Needs and Challenges of Pursuing a Stakeholder Consequence Research Stream

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This paper argues that the academic discourse on stakeholder theory is missing an important component – the long-term stakeholder consequences of organizational action. The needs and challenges associated with pursuing such a research agenda are addressed. The paper proposes three longitudinal studies in the areas of pension plan terminations, credit card debt liberalization, and sub-prime mortgages; which collectively will begin to shed light on how organizations actually impact stakeholders. Implications of how a renewed focus on stakeholder impacts and movement toward grounded theory development of a predictive model of stakeholder impact contributes to the current stakeholder theory. A predictive model could aid organizational decision by suggesting stakeholder consequences prior to an action being taken.

INTRODUCTION

To whom do organizations have a responsibility? Maximizing shareholder value, as a guiding principle of capitalism, sets the stage for the primacy of the shareholder over all other stakeholders. The move toward investor capitalism and the dominance of institutional investors has created an environment that solidify's this goal (Useem 1996). Stakeholder theory has sought to challenge the shareholder's supremacy over other interests, causing a debate over who should an organization answer to, shareholders or society (Freeman 1999)? One side of the debate focuses on the economic argument that society benefits through the pursuit of profits and maximizing shareholder wealth. The other side focuses on a moral premise that organizations have a responsibility to protect the interest of all stakeholders, not just the shareholder. Bringing this debate to a head are recent financial scandals; be it CEO compensation packages, back dating stock options, misrepresentation of financial statements, insider trading, or outright fraud, all bring into question just whose interests are being served?

A second theoretical debate is also in process; this one within stakeholder theory itself. The internal stakeholder theory debate is between those researchers aligned in the social sciences and those from moral philosophy. At odds is whether stakeholder theory is instrumental or normative. The instrumental view argues that when managers give all stakeholders consideration and seek to satisfy the interest of multiple stakeholders, financial performance will be improved when compared to the pursuit of a single stakeholder, such as the interests of shareholders (Donaldson 1999). From a normative perspective the argument is that managers ought to consider and value all stakeholder interests due to a moral imperative (Donaldson 1999).

Taking an instrumental approach, several empirical studies have sought answers to important questions. Mitchell, Agle, and Wood (1997) have sought to answer the question "Who are relevant stakeholders?" through their work on stakeholder identification. "How does an organization manage these stakeholders?" is the driving question behind Yongqiang's (2007) work on stakeholder management. Kochan and Robinstein (2000) explore stakeholder relationships to answer the question "How does an organization build stakeholder relationships?" Taking a different tack Hendry (2005) pursued the question, "How do stakeholders influence management?" In linking corporate social responsibility (CSR) to performance, Waddock and Graves (1997) attempt to answer the question, "Does a stakeholder approach increase financial performance?" A problem with these example studies is that in taking the managerial perspective, they fail to adequately explore the impact organizations have on various stakeholders. They suggest advice on managing the relationship, but stop short of examining stakeholder outcomes.

Not to say that there is no work in this area, but the work to date tends to be individual case studies such as, an examination of the Enron fallout (Culpan and Trussel 2005) or consumer interest in the U.K. water industry (Ogden and Watson 1999), rather than expanded studies across organizations. Wood's (1991) theoretical piece points to outcomes of corporate behaviors such as, social impact, social programs, and social policies as the outcomes of a model on corporate social responsibility. Margolis and Walsh's (2003) review highlights corporate response to social problems. Common to these two works is the perspective that organizations seek to impact the social world through their decisions and actions. While some organizational decisions seek to impact society on a conscious level, there are many other decisions that impact society and are made without forethought as to the consequences of the action. One basic question not being asked is what are the long-term unintended stakeholder consequences of organizational action?

The jest of this question goes to a fundamental assumption of stakeholder theory. Be it instrumental or normative, stakeholder theories make the assumption that organizations impact stakeholders, yet very little work has been done to examine how stakeholders are actually affected. This lack of focus on stakeholder consequences impedes the field from concentrating on the "stakeholder" of stakeholder theory. As Donaldson (1999) points out, the attention of the instrumental and normative approaches are on the manager and the inclusion of stakeholder interests in decision making. What isn't mentioned are the implications those decisions have on the stakeholders they are meant to consider. So, where are the "stakeholders" in stakeholder theory? Why has there not been more work into the impacts?

One possibility is the measurement issues involved in the study of stakeholder consequences. Wood and Jones (1995) highlight some of the difficulties associated with measuring social impact, among these is the multiplicity of constituent stakeholders. What stakeholders are impacted by organizational decisions and which are the most salient? Once stakeholders are identified, how should stakeholder impact be measured? Disposable income, incidence of a cancer, or greenhouse gas levels are all potential measurements of stakeholder impact in varying contexts. Researchers must decide how best to measure stakeholder outcomes depending on the situation, which then hinders the generalizability of any given measure. A researcher must design the study with appropriate boundaries that suit the phenomenon under study, yet offer broad enough insight to have implications to go beyond the myopic focal context. This will enable the development of expanded measures of stakeholder impact by which other researchers can build.

