And based on that, we a decision*” (SCHINi6, 254-265).

If there is a problem or if the management needs to make a decision, it collects all the facts relevant to the decision or the problem. Then, different options are elaborated and finally, the management team makes a decision. The decision is then documented and implemented (SCHINi1, 648-658).

7.3.3.3 *Make the Right Decision the Right Way*

As a general rule, it is important to ask the right questions and to question any assumptions. In order to ask the right questions, it is important to know what to focus on. In order to not get lost in too many details, focusing on the business relevant KPIs is essential for effective decision-making (SCHINi2, 746-758).

7.3.3.4 *Document the Decision Process*

After having analyzed all the relevant facts, having asked the crucial questions, having elaborated the options and made the decision, the process and decision should be documented. People who were not involved in the decision process should be able to reconstruct why the decision was taken. This increases trust, reliability and quality.

“*Also, if strong personalities make decisions, it is important that they have the right arguments. And they need to explain these to others. If they just decide without explaining, they just exploit their current power. To be sustainable, decision-makers need*

to be able to document why they decided in a certain way. Because there are always repercussions, and then you need to have the right arguments and documentation ready” (SCHINi3, 305-318).

7.3.3.5 *Revise the Decision if Necessary*

“*Errare humanum est, perseverare diabolicum*”. This ancient Roman phrase translates as “*to err is human but to persist is diabolical*” and it describes fittingly how to deal with a decision after it is made. Because, in order to know whether a decision was right or whether it needs to be corrected, it needs to be evaluated. This evaluation should happen after an appropriate period of time, depending on the scope of the decision.

“You need to somehow plan a pit stop to evaluate the decision. This means: Is what I decided still the right thing? You need to give it enough time. The time span from the decision to the evaluation, when you can see the effect, depends on the business. Then you need to either revise the decision or continue as planned” (SCHINi2, 760-768).

It takes courage to revise a decision. “But if make decisions, you also make mistakes. It’s part of it” (SCHINi1, 677-679).

7.3.4 **Strategic Alignment**

The fit or alignment of an organization’s strategy with its context is crucial to organizational performance (Walter et al., 2013).

External strategic alignment is the alignment of Schindler’s strategy with its environment (market and external stakeholders). Internal strategic alignment is concerned with the mobilization of the firm’s internal resources in strategy implementation (Stepanovich & Mueller, 2002). At Schindler, strategic alignment happens vertically between the board of directors, the executive board and the implementing organization. Due to the matrix structure, alignment is necessary between the regions and between functions.

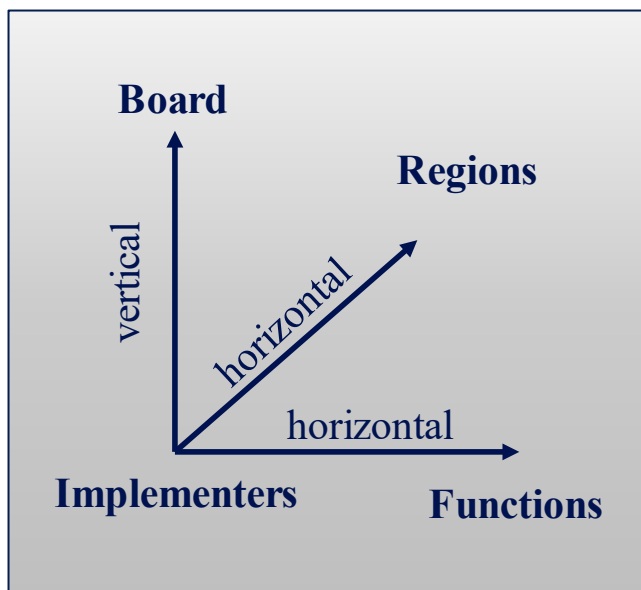


Figure 20: Internal Strategic Alignment at Schindler

7.3.4.1 Alignment with the Environment – Including all Stakeholders

As any other large international corporation, Schindler aligns its strategy to market conditions and market realities. “We grew our market in Switzerland in the past years by about 30%. There was enormous growth because of immigration and increased wealth, more single households, higher life expectancy, etc. This led to an enormous real estate growth in the past 15 years. And in the past two-three years, this growth was supported by the negative-interest-rate environment. So, institutional investors have been pumping money into the estate market. Despite the fact that many buildings are left empty. Therefore, our growth strategy was of course based on the development of the real estate market. And, at some point, this growth will come to an end” (SCHINi8, 141-160).

The intended cultural change is also a reaction to changing realities. “It’s about: How can we work more in an agile world? How can we work more facts-based? How can we become independent from individuals? Of course, Schindler grew out of a company where Swiss German was the official language. And now we speak English. We are entering a phase of shared teams, shared locations, common goals, etc., and this is something that requires a change of mindset” (SCHINi3, 375-390).

Adapting to the environment is not always smooth and connected with opportunities. Social media and the community put a lot of pressure on companies. If the company only slightly deviates from its communicated annual goals, then media and analysts are ready to start asking questions. “*Of course we have our strategy, and we can explain our results through our strategy. But it is important not to react to every single*

input from outside. Because we have conducted our market analysis and we have defined our strategy, and if nothing in the environment changed dramatically, then we are on the right path” (SCHINi8, 652-690).

Taking into account the stakeholders in the environment, it is crucial that all affected internal and external stakeholders are on board for a successful definition and execution of strategies and projects. They don't need to be involved in every step. But their interests need to be considered, or else, they could sabotage the end result (SCHINi2).

7.3.4.2 Vertical Alignment — Involve Implementers

Vertical alignment at Schindler means alignment on the strategy development and strategy execution between the board of directors, the executive board and the implementing organization.

Once the executive committee has aligned the strategy with the board of directors, implementation and communication to the rest of the organization starts. *“So, we had a management Kick-Off Meeting, where we presented the strategy and our motivation behind it. We also communicated the organizational changes that came with it. And from there, we communicated to the regions. And each region developed an implementation plan for the strategy”* (SCHINi8, 316-362).

Big Implementing Organization

The biggest part of the Schindler organization is not involved in the development of the core strategy but essential for a successful strategy implementation. *“Every employee is affected. Each executive manager develops an implementation plan together with his top management. So, it's not something that is dictated and we say that people need to do this and that. Rather every region develops a plan for how they want to deliver on the strategy. The need to define their budget and how they want to contribute to the strategic goals”* (SCHINi1, 270-304).

All subsequent decisions are then based on the defined strategy. Strategic initiatives result out of the strategy, and these initiatives are further broken down to projects (SCHINi6).

But not all decisions are strategic. *“20% of our decisions would be strategic. So, if you would ask us, 15-20% of the decisions are strategic. 85% of the time, we are doing*

day-to-day stuff. Execution, follow-up; execution, follow-up. That's what we generally do" (SCHINi6, 701-722).

The More Important and Complex, the Higher in Hierarchy

The more important and complex decisions are, the higher up in the hierarchy they are made. Almost all big decisions in this company are taken by the KL. Schindler has kind of a consensual decision-making structure. There is not a single person, so the KL takes a decision. The KL meets six or seven times a year, and two of the meetings are very strategic. The rest are operational. So, they make operational decisions. In addition, there is a kind of a matrix of limits of authority. So if a decision has an impact that goes beyond a certain value of X million, a manager at a certain level could decide, 10X million somebody at a higher level could decide. If it goes above a certain number, then the board has to approve it (SCHINi6).

7.3.4.3 Horizontal Alignment — Bridging silos

Matrix Organization Still Contains Silos

Although some years ago, Schindler moved to a matrix organization, Schindler is still a very siloed organization. "You know, people do not necessarily work across very well. Not because they don't want to. They just don't think about it. And then a decision is made in one silo and they are not aware of a similar process going on in another silo. And we reinvent the wheel in terms of activities. I'm like, why are we not working together? Well, then it turns out that they are aware and ultimately, they want to have a similar approach but they are not there yet" (SCHINi4, 95-124).

The clear structure has facilitated efficiencies, but it has also become a hindrance for synergies. So, projects that are very similar but are initiated in different areas of the organization often don't collaborate and support each other (SCHINi8, 531-551).

Collaboration Across Business Units/Silos

Because of the matrix organization, a lot of the success of projects depends on buy-in from employees in other business units. "*You cannot simply instruct others to do certain things. You need to convince people, so they understand and participate. So, clear communication and involvement of all stakeholders becomes very important. They need to become part of the game*" (SCHINi3, 197-253).

Very high up in the organization, this collaboration is easier. The heads of businesses simply exchange with each other to align on issues that concern other strategic business. There is close collaboration, and managers feel that they can reach out to the necessary partner to discuss issues and define action points. There is mutual support (SCHINi5).

Collaboration Across Countries and Across Zones

As soon as it concerns the same function or the same business unit, collaboration becomes natural. Geographic distances can then either be helpful (if they are near) or be a challenge (if they are far) (SCHINi1, 334-339).

Although the organizational setup is a country/zone setup, collaboration happens between countries and zones. “I try to turn it into a very inclusive process, which is something that I can see that people are not used to. To collaborate across country. To collaborate across the zone. For one of my projects, I went to the seven most important stakeholders, got their input, then I got a suggestion from someone, then I went back to the group, are you comfortable with this? Then I discussed it on the call, and then we made a team decision. I can see that they are not used to being involved like that. And I see that they also appreciate it that they are being involved” (SCHINi4, 153-165).

Implementation Needs to Fit the Local Culture

Strategic projects that concern more than one country or zone need to always consider local conditions and realities. It needs to fit to the local culture. Headquarters can't just instruct that everyone needs to do the same. To convince people is also very challenging because conviction needs to be intrinsic. The approach and way of implementation needs to come from the local entities (SCHINi7). To align with approximately 100 countries is not an easy undertaking. But Schindler's success shows that it is worth the effort.

7.3.4.4 Strategic Consensus

Strategic consensus, the third element of strategic alignment, is defined as “agreement on strategic priorities by decision-making groups, including those at the top, middle, and/or operating levels of the organization” (Kellermanns et al., 2005, p. 721). Schindler as a family-owned company has two modes of agreeing on strategic priorities.

The first mode is the classic mode of a publicly listed corporation in Switzerland. Compared to other international corporations, which are sometimes led very much from the top-down, Schindler involves more people. This slows down the decision-making process but increases consensus of the people involved (SCHINi4, 135-142).

One example of the involvement of many to take a decision is the development of the “Zero incidents” safety strategy. The impulse came from the top management, but the content of the program was elaborated during two Zone Safety Meetings. *“With participants from different units. And the result was: Zero accidents — yes it’s possible! And it is possible”* (SCHINi7, 258-269).