Adding additional complexity to studies of this type is that stakeholder impacts of organizational actions may not be known for many years. There is a trickle-down effect that severe issues may not be brought to light until years after the action. Such was the case in the Love Canal Landfill when health issues surfaced more than 20 years after its closure (Zechman 2007). From a research perspective the span of time between action and impact convolutes the linking of the two (Menard 1991). For instance, complicating the matter are the additional events that occur between action and impact that may influence and contribute to the impact felt by stakeholders thus biasing results. The temporal dimension also challenges the researcher to look longitudinally and historically to seek out root causes of social woes. Cross sectional surveys fail to provide the type of data necessary to explore event-based stakeholder outcomes, therefore, researchers must seek archival data to weave a narrative of events leading to the outcome. This type of research takes time to design, collect and analyze data that potentially can span decades (Menard 1991).

This paper seeks to begin the exploration into framing a means of determining the unintended consequences of stakeholder impacts of organizational decisions. Taking into account the measurement challenges associated with the study of this phenomenon, the paper bounds the context to long-term stakeholder consequences of financial decisions of U.S. publicly traded companies. Specifically the paper proposes three events that arguably have long-term stakeholder consequences – pension plan terminations, the liberalization of credit card policies, and the sub-prime mortgage market. The examination of these three events, each with distinct stakeholder impacts, can aid in the development of methodologies and measures to account for the unintended stakeholder consequences of organizational action, thus adding to our insights into implications of organizational action. It should be made clear that this paper is only a first-step down this path of refocusing the stakeholder theory discussion to one of implications rather than the instrumental vs. normative debate. It is an attempt to shed light on how to explore the long-term unintended stakeholder consequences of organizational actions. This avenue of research is a first step in the development of a predictive stakeholder decision making model to account for long-term consequences.

What follows is a discussion into the need and challenges for stakeholder impact research. The discourse then switches to establishing financial decisions as a relevant area to contextually bound research into stakeholder impacts. Next the paper explores pension plan terminations, the liberalization of credit card policies, and the sub-prime mortgage market as potential avenues to explore the long-term consequences of short-term financial decisions. The paper concludes by looking at the theoretical implications of putting the "stakeholder" back in stakeholder theory.

STAKEHOLDER CONSEQUENCES: NEEDS AND CHALLENGES

The following review of the literature explores the on-going debates in stakeholder theory and current directions of research. Gaps in the current stream of stakeholder thought are explored and some challenges to filling those gaps are considered.

Need for an Examination of Stakeholder Consequences

Two related debates have developed over stakeholder theory: shareholder interests versus stakeholder interests and a social science approach versus a moral philosophy approach. These debates are productive in that they have kept a multi-discipline dialog going, bringing attention to an important societal and organizational issue. The dialog has spawned a critical examination of the theory providing insight into gaps in the theory and in the different approaches to the topic. On the other hand the preponderance of dialog surrounding to the two key debates, takes away from the operationalizing of testable hypothesis grounded in the theory. Namely the fundamental question of what impact do organizations have on stakeholders over the long-run? Shareholders or stakeholders, "to whom do organizations owe their allegiance?", this question is at the heart of the first debate. Freeman's (1984) seminal work on a strategic approach to stakeholder theory sought to question the established view that the allegiance was only owed to the shareholders. As Freeman (1999) points out, the choice of the word "stakeholder" over others such as "constituencies" or "interest groups" was meant to invoke the dichotomy of the two perspectives. Since Freeman's initial challenge to shareholder supremacy and presentation of an alternative perspective on the purpose of the firm the debate has raged.

Proponents of the shareholder side of the debate base their arguments on an economic model of self-interest, ala Milton Freidman's argument that an organization's social responsibility is to increase profits (Sundaram and Inkpen 2004). Jensen (2001) argues that it is impossible to serve more than one master and that when an organization tries it results in inefficiencies and a lack of focus. The argument for the supremacy of the shareholder has deep roots all the way back to Adam Smith's (1776/1976) discussion of the pursuit of self-interest in a free market system and the benefits of this course to society. Goodpastor (1991) argues that management has a fiduciary duty to shareholders to give their interests precedence over other claimants and that making management responsible to other stakeholders goes against the foundations of our capitalistic system.

On the flip side of the debate is the idea that shareholders are just another stakeholder group and should not have special rights. Boatright (1994) contends that, unlike Goodpastor (1991), management has a fiduciary duty to community as well. He makes the point that shareholders are more mobile than other stakeholders and can always sell their shares and move on, while other stakeholders do not have this luxury (Boatright 1994). Freeman and colleagues (Freeman, Wicks, and Parmar 2004) in a rebuttal to Sundaram and Inkpen (2004) argue that stakeholder theory is pro-shareholder and encourages entrepreneurial risk thus creating economic and political freedom to all stakeholders.

The Freeman et al (2004) argument is indicative of the move toward synthesis of the shareholder and stakeholder perspectives. Other attempts at synthesis have also been made such as Velamuri and Venkataraman (2005) who contrast the nexus of contracts approach to the firm with an entrepreneurial view concluding that through an entrepreneurial view greater opportunities are revealed that positively impact multiple stakeholders. Another attempt at synthesis is Wagner-Tsukamoto's (2007) ideas to reframe the Friedman Theorem which would reposition it as an instrumental stakeholder theory of the firm. This leads us to the second debate, one that is within the stakeholder theory proponents, a social science vs. a philosophical approach.

The social science approach takes an instrumental perspective on stakeholder theory, which is at odds with the philosophical approach of a normative perspective. Instrumental stakeholder theory essentially makes the contention that the consideration of various stakeholders is good business (Jones and Wicks 1999). Most of the empirical work in stakeholder theory follows the instrumental approach seeking to show that when organizations include stakeholders in their decisions, profits increase. The normative approach by contrast is grounded in philosophy and seeks to explain what management ought to do morally rather than in their self-interest (Jones and Wicks 1999). In other words, managers should consider various stakeholders because there is a moral imperative to consider your fellow man.

While these debates fill the pages of academic journals and provide necessary discourse, missing is an examination of the consequences of managerial decision making on different stakeholders. Where are the "stakeholders" in stakeholder theory? Answering this question may shed new light on these debates. If stakeholder consequences are determined, then insight can be ascertained into the shareholder – stakeholder debate as to does society actually benefit when managers work to maximize shareholder value? If so then maybe the conscious consideration of stakeholders as laid out by Freeman (1984) needs to be implemented for society to benefit. Instrumentally, stakeholder theorist assume that considering stakeholders benefits shareholders, knowing the consequences of organizational action may work to solidify the argument that stakeholder theory is good business. From a normative perspective, knowing stakeholder consequences will aid in making the case that to benefit society stakeholders should be considered. The point is that at the heart of the debates presented here are untested assumptions that exploring long-term stakeholder consequences can provide insight.

The stakeholder debates are largely relational in balancing competing interests which has spawned a body of research that explores stakeholder relationships. This research stream includes insight into managing stakeholders as well as how stakeholders influence the firm. For instance, Harvey and Schaefer (2001) examine how U.K. utilities manage their relationships with "green" stakeholders and found that none of the utilities examined had a policy for managing specific stakeholders but rather followed intuition and the stakeholder influence to decide how to approach dealing with the groups. Preble (2005) develops a stakeholder management process model to try to give insight to managers and eliminate the intuitional approach seen in the U.K. utilities (Harvey and Schaefer 2001). Reynolds and colleagues (Reynolds, Schultz, and Hekman 2006) empirically look at the balancing of different stakeholder interests in decision making and find that managers balance interests based on the amount of resources to be allocated. Pajunen (2006) explored the influence important stakeholders had on organizational turnarounds and Eesley and Lenox (2006) looked at how firms respond to stakeholder action. Hendry (2006) utilizing five case studies seek to determine what factors lead stakeholder groups to target firms. Lacking in this line of research is an awareness of the stakeholder impacts. The research attempts to bring in the interests or what the stakeholder cares about, but it fails to examine how the organization actually impacts the various groups. Why is this important? When relationship management occurs as a pacification or impression management tactic, the dialog is kept focused on the short-term and any long-term impacts are put on the back burner. This actually weakens the overall relationship rather than build long-term commitments between the parties.

While research into stakeholder impacts is lacking, I don't want to imply that it is nonexistent. There is limited work on specific cases like Culpan and Trussel's (2005) examination of the Enron debacle and Ogden and Watson's (1999) study of consumer interest in the U.K. water industry; however, no body of work exists that examines widespread consequences across organizations and multiple stakeholders. There is also an area of stakeholder research that seeks to establish that there is a link between corporate social responsibility (CSR) and the overall financial performance of the firm. In other words a firm does well by "doing good". Waddock and Graves (1997) utilize the KLD database – a measure of CSR – to correlate CSR and firm performance. Barnett and Salomon (2006) in their examination of socially responsible investing find a curvilinear relationship between CSR and financial performance. Similarly, Hillman and Keim (2001) find a positive link between stakeholder management and firm performance, but also find a negative association with shareholder value when the firm is involved in social participation.