The second mode is the clear vision of the patron and the family, who sometimes just decides. “Because there is the family-driven history, sometimes decisions are also simply made because that's the decision of the family. Full stop” (SCHINi4, 135-142).

7.3.5 Strategic and Financial Planning

Strategic and financial planning are two processes at Schindler that are very structured and clear for the entire organization. They serve as a guideline for many subsequent decisions and priorities.

7.3.5.1 Strategic Planning

The group executive committee is the entity at Schindler that develops the corporate strategy for the group. For the country subsidiaries, the executive board develops the strategy and aligns it with the board of directors and the management for the zone (SCHINi8). The main strategy is developed every three years and reviewed yearly to make sure it still fits the market conditions. *“You know, once a year, the GL sits down and says: Look, this is what we have been doing. Is this strategy still the same? Or do we need to do some steering changes? We had a strategy, let's say, we had direction from 2014 to '16. From '17 to '20 we have a strategic direction and we are moving in that direction. So that direction, the vision from the GL is very clear. And hopefully is very clear also for the rest of the organization”* (SCHINi6, 701-722).

Inputs from different stakeholders are collected through various analyses, including a stakeholder analysis (SCHINi8, 316-362).

7.3.5.2 Financial Planning

Similar to strategic planning, financial planning is very structured. “The planning and reporting/closing processes are very important. We also have clear milestones. Until the audit of our annual closure, everything is structured and organized. Where we follow a tight schedule” (SCHINi8, 547-572).

Based on the main strategy, which is developed in spring every three years, the executive committee defines a rough plan for the coming years. And then, in summer, the detailed budget for the next year is defined. “*During the year, there are previews 1 and 3, where the performance is compared to the budget and assessed whether it is still realistic to achieve the budget that was defined the previous year. So, the entire planning cycle, as well as the closure cycle and the group reporting, is very strictly defined. Considering the 200 reporting entities around the world, this clear definition with deadlines and templates is crucial for a timely consolidation of the numbers*” (SCHINi8, 547-572).

There is also a relationship between stakeholders and KPIs. Based on strategic priorities, the management committee also prioritizes KPIs. There are hundreds and thousands of KPIs. And of course, everybody feels that his KPIs are the most important. But still there is a prioritization, so everybody knows what growth and profitability means in her area (SCHINi8, 415-445).

7.3.6 Accounting and Reporting

Like strategic and financial planning, accounting and reporting is very well structured at Schindler. What is noteworthy is the increased pressure from stakeholders for more detailed and more specific reporting.

7.3.6.1 Increased Pressure from Stakeholders

Stakeholders are requesting increasingly more and detailed reporting. New technologies and data analyses enable much more automation in reporting. This raises stakeholder expectations. “*People want predictability and want to know everything about future developments. Pressure from capital markets has increased. Analysts sometimes know more about our competitors and suppliers than we ourselves. And they have certain expectations concerning our dividends. So, our story also needs to be right. And we put in a lot of effort to make sure it is right*” (SCHINi8, 574-648).

Media add to the pressure. As soon as there is a change or something is not as expected, then media start pointing out the unexpected and questions start being asked. Therefore, Schindler puts a lot of effort into correct, detailed and rigorous reporting (SCHINi8, 652-690).

7.3.6.2 Stakeholder-Specific Reporting

Not all stakeholders are interested in the same information. Therefore, reporting is adapted to stakeholders, depending on what information they are interested in. *“We report to the board of directors, where the family is strongly represented. We have two board meetings per year, where we report about the business and of course where we report some KPIs. And with the corporate management, we have monthly business reviews about short-term profitability. So, reporting depends on the stakeholders”* (SCHINi8, 447-469).

7.4 Stakeholder Interaction

Schindler’s operations can be compared to a highly effective and precise large machine. Its output is high-quality escalators and elevators as well as service and maintenance. Its components are its employees, who need to align to deliver to customers. One part of the machine (innovation) makes sure that the machine is kept up to date. Strategy updates ensure that the machine delivers goods and services that are competitive in the market. Because employees are the components of the machine, they need to collaborate very well. They need to communicate effectively and have the right attitudes and behaviors to keep the machine running. Trust in this setting takes on a new meaning. It’s not about the trust between employees but about trust in the system, because everybody knows that the machine is constructed in a way that is efficient and effective. The following sections describe in a bit more detail how employees interact with stakeholders to keep the machine up and running.

7.4.1 Collaboration – Strength of Teams

Although structures and processes are very well defined, and everybody knows what her responsibilities and tasks are, teams play a very important role at Schindler. They take on various forms, from top management teams, to project teams, to task-force teams. *“Define a problem, we form a small team, either an internal team or an internal and external team or an internal-external supplier team ... whatever is needed to solve the problem. We send them and touch wood and hopefully it happens”* (SCHINi6, 385-389).

7.4.1.1 Project Teams

The team format that demands the highest level of stakeholder management is the project team. Collaboration in project teams can be blessing or curse. If team members disagree, individual members can become a hindrance for the success of an entire project. If, on the other hand, teams are aligned, they can be the cause of great success. *“We had the great advantage to have a very aligned team. We collaborated very closely and always had a common understanding. Although the project manager had a strong role, we made many decisions as a team. We collected inputs from R&D, field operations, production, technicians, and customers/elevator consultants and based our decision on these inputs. To have a solid foundation for our decision”* (SCHINi3, 141-185).

For a project manager, it is therefore crucial that not only costs are under control and the design fits but also that the team is ready (SCHINi2).

7.4.1.2 Exchange Helps to Validate Own Reality

Working in teams helps to bring together all the relevant skills and resources necessary for the completion of a task or a project. It also helps to validate own, cemented

Definition of Team

“A group of people with a full set of complementary skills required to complete a task, job or project. Team members (1) operate with a high degree of interdependence, (2) share authority and responsibility for self-management, (3) are accountable for the collective performance and (4) work toward a common goal and shared rewards(s). A team becomes more than just a collection of people when a strong sense of mutual commitment creates synergy, thus generating performance greater than the sum of the performance of its individual members.”

(BusinessDictionary.com, 2018)

opinions. *“So, we only see parts of reality. Therefore, it is essential to exchange with colleagues, to also see other aspects and not only our own pre-defined view”* (SCHINi3, 197-253).

7.4.1.3 Reciprocal Relationships

The relationships between Schindler managers and the various stakeholders are reciprocal relationships. This means that there is a certain interdependency between the managers and Schindler stakeholders (Bosse et al., 2009). For example, managers depend on the performance of their teams and colleagues for successful project management and to achieve their KPIs. Schindler also depends on certain subcontractors/suppliers to deliver products and services to its customers.

This interdependency makes relationship management and communication delicate and essential for successful management.

7.4.1.4 Integrity and Trust

As already described in the section on the influence of Schindler’s values on decisions regarding stakeholders, “integrity and trust” is very specific at Schindler. It can be defined as “adhering to the code of conduct and identifying with the company”. If Schindler really wants to foster “open and trustworthy relationships”, as stated in its values, this analysis shows that the company needs to make more distinct efforts, in order to nurture this.

7.4.2 Authenticity, Attitudes/Values and Mindset

A lot of behavior and interactions depend on employees’ attitudes or mindsets. Do they believe that something is right or that something needs to be done in a certain way?

In the interaction of a manager with her employees, authenticity contributes a lot to the credibility of her message. Does the manager really believe that something is right and does she really support the decision? If not, she has already lost and the project won’t be as successful as possible. *“What is important is what you communicate and how you communicate. Do you really believe in it? And this is the essential part of such an initiative”* (SCHINi8, 557-576).

Values and attitudes are closely connected. The implementation of values depends a lot on employees’ attitudes. “Quality and safety depend on the attitude of employees to

their work. Do I like my work? Am I proud? Do I act in a professional manner? Do I plan my day well or do I simply do what I need to do in order to go home in the evening” (SCHINi7, 221-248)?

Having the right attitudes in a team and fostering the implementation of values is a leadership task for all employees. “Of course we have a framework, how we should work. But the extended team, the 10 people you work with very closely, influence your behavior. [...] Not everybody functions the same way. But what is important is that non-conformity with values is not tolerated. Especially if the results are not achieved” (SCHINi3, 348-373). This means building a corporate culture and ensuring that people follow the corporate values.

To conclude, success depends to a great extent on having the right people with the right mindset and rectitude of conduct. “If you conduct your work with the right mindset, if you have your team on board, and with a rectitude of conduct, not much can go wrong” (SCHINi2, 812-827).

7.4.3 Communication

Communication is the most important way of interacting between Schindler’s employees and its internal and external stakeholders. The corporation has set in place very formal and regulated communications to align Schindler’s operations. In addition, the success of the company also depends on informal communication and the communication skills of its manager to communicate up, down and across.

7.4.3.1 Formal, Institutional Communication

Schindler has a wide range of internal and external communication channels. Its website for the wider public, the annual report for investors, the magazine “next floor” for its customers, and the intranet for its employees.

To communicate important messages internally, Schindler produces video messages and organizes management meetings on different levels (global, zone and country) (SCHINi7, 271-299). For example, a newly developed strategy was communicated at the beginning of 2017 in a so-called “management kick-off meeting”. “*The strategy was presented and the motives elaborated*” (SCHINi8, 316-362). From the meeting, the strategy was then communicated to the regional organizations, where local implementation plans were devised. In general, formal communication is thus very strong at Schindler.

7.4.3.2 *Informal exchange leads to cross-functional insights*

Informal communication and learning are also very important for the development of a company. Break rooms and team events enhance this kind of communication. “*When we meet in the break room, we exchange and we learn what others do. This is where we gain certain insights and understandings. But how to bring it together and how to systematize exchange, learning to yield synergies, is still open*” (SCHINi7, 557-576).

Personal networks also facilitate communication and learning. “What I am trying to establish is a network. So that if something happens in Country X, other countries can also learn from this incident. It’s basically an open communication” (SCHINi7, 472-483).

Whether formal or informal, many successful projects can depend on managers’ skills to communicate up, down and across the hierarchy. As one of the simple rules, this is further described in the simple rules section.