The instrumental focus of these studies sets the dependent variable as financial performance, hence keeping the focus on the organization rather than the stakeholder. Missing is the impact of decisions on stakeholders. While the argument is made that firms do well by "doing good", the "doing good" from a stakeholder outcome variable has not been determined. Rather what is actually being measured is firms doing what is "perceived as doing good". Actually measuring stakeholder impacts and then correlating them back to financial performance would determine that firms are doing well, by "doing good". Wood (1991) alludes to this point when she outlines specific social outcome variables of social impacts, social programs, and social policies all in the context of CSR. A second drawback of CSR studies is in intent. This can be seen in Wood's (1991) theoretical piece in that a key assumption is that the organization wants to be socially responsible. Taking this direction fails to consider the unintended consequences of organizational action. Whether intended or not, organizational decisions do impact others and not incorporating unintended consequences leaves a gap in our understanding of action.

Challenges to Stakeholder Consequences Research

The lack of research into the stakeholder consequences can in no small manner be attributable to the measurement challenges in designing stakeholder impact studies (Wood and Jones 1995). Among these are contextual boundaries, stakeholder identification, stakeholder salience, stakeholder impact measures, and the longitudinal aspects of study design and controls. The following discussion incorporates the current empirical stakeholder research to suggest solutions to these measurement hurdles.

The contextual bounding of potential research into stakeholder consequences is an important and challenging step in developing a research design. Too narrow of focus leads to individual case studies – e.g. Culpan and Trussel's (2005) study of Enron —which lacks generalizability. Too broad of focus and the design becomes too unwieldy and overly general to provide insightful results needed given the scarcity of work in the stakeholder impact arena. Careful thought must be given to choosing a context that is focused enough to be manageable and insightful yet broad enough, while not being completely generalizable, can provide insights into theory development to test in other contexts.

Another challenge in undertaking empirical work on long-term stakeholder consequences of organizational action is to identify potential stakeholders that are impacted by the organization. Stakeholder identification is important for two reasons – first in creating bounds to the study and second in isolating the proper outcome measures. Freeman's (1984) original work on stakeholder theory outlined the process of stakeholder mapping as a means of identifying stakeholders that impact or are impacted by the organization. Clarkson (1995) presented a typology for identifying stakeholders categorizing them into two groups, primary and secondary. A firm's primary stakeholders are those that are necessary for the survival of the firm where as the secondary stakeholders can impact or be impacted by the firm, but are not necessary to the firm's survival (Clarkson 1995). Public stakeholders, governments and communities that provide infrastructure, were included with primary stakeholders (Clarkson 1995), but were later separated out into a third category by Preble (2005). These tools provide a foundation to ascertain potential stakeholders that are impacted by the organizational action to be studied.

Once stakeholders are identified then the challenge then becomes "Which stakeholders are most impacted by the firm?" Mitchell, Agle, and Wood (1997) developed a framework for answering this question. They (Mitchell et al 1997) posit that stakeholder salience is determined via three attributes: power, legitimacy, and urgency. Power relates to the degree by which one actor can influence the actions of another (Mitchell et al 1997). To determine stakeholder power, management has to evaluate the influence that a given stakeholder can exert over the firm. For instance, a firm must follow labor laws due in part to the coercive power of the governmental stakeholder. Legitimacy is the perceptions that actions or claims of a stakeholder group are proper based on norms (Mitchell et al 1997). Shareholders or creditors have a legitimate claim on a firm. Urgency, the final dimension, relates to the degree of immediate action that is required to address a stakeholder's issue (Mitchell et al 1997). An environmental spill would increase the urgency for a particular stakeholder. The weights that management puts on each attribute are summed to determine which stakeholder has the most salience for the firm and thus warrants the most attention.

Agle, Mitchell, and Sonnefeld (1999) operationalized the salience framework in a study of 80 CEOs finding support for the assertion that upper managements perceptions of a stakeholder's salience influences the attention that is paid to the stakeholder group. Another key finding of the study is that the CEO's assigned greater salience to shareholders, employees, and customers over the stakeholders of government and community (Agle et al 1999). This suggests that primary stakeholders garner more attention than public stakeholders supporting an instrumental view of stakeholders rather than the normative view. In other words management is most concerned with those stakeholders that directly influence firm outcomes. Agle and colleagues (Agle et al 1999) point to the traditional production function of the firm as the reason for the salience of the primary stakeholders which would align with the shareholder view of the firm.