7.5 Complexity Reduction by Adopting a Few Simple Rules

The previous sections illustrate the complexity of making decisions when multiple stakeholder interests are involved. To reduce complexity and when under time pressure, Schindler managers apply the following six simple rules to guide their decisions. First, they make sure that they “achieve the numbers”. This means, they make sure that they achieve the targets set by the company. Second, if customer interests are involved, they always ensure that value is created for the customer. Third — as is typical for engineers — they collect all relevant information and base their decisions on solid facts. When things go wrong, they evaluate and learn for the future. This contributes to a sustainable development of the company. Fourth, if time is short or decisions are not very far-reaching, they rely on their intuition/gut feeling. Fifth, they communicate as much as possible to involve affected stakeholders. And sixth, they never jeopardize safety or violate the code of conduct.

7.5.1 Achieving the Numbers

Schindler’s long-term growth strategy strongly influences decisions in the company. Long-term growth implies sustainable short-term profits. Employees thus need to constantly make sure that they contribute to the strategic and financial goals of the company. “Achieving the numbers” is therefore a first simple rule in the company that strongly relates to strategic priorities. To achieve the numbers, managers have various tools to support their decisions. The most commonly used tool is that of constructing a

business case or even a business plan. To evaluate the success of the “business” or project, KPIs are essential.

Having a Business Plan

At Schindler, most important decisions are based on the construction of a business plan. For any undertaking, it is thus important that managers are able to understand the situation. For a new solution or a new initiative or a new project, they need to build of a business plan. Why do they intend do it? What is the strategic rationale? What to do? Resources needed. Time needed, what external resources, internal resources, all that is added on the what. And then, once the “what” is defined, they define the how (SCHINi6).

KPIs

To measure whether the numbers are achieved, Schindler has set in place a number of KPIs. KPIs range from revenue and profit to customer satisfaction and quality and many more. In this, managers at Schindler need to be able to understand which KPIs are relevant for them and how to achieve their KPI targets. Their success is thus largely defined through their performance on their KPIs.

7.5.2 Putting the Customer in the Center

Achieving the numbers is heavily dependent on selling viable products and services to customers. Therefore, the simple rule “putting the customer in the center” is the second simple rule that should guide the outcome of decisions at Schindler. The rule is central for strategy and product development. But also for the setup of processes and services. *“First we need happy customers through our products and services. Because if we deliver something that makes us all happy but the customer does not like it, then the outcome won’t be good”* (SCHINi8, 370-372).

This simple rule also puts many other decision-influencing factors into perspective. For example, it strengthens the value “safety”, because every customer has a high interest in safe operations of her elevator and escalator. “Putting the customer in the center” also relativizes the quality aspect of products. High quality is very important, but no customer is willing to pay a price that is significantly above that of competitors because of additional features and quality (SCHINi2).

To satisfy customer expectations, often compromises are necessary. But, *“we are primarily looking to see how we can make our customers more successful”* (SCHINi6, 566-568).

7.5.3 Making Sure

Closely related to “achieving the numbers” and “putting the customer in the center” is the third simple rule, “Making sure”. Making sure means not relying on assumptions but relying on facts. Always questioning the underlying assumptions. It also means contributing to a sustainable development of the organization and customer satisfaction through solid project management and evaluation.

Asking the Right Questions

Engineers are very used to questioning assumptions and making sure that calculations are correct. So, this working mode of “making sure” is very present at Schindler, with its strong engineering background and culture. And it is helpful not only in the construction of new elevators but also in managing various projects. *“Because often decisions are made on the base of incorrect assumptions. And then, the decision is wrong. So, it is better to take more time and then make the right decision than to constantly correct afterwards. It is better to walk slowly to arrive faster”* (SCHINi3, 328-343). Asking critical questions helps to assure that the assumptions are correct.

Having the Facts Ready

Regarding stakeholders, this implies understanding their needs and expectations. *“For difficult, complex decisions, I try to obtain two kinds of information in advance: First, I try to find out who thinks what about a specific subject. To know what the different perspectives are. And second, to have the facts ready. Because sometimes the perception on a specific topic is different than what the facts tell us. And numbers speak a clear language”* (SCHINi8, 389-413).

KPIs also help here to focus on the relevant aspects and facts — the KPIs relevant to the business (SCHINi2).

Constant Evaluation and Learning for Sustainable Development

Ensuring good and sustainable decisions also means to constantly evaluate decisions and learn from mistakes. “Initiatives should be sustainable, we should always learn and develop. We should not initiate one-off initiatives but evaluate what is there and further develop it. Whatever project we initiate should be evaluated, improved and serve the individual or the organization. This is a journey, but what is important is that we learn sustainably out of every situation” (SCHINi7, 686-698).

7.5.4 Relying on Intuition/Gut Feeling

For decisions that are less strategic and for which there is no clear process defined, managers may rely on their intuition, or “gut feeling” (SF, 668-712). *“I mean, we make intuitive decisions as well. You know, you sometimes say: this or that. And you say, OK, let's go with this. And if it doesn't work, I'll stop and I will go back and revisit my decision. It also happens. It all depends on the impact of the decision you are making. That's what I am saying. A strategic decision for us is something that has an impact globally. We are a global company, which has an impact, you know. Which has a huge financial impact also because of the decision. And those decisions are not made intuitively”* (KD, 612-621).

Prerequisites for intuitive decision-making are (1) that the scope of the decision is relatively small, (2) that there is a lack of time for detailed analysis, and (3) that the manager to make the intuitive decision has the necessary knowledge and expertise. *“So, to be successful, you need to possess knowledge. You need to have education. Then, you certainly need experience. This also helps. And then, you need to act”* (SF, 812-827).

In an intuitive decision-making process, decision-makers consciously recognize a problem through the perception of relevant cues and patterns, unconsciously activate the cognitive schemas associated with the problem, unconsciously make holistic associations across cognitive schemas and consciously generate solutions (Calabretta, Gemser, & Wijnberg, 2017; Dane & Pratt, 2007). Therefore, it is essential to have the right people in management positions, with the right knowledge and intuition (SCHINi3).

7.5.5 Communicating Every Step

Making decisions often takes an extended period of time and involves several steps. During this process, managers should communicate to all affected stakeholders. In

a stakeholder environment like Schindler, this means communicating up, down and across the hierarchy.

7.5.5.1 *Communicate Up: Clear and Simple Communication*

In corporations with such clear hierarchies and processes as Schindler, the success of a project often depends on how well the project manager is able to “sell” or communicate the project to the management team. To receive resources or the “go” for implementation, the manager needs to convince the management that her proposed way forward will yield the necessary success.

When presenting the project to her superior or the management team, it is important to keep communications precise and concise. Or in other words: Keep it short and simple! *“Don’t underestimate communication. If you need to present something, stay super easy and simple. This is most important. Because these people, managers, one level up — they never have time. Assume that they never study pre-readings. And when you present, restrict your content to three slides with simple statements. If you succeed, you have them on board. If you manage to say: these are the risks 1, 2, and 3 and if you can visualize, then that is much more impressive than a 10-page pre-reading in Arial font size 10”* (SCHINi2, 851-886).

7.5.5.2 *Communicate down: Individual Conversations for Delicate Issues*

Communicating with employees and suppliers that, on the one hand, depend on managers’ decisions but, on the other hand, are essential for delivering work and services is a little more delicate. Managers mentioned that employees expect justice. If there are decisions that will make them worse off or restrict their scope of action (safety regulations or changes in other regulations), it is important to communicate with them very openly and respectfully (SCHINi5).

Employees need to be taken seriously. It takes strong leadership skills to communicate delicate issues and at the same time maintain a constructive working relationship.

7.5.5.3 *Communicate across: Involve and keep Informed*

Because of the matrix structure, communication across functions, business units and regions is also essential for successful management at Schindler. *“Because of the*

matrix organization, you can't simply lead by command. You need the buy-in from people, and this requires clear communication and inclusion of the implementing units" (SCHINi3, 197-253). For example, for the development and introduction of a new product, all affected units need to be aligned. This would include R&D, the production plant that produces the components, logistics and so on. Everybody needs to see the purpose. Otherwise, people start moving in different directions. And this causes problems.

Geographic distances can become obstacles for communication. Aligning with many colleagues in different countries via phone is challenging. And travelling is not always possible. This all poses challenges for communication (SCHINi7).

To summarize the importance of communication to all stakeholders: "It's important that you inform your stakeholders well and, you know, that you also keep them informed about next steps, that you give them informed about the outcome of the decision. You need to inform them about every step. Because if you don't do that and if you lose them halfway through in the process, that's not very constructive. I mean, you know, you can never over-communicate. And it is important that you keep people well-informed about certain decision-making processes so that they don't receive it at the end" (SCHINi4, 353-376).

"Communicating every step" is thus the fifth simple rule at Schindler. It concerns the interaction with all affected stakeholders and is essential for successful stakeholder management.

7.5.6 Respecting Safety and the Code of Conduct

The sixth simple rule regarding behavior of employees and their interaction with stakeholders are the respect for the two Schindler values "safety" and "code of conduct". *"We have other values. But regarding safety and Code of Conduct / Compliance, there is zero tolerance"* (SCHINi1, 411-436).

Because safety and adherence to the code of conduct are so important for Schindler, the company puts a great deal of effort into making sure that employees respect these two values. Every employee knows the Schindler Code of Conduct, and the company regularly reminds employees through online training about the content and consequences of the code of conduct.

What safety means is less straightforward than the code of conduct, because safety has many more aspects. It is an attitude and a way of working. Schindler is therefore

launching regular programs and initiatives to foster safety awareness and safety behavior for their employees. The initiative “Yes we can!” is one example. The strong priority, zero tolerance and high employee awareness are good indicators for a simple rule. Code of conduct and safety needs to always be a “quick check” for all decisions.

7.6 Summary

For most of the longstanding top managers at Schindler, stakeholder management is daily business. Schindler as a company has established clear priorities, processes, structures and guidelines on which managers can rely when making complex decisions. The company seems to be running smoothly like one of the high-quality elevators the company manufactures and maintains for its clients. The strong influence of the patriarch Alfred Schindler and the owner families is quite special for such a large company, and it has left a strong impact on operations and management.

All managers know what they are expected to deliver and that they are accountable first to the company and as a result to the clients and their teams and subordinates. As a consequence of the engineering culture, managers are used to prepare well and decide based on facts and figures.

The company has clear structures and processes, which ensure high quality and efficiency. As a result, the matrix structure and the safety and high-quality culture are a challenge for innovation. Because for innovation, agility and cross-functional teams are indispensable. This is why Schindler has started implementing innovation projects, which make use of agile management and cross-functional teams.

Although nobody talks about trust, employees rely heavily on the long-standing reputation of Schindler as a responsible employer. They are very committed to the company and their close collaborators.

Everybody knows how important communication is. The matrix structure makes communication challenging for managers. But their experience and expertise help them to effectively communicate up, down and across.

The six simple rules (1) achieving the numbers, (2) putting the customer in the center, (3) making sure, (4) relying on intuition/gut feeling, (5) communicating every step and (6) respecting safety and the Code of Conduct help guide managers at Schindler to make the right decisions.

PART C: RESULTS, SUMMARY AND CONCLUSION

8 Cross case Analysis

8.1 Introduction

Organizational justice in the stakeholder context means that an actor's ratio of perceived outcomes from and inputs into a cooperative effort must match the outcomes/input ratio of relevantly similar others in order to be perceived as fair (Harrison et al., 2010; Sachs & Rühli, 2013). Both the ICRC and Schindler cases show how managers make decisions to balance stakeholder interests. The cases investigate how decisions are made, which processes are concerned and how interaction is or is not effective to balance stakeholder interests. The following case comparison shows similarities and differences between how managers in a humanitarian organization and managers in a for-profit MNC make decisions regarding stakeholders (see Figure 11 for the design of this comparison). At the end of the comparison, simple rules for making decisions regarding stakeholders are presented.

8.1.1 Humanitarian vs. For-Profit MNC Logic

Humanitarian organizations and for-profit MNCs follow different institutional logics. Humanitarian organizations deliver help and services to beneficiaries with funds from donors. MNCs on the other hand deliver products and services to paying customers, creating revenue and profits for investors and owners. While the humanitarian context is very dynamic and complex, the market environment for many MNCs, and especially engineering companies, is rather stable and highly competitive. Table 12 provides an overview of the most distinguishing features of the two organizational logics.

The stakeholder context also mirrors the above-described different institutional logics.

	Humanitarian Logic	MNC For-Profit Logic
Business/ organizational logic	Deliver help and services to beneficiaries with funds coming from donors	Deliver products and services to paying customers to create revenue and profits for investors and owners
Market Environment	They act under tremendous time pressure in an increasingly complex stakeholder environment	They operate in a highly competitive market environment with increasing stakeholder demands
Funding	Funding relies heavily on media attention, political self-interest, the goodwill of (wealthy) world citizens and the sacrifices of dedicated humanitarian workers	Funding depends on investors who provide capital and on customers who are willing to buy products
Guiding Principles	Most humanitarian organizations are governed by the key principles of: humanity, impartiality, neutrality and independence	General maxim: Profit maximization Differing company values. E.g. Schindler: safety, quality, customer focus, integrity and trust and focus on people
Motivation of Employees	People working for humanitarian organizations often acknowledge the importance of ethical and other abstract ideals	Employees identify with the values and the purpose of the company. They have an intrinsic (values) as well as extrinsic (monetary) motivation to work for the company

Table 12: Humanitarian vs. For-Profit Organization (MNC)

8.1.2 Stakeholder Context

The different business logics and the varying market environments also result in distinct stakeholder contexts. On the one hand, there are slightly different stakeholder groups. On the other hand, stakeholders have different interests regarding the organizations.

Table 13 provides an overview of the stakeholder expectations and specificities of stakeholder relationships.

	Humanitarian Organizations	MNCs
Beneficiaries/ Customers	Beneficiaries are always at the center of decision. They compare the help of different organizations and increasingly demand specific services.	Customer needs are fulfilled if they contribute to long-term growth and profitability of the company.
Donors/ Owners	Donors aim for visibility and political information. Funding follows needs.	Owners are interested in profits and sustainable growth of the company. Strong influence from big shareholders.
Competitors	Many competitors deliver a variety of help to beneficiaries. High level of competition for funding.	A small number of big competitors dominate the market. They need to follow very strict antitrust laws.
Employees	High purpose to serve beneficiaries.	They have an intrinsic (values) as well as extrinsic (monetary) motivation to work for the company.
Governments	Grant access to beneficiaries and support operations.	Set quality standards, norms and antitrust laws.
Wider Community	Wider community is mobilized via social media to apply pressure.	First signs of pressure from wider community as a reaction to official company, newspaper and social media reports.
Consultants	-	Advisors on a project basis.
Suppliers/ Partners	Partnering only with partners from the Red Cross and Red Crescent Societies (IFRC).	Risk diversification through a broad supplier base.

Table 13: Comparison of Stakeholder Interests

8.2 Normative Frame

To assess the fairness of a decision, a lot depends on the expectations of stakeholders. Two factors clearly influence this perception. First, stakeholders strongly rely on the proclaimed values of organizations. They expect managers to live up to these values. Second, employees have a clear prioritization of accountability to various stakeholders.

8.2.1 Influence of Values on Decisions

Values have a strong influence on decisions both at the ICRC and at Schindler. At the ICRC, humanity, impartiality, neutrality, independence, voluntary service, unity and universality are the seven Fundamental Principles, and they provide an ethical, operational and institutional framework for employees. Although not all values are equally important for all stakeholders, they have a strong influence on stakeholder decisions. First, donors invest in the ICRC because of the values. Second, the “untouchables” enable the ICRC to act on all sides of a conflict. And third, the untouchables in combination with the fourth very central principle of “humanity” serve as a compass when employees need to make complex decisions. When in doubt, they can rely on the principles to decide whether to get involved in a matter or not (SM, 617-646).

At Schindler, the core values of safety, create value for customer, commitment to people development, integrity & trust and quality are also truly part of Schindler’s DNA and culture. Each one of the values is a guideline to creating value for at least one stakeholder.

In both forms of organization, stakeholders rely on the defined values. Values are like a promise from the organization to stakeholders to operate in a certain way. At humanitarian organizations, the values are even an ethical framework for employees. Therefore, adhering to the values of the institution is key for managers in both forms of organization. This is what stakeholders expect and what managers should deliver.

8.2.2 Accountability

Managers in both organizations generally distinguish between internal and external accountability to stakeholders.

Internal accountability

Generally, managers feel a very clear and strong accountability toward the organization, so-called internal accountability. So, when they make decisions, they consider their individual annual targets and respect reporting lines.

External accountability

External accountability is slightly different for the two kinds of organization. In humanitarian organizations, managers first feel accountable toward beneficiaries. Second, they feel a growing accountability toward donors, which demand more and more reports and proof of action. At Schindler, managers first feel accountable to the shareholders and the owner families to deliver growth and profit. Second, they see the obligation to deliver value for customers. And third, they feel accountable toward their employees.

In the end, managers know that they are accountable to all stakeholders. But for sure there is a difference in priority of the stakeholder demands.

8.3 Stakeholder Processes

Fair processes lead to trust and commitment, which in turn build voluntary cooperation. Procedural injustice on the contrary leads to intellectual and emotional indignation resulting in distrust and resentment (Cropanzano et al., 2007).

8.3.1 Structures: Standardization and Innovation

As is the case with most multinational organizations, the ICRC has also centralized its organization. Modern technologies, specialization and increased expertise were a catalyst for building up the corporate headquarters. For the delegates, this centralization means additional support in specific areas. But it also means additional bureaucracy and “paperwork”.

Delegates need to align their decisions with the corporate center and other countries/regions, which means a hierarchical decision-making culture. When considering the growing responsibility of delegates for stakeholder management and the accelerated speed at which the delegates need to react to changes in the environment, this centralization poses challenges for delegates.

The ICRC recognizes the need for decentralized decision-making. Of course, strategic decisions are still made at the directorate level. But the ICRC also acknowledges that delegates need to take decisions in the field. To assure alignment and coherence in the organization, the ICRC is developing standards and tools to support delegates in making decisions.

Decentralization also means a change of leadership. Coming from a quite hierarchical, vertical leadership style, similar to a military organization, many employees are struggling with the required new leadership style. Because, nowadays, leadership has to happen in a much more participative, horizontal way, which fits the decentralization and empowerment efforts of the ICRC.

The intent and clear efforts of the ICRC are (1) specialization, (2) digitalization, (3) standardization and (4) empowerment (decentralization of decision-making), but the organization continues to struggle.

In general, Schindler as an engineering company has a very clear structure, which indicates when to make which decisions on the basis on which facts (CE, 261-291). In this sense, operations and most processes are well structured and defined. Simplification and standardization empower employees to make decisions and increase efficiency and effectiveness of efforts.

Constant simplification — often triggered by new possibilities caused by digitalization — increases efficiency. The standardized and well-defined processes at Schindler help to increase effectiveness and empower employees at all levels to make adequate decisions. They indicate which questions to ask and which parameters to consider when making decisions that are in line with how Schindler wants to run its business.

In this environment, formal innovation is characterized by thorough analyses and well-defined processes. Project teams or task forces are one kind of a structure implanted in order to facilitate innovation. Although task forces are a very powerful and effective way to handle projects and solve issues, they are mostly deployed very specifically and with a clear assignment. Where the company is struggling is to accommodate and foster bottom-up initiatives.

Digitalization, standardization, and empowerment to make decisions are three aspects of stakeholder processes that help to better facilitate stakeholder management.

If innovation has a clearly defined process, then this also contributes to good stakeholder management. From a stakeholder management perspective, both

humanitarian organizations and MNCs need to pay attention to meeting stakeholders' interests/needs is in the area of bottom-up innovation and change. Whenever innovation or changes take place, special attention needs to be given to meeting stakeholders' interests because these can easily be overlooked when relying on existing standardized processes.

8.3.2 Modus Operandi

The specificities of the organizations and their environments also have an influence on the operating mode of employees in the organizations. This influences how managers make use of opportunities and address stakeholder interests. The two most distinct operating modes for the two organizations are the “task force mode” for the ICRC and “having the facts ready” for Schindler.

8.3.2.1 Task Force Mode

The fast-moving environment of the ICRC creates small windows of opportunity. To realize these opportunities, humanitarian organizations are challenged to react quickly. For this purpose, the ICRC calls task forces into being. The distinguishing feature of these task forces are (1) representatives from all the relevant functions are involved. (2) Decisions are made as a consensus and are corrected afterward if needed. (3) Those involved are authorized to make decisions and implement them. (4) There is collective thinking and acting across all levels. Top management supports decisions, and the director general or president take action when needed.

8.3.2.2 Having the Facts Ready

Schindler is less influenced by a very dynamic environment and more by its engineering background. As a company with a strong engineering background, most of decisions at Schindler are made after a thorough analysis and based on reliable facts, whether on the strategic, project or individual level.

For strategy development — as is the case for most companies — Schindler conducts competitive analyses and market analyses before making decisions. For big projects, scenario analyses and risk maps facilitate the decision-making process. If there is a problem or if management needs to make a decision, it collects all the facts relevant to the decision or the problem. Then different options are elaborated and, finally, the management team makes a decision. The decision is then documented and implemented.