While the Mitchell et al (1997) framework takes a management perspective it can be adapted to focus on impacts rather than stakeholder influence, thus repositioning it to a more normative perspective. Reframing the model around organizational influence/impact over stakeholders inverses the model from one of stakeholder management to corporate social responsibility. Power, legitimacy, and urgency are then reframed to reflect a stakeholder perspective and new questions can be asked – "over which stakeholders does/can the organization exert the most influence or impact; is there a legitimate responsibility, either legally or morally, to the stakeholder?; and how great is the magnitude of the impact the organization has on the stakeholder?" This inverse of the Mitchell et al (1997) framework coupled with the stakeholder identification previously mentioned can then be utilized to evaluate potential stakeholder impact. Determining which stakeholders are more likely to be impacted will aid in bounding the research and giving clues as to what stakeholder outcome measures will best capture the organizational impact.

Once the study boundaries are set, stakeholders identified, and the most impacted group determined, then a measure of stakeholder impact must be constructed. This impact measure will then become the dependent variable for the study. Driving the choice of measure is the context of the study. A researcher may be concerned about the health implications of a factory's emissions in which case the health status of employees and community members maybe viable measures. In Wood and Jones' (1995) review of the corporate social responsibility and social performance empirical work, several measures are highlighted that have been utilized to attempt to link CSR to financial performance, in an attempt to show that companies do well by "doing good". Wood and Jones (1995) also break down these studies and measures into the following stakeholder groups – community (e.g. charitable contributions and community sponsorship), customers/consumers (e.g. product recalls and airline crashes), natural environment (e.g. pollution standards compliance), and government (e.g. OSHA and antitrust violations).

While these measures were utilized as intervening variables rather than outcome variables, they do point to possible outcome variables. For instance from a community standpoint, what is the community impact of charitable contributions? Have tsunami victims' lives been repaired? From customer standpoint, what safety issues led to a product recall? Were there customer deaths? The various measures that Wood and Jones (1995) point out highlight the importance of context as a key consideration in selecting impact measures. Also apparent in the Wood and Jones (1995) review is the reliance on event studies in exploring performance. This poses a problem in generalizability of studies of this type. To mitigate this problem stakeholder impact measures that are easily replicated should be selected as well as choosing a context that is applicable to more than a single event with one organization.

A final challenge when trying to measure stakeholder impacts has to do with time. At what point do you measure the impact? Do you measure impacts once or over time? A difficulty with studying stakeholder consequences is that the effects of an organizational action may not be felt until long after the decision or action was taken. This time lag is readily apparent in the time lag associated with the Love Canal Landfill closure in 1953 after thirty plus years of use, and the manifestation of health problems of the residence during the 1970's (Zechman 2007). A cross-sectional research design would not be able to determine the linkage between the environmental hazard and the health manifestations at Love Canal. Not all incidents take decades for their effects to be known, for instance, in the cases of the Union Carbide spill in Bhopal, India and the wreckage of the Exxon Valdez in Valdez, Alaska (Zechman 2007), the environmental hazard and the stakeholder implications could be quickly identified and linked. While as profound as these events were, the stakeholder impacts were relatively contained due largely to the immediacy of the event, however the underlying systemic issues would not be as readily determined. But what happens when the effects of a decision are not known for years to come? This is the role of a longitudinal research design (Menard 1991).

The nature of stakeholder consequences with the potential for time lags between cause and effect make longitudinal research an appropriate design choice (Menard 1991). While the design can be insightful, it also has its own set of challenges – consistency of measures across time, mortality of participants/cases, missing data, and outside events (Menard 1991) to name a few. Careful design and controls can aid in overcoming these obstacles and the technique has been useful in better understanding relationships amongst variables and in building theory (Eisenhardt 1989). The scarcity of research on stakeholder impacts and the lack of predictive theory into how organizations impact stakeholders makes exploratory and theory building work important. Theory building is much needed in stakeholder theory in order to develop testable hypothesis and move the exploration forward. Through longitudinal studies we can move toward better understanding the causal relationship between an organization's action and the ramifications for stakeholders, putting the "stakeholder" into stakeholder theory.

TOWARD A STAKEHOLDER CONSEQUENCE RESEARCH STREAM

Given the need for research into stakeholder consequences and the challenges facing the endeavor, how might a research stream look? This section contextualizes a possible research stream that seeks to account for stakeholder impacts of organizational action. One general concern of stakeholder theory is that a shareholder perspective creates a short-term financial focus. The implication is that this myopic focus on the pursuit of short-term financial gain hurts all stakeholders in the long-term. Jensen (2001) reiterates this argument that society benefits when firms maximize long-term value, but he contends that maximizing long-term value necessarily includes consideration for multiple stakeholders in what he calls "enlightened stakeholder theory". While researchers point out that a long-term focus is beneficial, this view is not necessarily seen in practice.