As a general rule, it is important to ask the right questions and to question any assumptions. To ask the right questions, it is important to know what to focus on. In order to not get lost in too many details, you need to focus on the business-relevant KPIs.

After having analyzed all the relevant facts, having asked the crucial questions, having elaborated the options and made the decision, the process and decision should be documented. People who were not involved in the decision-making process should be able to reconstruct why the decision was made. This increases trust, reliability and quality.

Once the decision is made, managers should evaluate the outcome of the decision. This evaluation should happen after an appropriate period of time, depending on the scope of the decision. *“You need to give it enough time. The time span from the decision to the evaluation, when you can see the effect, depends on the business. Then you need to either revise the decision or continue as planned”* (SCHINi2, 760-768). It takes courage to revise a decision. *“But if you make decisions, you also make mistakes. It’s part of it”* (SCHINi5, 677-679).

8.3.3 Strategic Alignment and Consensus

The fit or alignment of an organization’s strategy with its context is crucial to organizational performance (Walter et al., 2013).

External strategic alignment is the alignment of Schindler’s strategy with its environment (market and external stakeholders). Internal strategic alignment is concerned with the mobilization of the firm’s internal resources in strategy implementation (Stepanovich et al., 2002). Strategic consensus, the third element of strategic alignment, is defined as “agreement on strategic priorities by decision-making groups, including those at the top, middle, and/or operating levels of the organization” (Kellermanns et al., 2005, p. 721).

Most changes that are happening at the ICRC are necessary because of changes in its environment. The two biggest environmental trends to which the ICRC is exposed are **fragmentation of actors/stakeholders** and the **growing interconnectedness and complexity of issues**. These two trends require corresponding adaptations of the ICRC’s operations and how decisions are made regarding stakeholders (internal alignment). The biggest change to respond to this is the shift from a very hierarchical way of making decisions to working more horizontally in a matrix structure. Internal structures have started to mirror external network structures, and delegations align with other delegations

in their region and experts at headquarters to deal with their realities on the ground. This internal collaboration across units and in interdisciplinary teams, which comprise all internal competencies/functions necessary to solve an external issue, has only emerged recently and is key to remaining competitive in the world of humanitarian organizations. Task forces are one way of reaching consensus on specific issues. In general, a broad consensus is important for long-term strategic changes that affect the entire organization. For operational decisions, the project owner needs to align horizontally with all functions and experts. She needs to align vertically to have the buy-in from headquarters and implementing staff as illustrated in Figure 21.

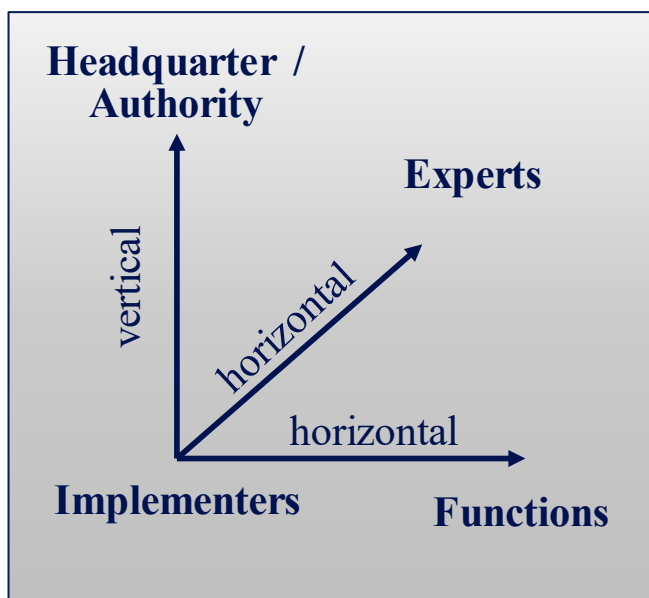


Figure 21: Consensus for Operational Decisions

Schindler aligns to its market and stakeholder environment to exploit opportunities on the one hand and counter threats on the other hand. Opportunities present themselves in the sense of business opportunities, and threats can be understood in the sense of pressure from the community and social media to respond in a specific way.

Due to the matrix structure, internal strategic alignment at Schindler happens vertically between the board of directors, the executive board, and the implementing organization. As Schindler has a relatively large implementing organization, it is very important that implementers are also involved in strategic alignment. The more important a decision is in this context, the higher up in the hierarchy it is taken. Horizontal strategic alignment is necessary across regions and functions. This means that collaboration across business units/silos and zones is necessary for effective strategic alignment. Implementation in the end needs to fit the local culture.

For successful strategic alignment and for a successful definition and execution of strategies and projects, it is crucial that all affected internal and external stakeholders are on board. They don't need to be involved in every step, but their interests need to be considered or else they may end up sabotaging the end result.

If all interests are considered, this leads to strategic consensus. At Schindler, a great deal of effort is made to reach strategic consensus. Many people are involved to reach a certain decision or define strategies, new projects and processes. This slows down the decision-making process but results in a strong strategic consensus.

To compare and contrast the two organizations on strategic alignment and strategic consensus, both organizations have a strong consensus culture. This is partly the result of the consensus culture so prevalent in Switzerland, and it slows down alignment in the organization. On the positive side, it creates strong alignment and a high level of consensus in the organizations. The matrix structures pose additional challenges for strategic alignment across the organization. To align strategically internally and externally demands great managerial and communication skill at both organizations.

8.3.4 Strategic and Financial Planning

Both Schindler and the ICRC develop regular strategies that cover three to four years. For the development of the strategy, both organizations consider changes in the environment alongside stakeholder concerns and interests. Although they consider stakeholder interests, both organizations communicate relatively little about how they create value for stakeholders.

Financial planning at Schindler is a very well-defined process. Based on the strategy, the annual budget and goals are defined and KPIs are prioritized. The organization monitors its performance vis-à-vis the budget on a regular basis and adapts targets where necessary.

The “planning for results” process, as the financial planning process is called at the ICRC, is also very structured. It is less a result of the strategy than more a result of the needs and capacity of the organization. Based on the budget, the ICRC launches its appeals to donors. Constant monitoring of the budget and funding needs indicate whether a budget extension is necessary due to a crisis and additional needs.

While financial planning at the ICRC considers its own capacity and beneficiaries' needs, the budgeting process at Schindler is based on the market potential, Schindler's capacity and shareholder expectations.

8.3.5 Accounting and Reporting

The stakeholder mechanisms for accounting and reporting at both kinds of organization show many similarities. Because of the **increased demand and pressure from stakeholders for accountability and transparency**, both organizations have established a well-structured and **standardized process**. New technologies facilitate automation and **more detailed reporting**.

Pressure comes especially from owners/donors as well as from the wider community, triggered by media attention and news. Especially when organizations deviate from what they communicated earlier, media pressure to explain increases exponentially.

Not all stakeholders are interested in the same information. Therefore, organizations create different channels and reports for **stakeholder-specific information**. Donor meetings, media conferences, customer magazines, annual reports and management meetings are some examples of this.

The different stakeholder settings lead to the following differences. While corporations and financial institutions need to comply with more regulations than humanitarian organizations, humanitarian organizations face more pressure for impact reporting by the wider community.

8.4 Stakeholder Interaction

8.4.1 Relationships/Collaboration

Stakeholder management in its most simple form means managing stakeholder relationships.

In humanitarian organizations and specifically for the ICRC, this means very complex network management. Although the organization has set up an internal structure and departments for managing specific stakeholder relationships, delegates and top managers need to manage a variety of stakeholder relationships.

At Schindler, top management as a whole also needs to manage a variety of stakeholder relationships. But because there is such a large and specialized implementing organization, managing internal stakeholder plays a much more prominent role. Teams play a very important role at Schindler. They take on various forms, from top management teams to project teams to task forces. The team format that requires the most stakeholder management is project teams. Collaboration in project teams can be a

blessing or curse. If team members disagree, individual members can become a hindrance for the success of an entire project. If, on the other hand, teams are aligned, they can be the cause of great success. Working in teams helps to bring together all the relevant skills and resources necessary for the completion of a task or a project. It also helps to validate own, cemented opinions.

8.4.1.1 *Reciprocity*

It could be argued that the relationships at the ICRC are non-reciprocal in the sense that the donors who are paying the ICRC don't receive the services. But this logic only holds true if we think in the classic consumer logic, which is: one entity pays another entity to receive a product or a service. Thinking in the logic of stakeholder management, donors do receive something in return to their donations. This could be some kind of information from the ICRC on political issues in other countries. It could also be a report on the achievements that have been accomplished with the donated money.

In addition, beneficiaries have started to reach out to the wider community and to humanitarian organizations to demand the services and help they need. Many of the relationships with stakeholders of the ICRC are reciprocal relationships.

Relationships are also often reciprocal at Schindler. There is a certain interdependency between the managers and stakeholders (Bosse et al., 2009). For example, managers depend on the performance of their teams and colleagues for successful project management and to achieve their KPIs. Schindler also depends on certain subcontractors/suppliers to deliver products and services to its customers. This interdependency makes relationship management and communication delicate and essential for successful management.

8.4.1.2 *Trust*

Scandals in both the for-profit and humanitarian contexts have demonstrated how important trust is for stakeholder relationships (Osterloh & Weibel, 2006). At the ICRC, trust is essential for the stakeholder relationships with donors, governments/warring parties and among employees. “*Building trust in the ICRC to facilitate its humanitarian action*” is principle 1 of the External Communication Doctrine (ICRC, 2018). Transparency, an immaculate track record and professionalism/expertise of employees contribute to building trust with stakeholders.

It is exactly this professionalism/expertise of Schindler's employees that represents trust at the company. "Integrity and trust" is one of Schindler's values. It can be defined as "adhering to the code of conduct and identifying with the company". Schindler employees rely on the professionalism of the company. They know that they work with highly qualified employees and in professional structures and processes. If Schindler really wants to foster "open and trustworthy relationships", as stated in its values, this analysis shows that the company needs to make more distinct efforts to nurture this.

8.4.2 Communication

Communication is the link between people, stakeholders and companies. The External Communication Doctrine shows how important communication with stakeholders has become at the ICRC. While the communication doctrine provides guidance on how to communicate important information to the different stakeholders, communication is also essential to involve stakeholders for decision-making.