Bogle (2005), the founder of Vangard, suggests that stocks are no longer owned but rather rented. This assertion points to a short-term focus and the pursuit of short-term financial gains. The ease of exit allows investors large and small to be transient and to chase quick returns. Bushee (1998) and others (e.g. Matsumoto 2002) in financial research have identified these transient investors and their investing behavior. Transient institutional investors seek to maximize short-term returns to bolster their portfolio's performance. Investor interest in quarterly earnings reports highlights this short-term focus. This investor desire for short-term returns has found its way into organizations. Evidence of a short-term focus can be seen in the structure of executive compensation packages tied to stock returns, as well as the drop in tenure rates of CEOs (Useem 1996).

Normative stakeholder theory would suggest that this myopic focus on short-term profits gives privilege to shareholders potentially to the detriment of other stakeholders. Likewise, instrumental stakeholder theorist would argue that giving supremacy to those stakeholders with a short-term view will hurt not only other stakeholders, but also the sustainability of the organization itself. But what is the long-term stakeholder impact of the short-term pursuit of financial gain? This is an unknown. One way to try to reduce the unknown is to develop longitudinal studies that seek to capture the long-term consequences of the pursuit of short-term financial pursuit. Three widespread short-term financial pursuits that offer the potential for examination are the restructuring of pension plans during the 1980's, the liberalization of credit card debt, and the creation of the sub-prime mortgage market. Each of these actions produced quick financial gains; each activity was widespread across several organizations; and in each long-term stakeholder consequences can be assessed longitudinally.

Defined-Benefit Pension Fund Terminations

During the 1980's there was a rash of corporations that terminated their defined-benefit pension plans and recaptured the over-funded balances. Between 1980 and 1987 as many as 1200 corporations recaptured over $12 billion in surplus funds (Stone 1987). According to one survey (Alderson and Chen 1986), leading reasons for terminating the defined-benefit plans are to provide an inflow of cash, to switch to a defined-contribution plan, and as part of a corporate restructuring and by far (41.9% of respondents), the largest use of the funds was to retire debt. The termination of a plan requires the approval of the Pension Benefit Guaranty Corporation (PBGC) and the purchase of an annuity to cover estimated future payouts of the plan (Petersen 1992).

Several pension related studies were conducted in the late 1980's and 1990's which examined issues related to these terminations of over-funded defined-benefit plans. For instance, Haw, Ruland and Hamdallah (1988) looked at the magnitude of the recapture of terminated funds and found that in firms with large terminations positive stock returns were experienced. Mitchell and Mulherin (1989) explored stock price response to terminations as well as the relationship between terminations and corporate takeovers finding abnormal positive returns following a filing for termination and limited support for relating terminations to takeover activity. In their conclusions they highlight that they did not consider any implications of the terminations on employees (Mitchell and Mulherin 1989). Hsiet and Ferris (1994) similarly found a boost for stockholders and bondholders following a termination filing, but only when the corporation was experiencing financial difficulties. Here again their study did not look at the impact on other stakeholders. One study (Petersen 1992) takes a more stakeholder approach and explores the termination of defined-pension plans as a transfer of wealth from workers to shareholders. While Petersen (1992) finds support for financial adversity driven terminations similar to Hsiet and Ferris (1994), he also finds that the likelihood of the selection of termination is higher when the pension bond is large, indicating a transfer of wealth from employee to the shareholders breeching promises made to employees. As Petersen (1992) points out terminations do impact employees, a stakeholder in the company.

Now that twenty-five plus years has passed since the rash of terminations of over-funded defined-benefit plans, the time is ripe to look at long-term stakeholder consequences of those decisions. The pension plan terminations were widespread across publicly traded organization at the time which will aid in the data collection and in generalizing results as opposed to case studies of isolated actions. Unarguably, employee pensions have stakeholder implications making it a fruitful area for research. Likewise the topic is relevant in today's world when so many organizations such as GM are complaining of the costs, especially healthcare costs, associated with pensioners (Simon 2005). Also helpful in studying the long-term impacts of 1980 based pension terminations is that the PBGC keeps records and publishes annual reports on all pensions since its inception in 1975. Taken together, terminations of over-funded defined-benefit pensions from the 1980's are one area that the long-term stakeholder consequences of short-term financial gains can be explored.

Credit Card Debt Liberalization

A second potential area for research into long-term stakeholder consequences is in the realm of credit card debt. In 1978 the U.S. Supreme Court essentially deregulated the credit card industry with the Marquette decision which determined that the usury laws that apply to unsecured credit card are the laws in the jurisdiction of where the card company is located, not where the user is located (Watkins 2000). This court decision prompted credit card companies to locate where laws allowed high interest rates and brought in great profits for the companies (Watkins 2000). Then in the 1990's card issuers switched from a risk aversion strategy to a risk management strategy with the advent of bonds sold on the market that would be repaid through credit card repayments (Watkins 2000). Changes in technology fostered automated credit scoring and direct mailings of applications (Watkins 2000) making credit cards available to a greater number of individuals regardless of risk level.

As credit card companies relaxed their credit granting policies, consumer debt in the U.S. began to rise. Between 1983 and 1995 households with credit card debt equal to their income increased four fold to 16 percent (Watkins 2000). By 2007 the total amount carried on revolving credit cards is near $900 Billion (Scott 2007). While credit has soared, savings rates have dropped to a negative .5% (Scott 2007). The group most affected by these trends are the least wealthy (Watkins 2000; Scott 2007). Personal bankruptcies also began to rise which began to take their toll on the credit card companies. Then in 2005 the U.S. Congress, influenced by the credit card lobby, revised the bankruptcy laws making it more difficult to dismiss credit card debt (Davenport 2005).

The liberalization of credit boosted the short-term profits of credit card companies; however, the credit saturation reached a point that to maintain profitability it was in the self-interest of the companies to lobby for protection of their business by supporting bankruptcy reform. But what of the stakeholders, which are numerous in this instance? The most direct stakeholder other than shareholders is the users of the credit cards, but there are also retailers that accept the cards, manufacturers that produce consumer goods, the bondholders that depend on credit card repayments to recoup their money, and society as a whole. Given the depth and the magnitude of this issue across our society, it is an important context to explore the long-term stakeholder consequences of the pursuit of short-term financial gain. Multiple stakeholder measures can be assessed such as disposable income and net worth of credit card users; retail growth attributable to credit; and overall economic growth and household debt. This availability of potential measures would ease the data collection process and can help to foster research in this area. Longitudinally, the twenty-five year time span cumulating in the 2005 bankruptcy reform can shed valuable light on long-term stakeholder consequences of the pursuit of financial gain.

Sub-prime Mortgage Loans

A third area that, although relatively recent, will develop into a viable arena for studying long-term stakeholder consequences of the pursuit of short-term financial gain is the sub-prime mortgage market. The recent collapse of this market is dramatically impacting the lives of families, the housing market, the construction trades, banking institutions, the overall economy, and the mortgage institutions, among other stakeholders. Mortgage delinquencies are at an all-time high (Berry 2008), Congress has debated the issue (Paletta 2007), and the President is seeking relief for mortgage holders (Phillips, Paletta, and Lueck 2008). While the true magnitude of the fallout will not be known for many years, there is the unique opportunity to begin to track stakeholder consequences as the situation unfolds.

Sub-prime mortgages are typically variable rate mortgages that reset at intervals throughout the life of the mortgage tracking the movement of the prime lending rate. They are high risk mortgages that offer individuals who may otherwise have difficulties obtaining a mortgage, due to poor credit or low income, participate in the "American Dream" of owning your own home. The sub-prime mortgage can be quite creative in terms, but typically has an initial low interest rate that resets in three to five years. In theory when the date comes for the rate change the homeowner's income will have risen to compensate for any rate adjustment; however, the reality is that income did not rise to a level sufficient to offset the adjustment. Many homeowners purchased homes based on the initial payment and not the debt service at some point in the future (Moore and Brauneis 2008). Some could barely make their mortgage payment at the initial level and when the rates adjusted they had no financial resources for the increased debt service and their "American Dream" potentially went into foreclosure.

Why would lenders make these loans in the first place if the risk of default was so high? The answer lies in the risk management strategy versus risk aversion strategy discussed in the credit card liberalization section. The mortgages were not held by the initial institution, but rather packaged together with other mortgages of varying risk levels and sold as financial instruments on the open market (Moore and Brauneis 2008). There was no incentive for the mortgage granting institution to judge the long-term viability of the mortgage as the risk was passed to the secondary market.

Exploring the sub-prime mortgage market as an ongoing event that will have long-term stakeholder consequences can give great insight into how societal changes trickle down to impact stakeholders. The sub-prime mortgage market collapse has every indication of being a significant stakeholder event, like the pension plan terminations and credit card liberalization before it. This societal event is in its infancy and therefore presents a unique opportunity to identify key stakeholder groups (e.g. home owners, mortgage banks, etc) early and track them over time. Methodologically, in addition to tracking aggregate data and inferring impacts, longitudinal case studies of select stakeholders can be followed to determine the micro impact of the sub-prime mortgage market crisis which will aid in revealing a more complete picture of long-term stakeholder consequences of the pursuit of short-term financial gains. A lattice of nested stakeholders stories can be weaved and triangulated with aggregated data to construct a map of the stakeholder aspects of the sub-prime mortgage crisis.