Regarding employees, communication is essential to manage change and as a means to align with others and make joint decisions. To inform the wider public, social media plays an increasingly central role. It supports real-time communication. In the humanitarian and political context, Twitter has become the number one social media platform, where every message needs to be distilled down to 280 characters. Timing and speed have become critical to win the interest of donors. The priorities for delegates, when communicating with governments and armed groups in their area of responsibility, are security, access and acceptance. This interaction with governments and armed groups is very diplomatic. It means communicating the right message to the respective recipient. It also means to pass on important information to the authorities in delicate situations. Communication with these governments and armed groups often also means negotiation and frank, firm discussions with the parties the ICRC thinks have certain influence on what is happening.

Many organizations are implementing stakeholder dialogues as part of their corporate social responsibility (CSR) activities. These dialogues serve to better meet stakeholders' interests and take on various forms (Schreyögg, 2013). Bringing all stakeholders to the table makes little sense in the humanitarian context in crisis situations. But bilateral dialogues with stakeholders are very important and present at the ICRC. Dialogue with states has become central to the ICRC operations. It is a way to get access to resources, obtain access to beneficiaries, maintain security and keep control over

operations. Dialogue with donors happens in many ways. The most institutionalized way are donor conferences, where the ICRC enters into dialogue with the donors on critical issues and where the ICRC also presents what it is ready to do in a certain conflicts and what resources it needs for this.

Because speed is much less critical at Schindler, communication is much more formalized than at the ICRC. Schindler relies mostly on formal communications, whether in the form of its public website, the annual report for its investors, the magazine “next floor” for its customers, and the intranet for its employees. Communication happens in the form of video messages, reports or management meetings.

Of course, communication for the day-to-day operational business is much less formal. Exchange in break rooms, during team events and email/phone conversations are vital to maintain operations at Schindler. Personal networks facilitate communication across countries and functions. Whether formal or informal, success can depend to a great extent on a manager’s capabilities for effective communication. She needs to be able to communicate up, down and across to get business done. As one of the simple rules at Schindler, this is described in more detail in the “simple rules” section.

8.4.3 Authenticity, Attitudes/Values and Mindset

A significant amount of behavior and interaction depend on employees’ attitudes or mindsets. Do they believe that something is right or that something needs to be done in a certain way? In the interaction of a manager toward her employees, authenticity contributes greatly to the credibility of her message. Does the manager really believe that something is right and does she really support the decision? If not, she has already lost and the project won’t be as successful as possible.

Values and attitudes are closely connected. The implementation of values depends a lot on employees’ attitudes. Having the right attitudes in a team and fostering the implementation of values is a leadership task for all employees. This means building a corporate culture and assuring that people follow the corporate values.

Both at the ICRC and at Schindler, values play a central role, and people know and live the values. This is certainly a core strengths of both organizations.

8.5 Simple Rules for Balancing Stakeholder Interests

Making decisions when different stakeholder interests are involved is a very complex endeavor. Although the identified simple rules could be squeezed into the simple rules as defined by Sull and Eisenhardt (2015), the following new classification of simple rules describes the meaning of the simple rules more precisely. Interestingly, the simple rules for the ICRC and Schindler showed so many similarities that a single taxonomy for both organizations is possible. The simple rules can be structured according to the five categories of (1) strategic focus, (2) stakeholder prioritization, (3) opportunity capture, (4) boundary and (5) interaction.

8.5.1 Strategic Focus Rule

The first rule when making decisions involving multiple stakeholders is the *strategic focus* rule. Most organizations have defined a mission, a strategy, and a number of strategic priorities. When making decisions, it is important that managers always keep these priorities at the back of their minds and decide in conformity with these priorities.

At the ICRC, the strategic focus rule is “Subject matter expertise: Sketching the scope of activities”. The mission of the ICRC is very clearly defined as: “The ICRC is an independent, neutral organization ensuring humanitarian protection and assistance for victims of armed conflict and other situations of violence. It takes action in response to emergencies and at the same time promotes respect for international humanitarian law and its implementation in national law” (International Committee of the Red Cross, 2018b). Managers at the ICRC see this mission as a kind of framework, helping them to decide which opportunities are within their scope. The activities in which the ICRC has been involved over the past decades are visits to the detainees, delivery of basic medical care, medical assistance in war zones, providing people with water and habitat, restoring family connections and reminding authorities and others of their legal obligations under international humanitarian and human-rights law. In recent years, the ICRC has expanded its activities in areas that are close to its mission and where it can draw on its experience from past activities. These activities are by no means exhaustive and include, among others, “addressing sexual violence”, “forensic science and humanitarian action” and “migrants”. The closer the activities in which the ICRC becomes involved are to its mission, the more it can draw on its subject-matter expertise and the more effective the organization will be in delivering solutions to beneficiaries.

At Schindler, the strategic focus rule is “achieving the numbers”. The company’s long-term growth strategy strongly influences decisions. Long-term growth implies sustainable short-term profits. Employees thus need to constantly make sure that they contribute to the strategic and financial goals of the company. “Achieving the numbers” is therefore a rule that strongly relates to strategic priorities. To achieve the numbers, managers have various tools to support their decisions. The most commonly used tool is that of constructing a business case or a business plan. To evaluate the success of the “business” or project, KPIs are essential.

8.5.2 Stakeholder Prioritization Rule

Having the “*strategic focus*” rule at the back of their minds, managers need to also know which stakeholder interests to prioritize in order to achieve the strategic priorities.

At the ICRC, the stakeholder prioritization rule is “*putting the beneficiary in the center*”. This rule is also very much linked to the mission of the ICRC. It makes an employee think of the interests of the (1) affected individuals and communities first when making decisions. To deliver goods and services to beneficiaries, funding from (2) donors is necessary. (3) Employees who are motivated by the principles and purpose of the ICRC need to ensure that beneficiaries are helped.

At Schindler, the corresponding rule is “*putting the customer in the center*”. “Achieving the numbers” is heavily dependent on selling viable products and services to customers. The rule is central to strategy and product development, as well as for the setup of processes and services. From the rules “achieving the numbers” and “putting the customer in the center”, prioritization of stakeholder interests looks as follows. Achieving the number, that is revenue for (1) owners/shareholders, comes first. To create this value, (2) customer value needs to be created. To create value for customers, (3) employees need to be motivated and see a purpose in what they are doing. So, there is an effective prioritization of stakeholder interests of (1) owners/shareholders to (2) customers and (3) employees.

8.5.3 Opportunity Capture Rule

To survive in the humanitarian field and in the competitive market, organizations need to continuously evolve and innovate. For this, organizations need to be able to recognize and seize opportunities. “*Opportunity capture*” rules define how managers can identify and realize suitable opportunities.

At the ICRC, the simple rule is called “*Seizing the window of opportunity: Deciding in time*”. The rule has seven sub-rules/components. As the ICRC often operates in crisis situations, speed is critical, and fast action is important in being able to catch the window of opportunity. For this, managers need to (1) constantly monitor situations, so they can spot the opportunity when it is presented. Once an opportunity is spotted and the ICRC has sufficient grounds for becoming active in a situation, it (2) needs to be prepared to communicate very quickly, both internally and externally. The narrative needs to be clear to all the parties involved so coordinated action is possible. Then, managers need to be able to (3) decide whether they need to make the decisions themselves or whether they can delegate the issue at hand. Thus, managers at high levels prevent themselves from being overloaded and decisions are made by the people who have the right amount of relevant information to take well-informed decisions. Subsequently, managers need to be able to (4) make decisions. In order to function properly, delegates need to be able to make timely and relevant decisions.

One innovation in the organization which has facilitated fast decision-making and a subsequent legitimization of action is the implementation of task forces in crisis situations. This facilitates (5) cutting validation layers quickly and moving on. It means that going up and down the hierarchy to get decisions approved has become redundant, because the people present in the task forces have the competencies to decide and implement.

While in past years, the ICRC has invested in creating checklists and systems to facilitate structured decisions, (6) many decisions are still made on the basis of experience. The organization has a large number of employees who have been with the organization for many, many years and in a variety of different positions.

Similar to the reliance on a gut feeling and on vast experience, employees of the ICRC are also able to (7) rely on the strength and standing of the organization.

The seven components to seize opportunities at the ICRC are quite specific; a more general but also very central rule is to put the beneficiaries in the center of all decisions and actions.

The opportunity-capture rules at Schindler are called “*making sure*” and “*relying on intuition/gut feeling*”. “*Making sure*” means not relying on assumptions but instead on fact and always questioning the underlying assumptions. It also means contributing to a sustainable development of the organization and customer satisfaction through solid project management and evaluation. Regarding stakeholders, this implies understanding their needs and expectations. KPIs help here to focus on the relevant aspects and facts.

Similar to the opportunity-capture component (6) of the ICRC, for decisions that are less strategic and for which there is no clear process defined, managers may rely on their intuition or “gut feeling” (SCHINi2, 668-712). Prerequisites for intuitive decision-making are (1) that the scope of the decision is relatively small, (2) that there is a lack of time for detailed analysis, and (3) that the manager who will make the intuitive decision has the necessary knowledge and expertise. Therefore, it is essential to have the right people in management positions, with the right knowledge and intuition (SCHINi3, 292-301).

8.5.4 Boundary Rule

“Boundaries” in this context are “guiding principles”, which are so central that managers cannot disregard them.

At the ICRC it is “*using the ‘untouchables’ as an ‘inner compass’*”. From the seven principles of humanity, impartiality, neutrality, independence, voluntary service, unity and universality, especially the untouchables “impartiality, neutrality and independence” have a strong influence on decisions and actions within the ICRC (International Committee of the Red Cross, 2018a). They serve as a moral compass for employees. As the integral part of this moral compass, the untouchables (a) attract employees who believe in the principles and adhere to them in their decisions and actions and (b) strengthen the outward perception of having no other agenda than a clear humanitarian agenda, which in turn (c) provides the organization with the possibility to be able to act on both sides of the front lines.

At Schindler, the “*respecting safety and the code of conduct*” is a “*boundary rule*”. It means that managers respect the two Schindler values “safety” and “code of conduct”. Because safety and adherence to the code of conduct are so important for Schindler, the company puts a great deal of effort into making sure that employees respect these two values. And violations of the code of conduct are not tolerated.

8.5.5 Interaction Rule

Interaction rules define how managers should relate to stakeholders in the decision-making process. It comes as no surprise that both at the ICRC and at Schindler, interaction rules deal with communication.

Given the increasing importance of communication and stakeholder dialogue at the ICRC, the “interaction rule” for managers to make good decisions is “**having the**

opportunity to consult” with relevant stakeholders. What does it mean? It means first, to involve people with the different perspectives and expertise. Second, it means to involve everyone concerned, everyone who could be affected by the decision. And third, it means to especially involve the people who in the end will implement the decision. Consultation in this sense means to involve relevant stakeholders, seek their input, consider it and then take the best possible decision.

At Schindler, “*Communicating every step*” is the “*interaction rule*”. Making decisions often takes a longer period of time and involves several steps. During this process, managers should communicate with all affected stakeholders. In a stakeholder environment like Schindler, this means communicating up, down and across the hierarchy.

In corporations with such clear hierarchies and processes as Schindler, the success of a project often depends on how well the project manager is able to “sell” or communicate the project to the management team. To receive resources or the “go” for implementation, the manager needs to convince the management that her proposed way forward will yield the necessary success. When presenting the project to her superior or the management team, it is important to keep communication precise and concise. Or in other words: Keep it short and simple!

Communicating with employees and suppliers that, on the one hand, depend on managers’ decisions but, on the other hand, are essential for delivering work and services, is a little more delicate. Managers mentioned that employees expect justice. If there are decisions that make them worse off or restrict their scope of action (safety regulations or changes in other regulations), it is important to communicate with them very openly and respectfully. Employees need to be taken seriously. It takes strong leadership skills to communicate delicate issues and at the same time maintain a constructive working relationship.

Because of the matrix structure, communication across functions, business units and regions is also essential for successful management at Schindler. For example, for the development and introduction of a new product, all affected units need to be aligned.

8.6 Summary and Conclusion

The cross-case analysis has demonstrated that successful stakeholder management in a stakeholder network setting is only possible if all stakeholders perceive their relationship as fair and are willing to collaborate with the company/manager under the

given circumstances. One of the reasons for this is that stakeholder relations are reciprocal relationships and not unilateral or dependent relationships.

Despite the fact that humanitarian organizations and for-profit MNCs follow different institutional logics, the components for successful stakeholder management are largely the same. They can be divided into the three categories of (1) normative frame, (2) stakeholder processes, and (3) stakeholder interaction. First, adhering to the normative frame, living the values and transparency help managers to fulfill stakeholders' expectations. Second, standardized processes that consider stakeholder interests also create clarity for stakeholders on what to expect from managers and the organization. Many processes in organizations are already constructed in such a way that they take into account the various stakeholder interests. Strategic alignment, financial planning and especially accounting and reporting are such processes. Taking into account stakeholder interests and respecting their rights and expectations becomes more difficult in change and innovation processes. Stakeholder interests need to be newly defined and changes communicated and explained. This often leads to some hiccups until processes are defined and standardized. Increased specialization also poses a challenge to stakeholder alignment as more specialization increases the complexity of aligning with all the experts. This leads to the third category, stakeholder interaction. Managing stakeholders means managing stakeholder relationships. As in every relationship, transparent communication builds trust and strengthens the relationship. Authenticity, living up to the values and the right mindset further contribute to building dependable and strong stakeholder relationships.

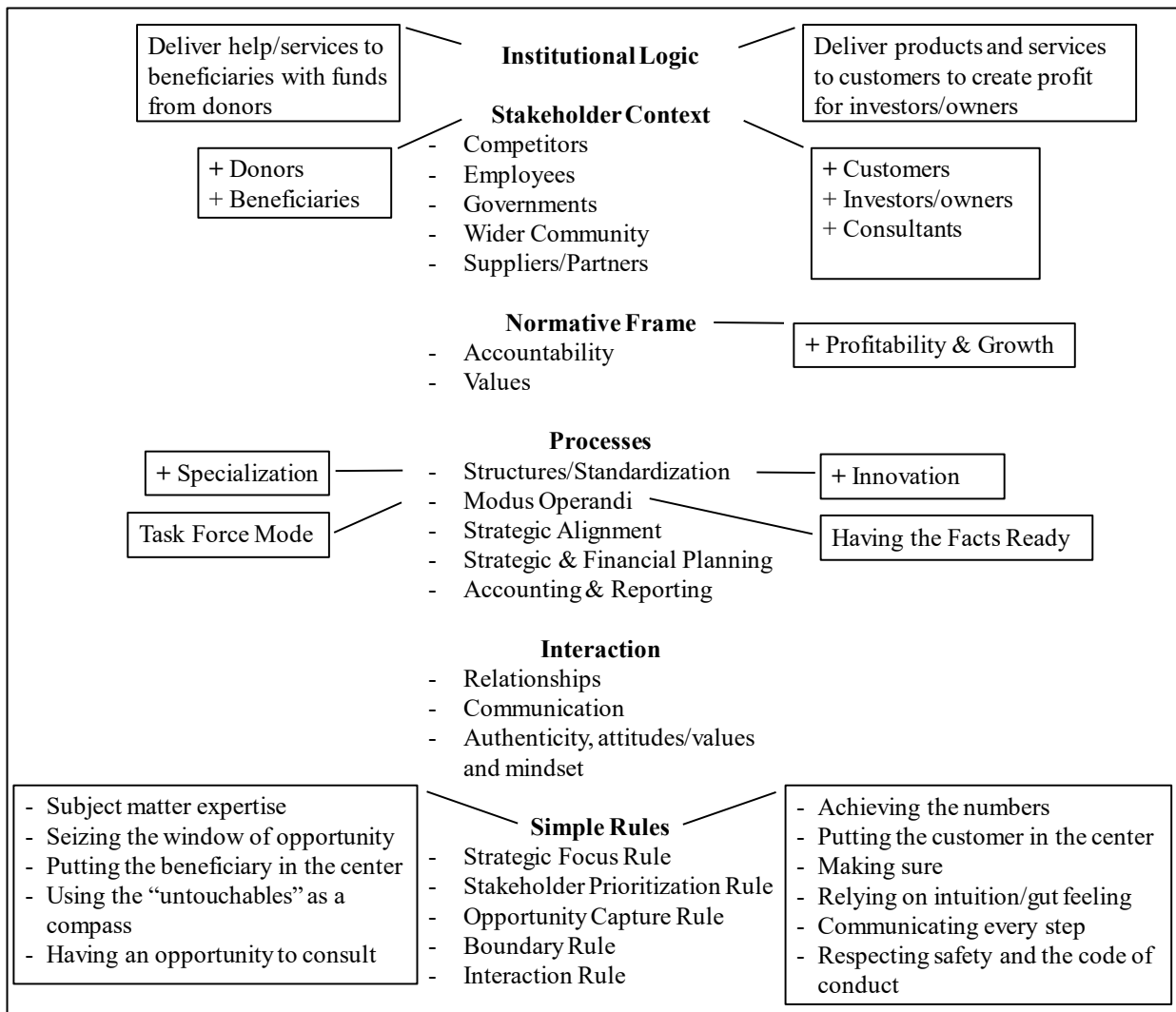


Figure 22: How to Achieve Organizational Justice for Stakeholders

Interestingly, the simple rules for the ICRC and Schindler showed so many similarities that a single taxonomy for both organizations is possible. The simple rules can be structured according to the five categories (1) strategic focus, (2) stakeholder prioritization, (3) opportunity capture, (4) boundary and (5) interaction.

The first rule when making decisions involving multiple stakeholders is the *strategic focus* rule. Most organizations have defined a mission, a strategy and a number of strategic priorities. When making decisions, it is important that managers always keep these priorities at the back of their minds and decide in conformity with these priorities. The second rule is the *stakeholder prioritization* rule. It defines which stakeholder interests to prioritize in order to achieve the strategic priorities. To survive in the humanitarian field and in the competitive market, organizations need to continuously evolve and innovate. For this, organizations need to be able to recognize and seize opportunities. “*Opportunity capture*” rules define how managers can identify and realize

suitable opportunities. Given the central importance of values, accountability and transparency, “*boundary*” rules in this context are “guiding principles”, which are so central that managers cannot disregard them. The last category of rules are the “*interaction*” rules. “*Interaction*” rules define how managers should relate to stakeholders in the decision process. It comes as no surprise that interaction rules often have to do with communication. Figure 25 gives an overview of the components for achieving organizational justice for stakeholders.

9 Final Conclusions and Implications

9.1 Implications for Theory and Practice

With this dissertation, I have investigated what organizational justice means in the stakeholder context and identified simple rules of how managers can achieve organizational justice for all stakeholders.

Concretely, I have answered the following research questions:

- How do organizations/managers make decisions to balance stakeholder interests?
- Which processes do organizations/managers follow to balance stakeholder interests?
- How do organizations/managers interact with stakeholders to create and distribute value to stakeholders?
- Which simple rules do organizations/managers follow to create and distribute value to stakeholders?
- Do the rules differ between for-profit and humanitarian organizations?

By answering these questions, I contribute to stakeholder theory, extend the simple rules concept and offer managers a framework for balancing stakeholder interests in humanitarian and for-profit MNC organizations.

9.2 Contribution to Theory

My contribution to stakeholder literature are the findings on what organizational justice means in the stakeholder context.

Because stakeholder relationships are generally reciprocal and sometimes contractual, stakeholders will only contribute to the organization in a value creating manner if the organization considers their interests. Contributing in a “value creating manner” can mean to create value, but it can also mean not to harm the company via negative social media communication.

Distributing justice in the stakeholder context therefore means “identifying stakeholder interests and making sure that the organization respects and responds to them by respecting the normative frame, considering stakeholder interests in key organizational processes and building relationships based on trust, transparency through

apt communication”. More precisely, it means to consider the components for achieving organizational justice.

Through the comparative case study approach, I was also able to extend the simple rules concept by adding a set of “simple rules for balancing stakeholder interests”.

9.3 Managerial Implications

The results of this dissertation therefore have important implications for managers responsible for balancing stakeholders in large organizations. They reveal the complexity of the issue and point to the critical elements of how to balance stakeholder interests.

In my research, I found that (1) based on the institutional logic, managers need to (2) identify relevant stakeholders and their needs. They (3) need to know whom they are accountable to and which values they need to promote. The most important (4) processes in which stakeholders need to be considered are strategic alignment, strategic and financial planning and accounting and reporting. The more standardized the processes are, the more accepted by stakeholders they will tend to be. Managing innovation with multiple stakeholders is therefore especially challenging and requires strong leadership skills to define new products and processes.

Managers also need to know the most effective working mode in their company. In very dynamic environments such as the humanitarian environment, working with task forces has proved to be very effective. In an engineering company like Schindler, having the facts ready is important to manage stakeholder expectations.