IMPLICATIONS OF STAKEHOLDER CONSEQUENCES RESEARCH

This paper began with the argument that the stakeholder has been left out of stakeholder theory, missing is a stream of research that seeks to discover the long-term stakeholder consequences of organizational action. Three avenues – pension plan terminations, credit card debt liberalization, and sub-prime mortgages – were identified as fruitful areas to explore organizational impacts. Taking this approach makes contributions to our understanding of stakeholder theory on a number of fronts: First, it moves the stakeholder theory dialog away from a philosophical debate towards an examination of the underlying assumptions of the theory – that organizations impact stakeholders. Second, it changes the focus of examination away from traditional organization success measures and focuses on societal implications of organizational action. Third, it seeks to highlight the necessity of utilizing a longitudinal approach when studying stakeholder consequences.

As was highlighted in the review of literature section, the ongoing stakeholder debate is productive in that it has promoted a vigorous dialog on the normative and philosophical discussion; however the debate has not questioned the underlying assumption that organizations impact stakeholders. On the one hand it is common sense that organizations impact stakeholders, but there is much to learn from exploring what these impacts are as well as the process by which the stakeholders are affected. A greater understanding of stakeholder consequences can shed new light on the philosophical debate by providing foundation data to support or dismiss the existing arguments.

A second contribution that this discourse makes is the attempt to refocus the outcome measure of stakeholder research from the success of the firm to the stakeholder impact of organizational action. The instrumental based stakeholder research has largely focused on how by incorporating stakeholder interests into consideration during decision making the firm is more successful by traditional measures. In other words considering stakeholders is good business and helps your bottom-line. The research shows that this may be true for primary stakeholders like customers, employees, and shareholders, but the verdict is still out on more distanced stakeholders. Switching the focus from organizational financial performance to stakeholder impact permits a totally different measure of success. Measuring an organization's stakeholder footprint can give new meaning to organizational success, one based on societal impact. Comparing the balance of financial performance and stakeholder footprint could help managers decide alternative courses of actions and to truly become responsible for their actions. While there are challenges to developing impact measures, taking time to adequately bound the project, identify potential stakeholders, determine which is potentially most impacted, all aid in creating a measures that reflect stakeholder impacts.

The highlighting of the necessity of a long-term longitudinal perspective in stakeholder research is the third contribution this paper makes. Stakeholder consequences are not necessarily known in the short-run. Often it takes years for the true impact to be made apparent. Taking this into mind, consequential stakeholder research must look to the long-term. It is imperative that longitudinal work as opposed to cross-sectional studies be conducted in order to capture how organizational action impacts not only the company but also all stakeholders then a long-term perspective utilized.

So how would a researcher approach this longitudinal path? That is the final contribution of the paper as it points out specific research studies that can work toward building our understanding of the long-term stakeholder consequences of organizational action. The first two proposed studies take a historical perspective in examining two past events – pension plan terminations and credit card debt liberalization. The careful design and conducting of the studies can help us establish the rudiments of a theoretical model of stakeholder consequences and provide insight into design future studies that derive from the grounded theoretical model. In essence these first too studies can serve in building theory. The third study relating to the sub-prime mortgage market can then be constructed to test and further develop theory into stakeholder consequences. Since we are currently in the midst of the sub-prime mortgage crisis initial qualitative data could be collected. Establishing subjects from each stakeholder group potentially impacted by the crisis and conducting periodic interviews can help to establish a process of stakeholder impact. The timely collection of this type of data can prove to be invaluable later by offering a richness not possible in an archival historic design necessitated by the other two studies.

CONCLUSION

The proposed studies included in this paper are meant to be exploratory in nature and a first step toward learning more about the true impact that organizational action has on stakeholders. Carefully designing and conducting these three studies can set the ground work in building theory around stakeholder impacts. As Eisenhart (1989) points out case studies can be utilized to build theory based upon the principals of grounded theory. The three studies can be triangulated to capitalize on the contextual nuances of each organizational action; similarities can then be utilized to build testable hypotheses for future studies. Although each project deals with a different set of variables through comparative methods cross-case integration is possible (McPhee 1990). The pursuit of further refinement of stakeholder impact theory can aid in the development of a predictive model that may possibly lead to better organizational decisions where social impacts are suggested prior to a path being taken.

So, where are the stakeholders in stakeholder theory? The answer is that currently they are absent, but they do not have to remain in obscurity. Though challenging and difficult there is the possibility to begin down the path of finding the lost stakeholders. By longitudinally developing measures that assess stakeholder impact and by developing a theoretical model that predicts stakeholder impact, stakeholders can be brought into stakeholder theory. As researchers we have an opportunity to find the loss stakeholders and in turn test the underlying assumption that stakeholders are impacted. Once we know how stakeholders are impacted we can then work to develop prescriptive means to minimize negative stakeholder impacts while maximizing positive ones. Then maybe we can actually have a means to balance competing stakeholder interests.

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