As managing stakeholders means managing relationships, (5) stakeholder interaction is probably the most central element of achieving organizational justice for stakeholders. Due to the fact that whether something is just or unjust lies in the eye of the affected, the way that stakeholders are treated has a big influence on this perception. Therefore, communication and authenticity and values are key in achieving organizational justice for stakeholders.

9.4 Final Conclusion and Directions for Future Research

The two comprehensive case studies have allowed for comparison and thus for very valuable insights into many mechanisms of large humanitarian organizations and MNCs. They also allow for some degree of generalizability and a solid creation of simple rules for the two researched companies.

In the course of collecting data for this dissertation, I also conducted interviews with managers from an MNC in a very dynamic environment and with managers of a very professionally managed not-for-profit organization. The few interviews did not suffice for a profound case study and, for this is the reason, I have not included them in this dissertation. However, they did reveal that task forces are a construct that are also applied in the for-profit environment as an effective way of managing stakeholders in a very dynamic environment. They also naturally indicate that not all humanitarian and not-for-profit organizations function in the same way.

Therefore, analyzing additional companies, such as Small and Medium Enterprises (SMEs), or not-for-profit organizations in a quite stable environment would help to refine the findings of this dissertation.

A quantitative analysis of the relevant stakeholder interests would allow for more detailed analysis of what stakeholders want and what managers need to especially pay attention to.

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Appendix 1: Result of ICRC Coding Process

Super Code Group	Code Group	# of Codes
ICRC Context	Professionalization/Standardization	12
	ICRC Structures	36
Stakeholder Context	Saliency	19
	Employees	23
	Donors	9
	Beneficiaries	6
	Governments/Parties	8
	Wider Public	4
	Competitors/Partners	7
	Stakeholder Interests	11
Normative Frame	Principles	9
	Accountability	8
Stakeholder Processes	Accounting and Reporting	28
	Planning for Results	2
	Decentralization	5
	Two Modes	10
	Internal Strategic Alignment	9
	Strategic Alignment/Environment	11
	Strategic Alignment/Locus of Taking Decisions	12
	Collective Thinking and Acting	32
	Consensus	57
Stakeholder Interaction	Communication	44
	Relationship Management	7
	Relationships	6
	Transparency	2
	Trust	3
	Reciprocity	4
Simple Rules	Subject Matter Expertise	10
	Seizing the Window of Opportunity	13
	Putting the Beneficiary at the Center	1
	Using the Untouchables as Inner Compass	6
	Having the Opportunity to Consult	2

Appendix 2: Result of Schindler Coding Process

Super Code Group	Code Group	# of Codes
Schindler as a Research Site	Family	2
	Structures	27
	Matrix	2
Stakeholder Context	Stakeholders	21
	Employees	9
	Customers	4
	Suppliers	1
	Shareholders	1
	Competitors	1
	Governments	1
Normative Frames	Short-Term vs Long-Term	2
	Values	9
	Accountability	1
Stakeholder Processes	Levels	11
	Accounting and Reporting	6
	HR Processes	3
	Having Facts Ready	8
	Revise Decision if Necessary	5
	Large Project Approval	3
	Strategy Process	3
	Strategic Alignment	33
	Consensus	5
	Bridging Silos	9
	Standardization	9
Stakeholder Interaction	Organizational Identity	20
	Attitude and Behavior	23
	Communication	31
	Team / Partner	10
	Collaboration	9
	Relationship	2
	Trust	3
Simple Rule	Gut Feeling	4
	Market-Orientation	6
	Achieve the Numbers	20
	Communication	31
	Respecting Safety & Code of	1
	Making Sure	1

Appendix 3: Interview Questions ICRC

Interview Questions ICRC

1. Introduction

- a. Introduction of the three of us
- b. Ask for the allowance to record the interview
Promise, that nothing will be used out of the interview without asking back.
- c. Explaining very short my research interest

2. The interviewee

- a. When did you join ICRC?
- b. What is your role today? Reporting lines?

3. Selecting a complex strategic decisions

- a. We are now interested in selecting 1-2 very concrete strategic decisions ICRC had made at the corporate/regional unit level (emergency response situations vs. complex situations) in respective region(s)
 - *Selection criteria:* (1) quite typical for ICRC, (2) highly complex decision, (3) multiple stakeholders with competing interests involved, (4) you have been involved, (5) not that long ago

4. Taking one of these decisions to ask more about the details

a. The decision

- I. Who decided what exactly?
- II. What were the key objectives of this decision?
When are this objectives achieved?
- III. What was your role in this decision?
- IV. Were you as ICRC agile enough to respond to the situation effectively and make your decision (any constrains)?

b. The process

- I. Please tell me a bit about the story behind this decision.
- II. In your opinion, what were the concrete key events in the course of the overall decision process?
- III. What has led to each event? How did this occur?
Was there a trigger for this event?
- IV. In your opinion, which events occurred expected, which ones unexpected, and why?

c. The interaction with the stakeholders

- I. Which stakeholders were involved in and affected by this decision and to what extent?
- II. What were the expectations and interests of these stakeholders?
- III. Where did these expectations conflict?
- IV. How did you respond to these expectations and interests over time?
- V. How did the decision makers try to balance the different stakeholder needs? Please be very precise.
- VI. How did ICRC's principles influence the decision making? Was it difficult to adhere to these principles?

d. Performance measures and accountability

- I. To whom do you report and are you accountable?
- II. Which performance measures are used externally and internally to evaluate the decision and its impact?
- III. How are these performance measures linked to the overall strategy of ICRC?
- IV. When did the organization define these performance measures? Did they change in the process? Was there a discussion about what are the right performance measures for this decision?
How is it connected to the results-based approach?
- V. How would you evaluate the success of the overall decision?
> qualitative evaluation
> on a scale of 1-10 (1 = unsuccessful; 10 = very successful)
- VI. What was the role of possible performance goals by making this decision ("reverse engineering")?

e. Lessons learned

- I. Summarizing: How would you describe in total the decision making style regarding important and complex strategic decision.
 - long time for in-depth analysis
 - quite intuitive
 - follow many policies
 - from case to case
 - using a few "simple rules" which everybody shares
 - etc.
- II. What are your personal lessons learned?
- III. Can you apply these lessons learned to other typical strategic decisions made at ICRC?

5. **Closing of the interview**

- a) Asking for recommendations for our research project
- b) Many thanks

Appendix 4: Interview Questions Schindler

Interview Questions

1. Introduction

- a. Introduction of myself
- b. Ask for the allowance to record the interview
Promise, that nothing will be used out of the interview without asking back.
- c. Explaining very short my research interest

2. The interviewee

- a. When did you join Schindler?
- b. What is your role today? Reporting lines?

3. Selecting a complex strategic decisions

- a. I am now interested in selecting 1-2 very concrete strategic decisions Schindler had made at the corporate/regional unit level (emergency response situations vs. complex situations) in respective region(s)
 - *Selection criteria:* (1) quite typical for Schindler, (2) highly complex decision, (3) multiple stakeholders with competing interests involved, (4) you have been involved, (5) not that long ago

4. Taking one of these decisions to ask more about the details

a. The decision

- I. Who decided what exactly?
- II. What were the key objectives of this decision?
When are this objectives achieved?
- III. What was your role in this decision?
- IV. Were you as Schindler agile enough to respond to the situation effectively and make your decision (any constrains)?
- V. Were there any “competitors” involved and what was their role?

b. The process

- I. Please tell me a bit about the story behind this decision.
- II. In your opinion, what were the concrete key events in the course of the overall decision process?
- III. What has led to each event? How did this occur?
Was there a trigger for this event?
- IV. In your opinion, which events occurred expected, which ones unexpected, and why?

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Curriculum Vitae

Bettina Hartmann – Ackermann

Swiss and Liechtenstein Citizen, born March 25th 1985 in St.Gallen, Switzerland.

Researcher at the University of St.Gallen with an interest in sustainable management, strategic management and values in management.

Curious and excited to learn more about different cultures and how to contribute to moral behaviour both in private life as well as in business context.

Practical experience

2016 – today	University of St.Gallen (HSG) , St.Gallen, Switzerland Director Impact Program and Head of the Dean's Office – University of St.Gallen, Executive School of Management, Technology and Law
2011 – 2016	University of St.Gallen (HSG) , St.Gallen, Switzerland Program Manager for Customized Programs – University of St.Gallen, Executive School of Management, Technology and Law
2014 – 2016	Höhere Fachschule für Wirtschaft BVS , St.Gallen, Switzerland Lecturer for Business Administration
2010 – 2012	Bildungszentrum Wirtschaft , Weinfelden, Switzerland Preparation of students for their final apprenticeship examination in Business and Law
Mar 2009 – Sep 2009	Hilti AG Liechtenstein , Schaan, Liechtenstein Internship in Marketing and Product Management
Aug 2008 – Jan 2009	Danone AG , Warsaw, Poland Internship in the Human Resources Department
Sep 2006 – Oct 2006	University of Liechtenstein , Vaduz, Liechtenstein Internship in the International Office and Office for Human Resources

Education and training

2013 – today	University of St.Gallen (HSG) , St.Gallen, Switzerland Phd Program in Strategy and Management Research Topic: <i>How to Achieve Organizational Justice for Stakeholders</i>
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2010 - 2013	University of St.Gallen (HSG) , St.Gallen, Switzerland Master in Strategy and International Management Ranked Nr. 1 worldwide by the FT Ranking (2011 – 2018) Topic of Master Thesis: <i>Challenges and Solutions for the Internationalization of Swiss Small and Medium-sized Businesses at the Example of "Allegra Passugger Mineralquellen AG"</i>
2005 - 2009	University of St.Gallen (HSG) , St.Gallen, Switzerland Bachelor in Business Administration Topic of Bachelor Thesis: <i>Prerequisites for the Management of Multi-Cultural Team</i>
1996 – 2004	Gymnasium of Liechtenstein , Vaduz, Liechtenstein

Community Service

08. 2004 – 08. 2005	Baha'i World Center , Haifa, Israel Volunteer at the Department of Cleaning and Maintenance
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Extracurricular activities

2013 – today	Update Fitness , St.Gallen, Switzerland <i>Fitness Instructor for Intervall Training</i>
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Language skills

German	Mother tongue
English	Certificate in Advanced English (CAE), Toefl 107/120, GMAT 650, C2 GER
French	C1 GER

Computer skills

MS Office	Word, PowerPoint, Excel, Outlook - excellent
SAP – Businesswarehouse	Practical Knowledge
Lotus Notes	Practical Knowledge

Personal interests

Travelling around the world, Spirituality, Sports, and Music