Stakeholder Relationship Bonds

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ABSTRACT Scholars and managers continue to seek a better explanation for the behaviours displayed by various stakeholders. An enhanced understanding of the drivers of these behaviours ought to improve an organization’s ability to appropriately manage relationships with stakeholders, thereby improving firm performance. This paper provides a detailed look at the concept of a relationship, from the perspective of the stakeholder, by focusing on the perceived psychological bonds that drive a stakeholder to decide whether to continue a relationship with the firm and, if the relationship does continue, how much pro-relationship behaviour to exert. Our analysis works out how the strength of the perceived psychological bond is measured and establishes the conditions under which bonds will be broken. We also develop conditions that either promote or quash stakeholders’ pro-relationship behaviour.

Keywords: bonds, continuance, firm performance, pro-relationship behaviour, relationships, stakeholder theory

INTRODUCTION

Stakeholder theory suggests the central challenge of value creation is productively managing relationships with stakeholders who affect and are affected by the firm’s activities (Freeman, 1984; Freeman et al., 2010). A ‘core question’ of the theory is focused on the ‘kinds of relationships [managers] want and need to create with their stakeholders’ (Freeman et al., 2004, p. 364). Given the centrality of relationships to this theory, it is perhaps surprising that the causes and effects of decisions made when managing individual stakeholder relationships have not been explored in depth (Freeman et al., 2010; Friedman and Miles, 2002; Jones, 2011; Laplume et al., 2008). One exception in this literature argues firms interact with their stakeholders in consistent patterns according to their identity orientation, which is an organization-level concept (Brickson, 2007). In a recent review, however, Jones (2011) argues for expanding stakeholder theory to better explain the concept and inner workings of relationships. He concludes:

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It would appear that research that examines the actual nature of the relationships in question ... will have to be done. [...] I believe that the greatest gains in our understanding of the relationship between good stakeholder management and improved financial performance will be found at this level of analysis. [...] Instead of examining company policies and specific actions, researchers should be examining the content and nature of the relationships themselves.” (p. 60)

We agree it is time to more deeply understand the relationship construct itself—by identifying and explaining ‘key dimensions of each stakeholder relationship’ (a need identified in the review by Freeman et al., 2010, p. 287). Our approach in this paper is to examine relationships from the point of view of a single person who is a stakeholder to a firm. This approach heeds the call for strategy researchers to examine ‘lower-level constituent units when explaining higher levels of analysis’ (Barney and Felin, 2013, p. 144) and to develop models that ‘take into account the interactional and relational factors that might influence preferences, collective decision making, and aggregation’ (p. 141).

We stand on the shoulders of social psychologists to develop a model that is applicable for explaining how an individual person (a ‘subject’) perceives his relationship with another party (a ‘target’ that can be at one of many units of analysis including another person, a team, or a firm). For clarity of exposition and parsimony, we present our entire model using as the focal subject an individual person who is a stakeholder to a firm. As is often the case, this individual person might not be acting entirely on her own behalf; she might be engaging with the target in a boundary-spanning role as representative of a larger stakeholder group or organization. It is accepted that the nature of stakeholder relationships can be bidirectional: for example, a customer is a stakeholder to a given supplier, and vice-versa. Accordingly, our model can ultimately be applied to both ‘sides’ of a stakeholder relationship one at a time, but we do not propose the perceptions of a focal subject (individual person) on each ‘side’ of the relationship are mirror images. Building our model of stakeholder relationships from the level of individual subjects allows for the aggregation of perceptions from individuals to groups to organizations, as appropriate, to help understand business-to-business relationship settings. The reciprocal nature of the aggregation process itself, however, is a complex interaction of individuals’ contextual authority and influence that goes beyond the scope of our present work.

This complexity, coupled with the fact that the term relationship is used so frequently in everyday language (Reis et al., 2000), may explain why relationship, as a unit of analysis, has not been aptly scrutinized by business scholars. The essence of an interpersonal relationship can be found in the interactions between two parties. However, a relationship is more than the sum of interactions (Hinde, 1999; Pirson and Malhotra, 2011). Relationships are also subject to power dynamics affected by, for example, the comparison of available alternatives for either the subject or the target and the parties’ perceptions of interdependence (Stevens and Fiske, 2000). We argue a relationship requires individuals to perceive some form of psychological bond and to be motivated to take some action on behalf of the other party. Thus, to understand stakeholder relationships, we begin by examining how an individual stakeholder’s perceptions influence his behaviours and decisions in a relationship.
We focus on two sequential decisions made by stakeholders that are logically tied to firm performance: (1) continuation with the firm and (2) pro-relationship behaviour provided to the firm. Continuation refers to the stakeholder’s intention to maintain or to break his relationship with the firm. March and Simon (1958), building on Barnard (1938), refer to this as the decision to participate, and they argue organizational survival depends on employees, investors, suppliers, distributors, and consumers making this decision. When a stakeholder’s intent is to continue with the firm, the firm is more likely to achieve its value-creating objectives for that relationship. The stakeholder who becomes unsatisfied with the firm experiences a condition of discontinuance and ceases to perceive a psychological bond to the firm, as explained below. This stakeholder may behave in ways that are destructive or counterproductive for the firm. Thus, our first research question is: What makes a stakeholder more or less willing to continue in his or her relationship with the firm?

The stakeholder who stays with the firm subsequently decides how to behave in the relationship. Because behaviour in a relationship is not perfectly specified or controlled, relationship outcomes vary positively with more relationship-centred effort on the part of both parties. March and Simon (1958) refer to this general phenomenon in their discussion on motivation to produce beyond the demands of the organizational hierarchy. Individuals can choose to expend effort on activities that affect relationship outcomes and on activities that affect the dimensions of the relationship itself. To the extent a stakeholder contributes effort that either enhances a relationship or improves outcomes of that relationship, his behaviour is described as pro-relationship behaviour. Although not addressed in detail here, we acknowledge a stakeholder could alternatively choose to remain in the relationship while also behaving in ways that are costly or painful for the other party. We believe such behaviour is likely a short-term, negatively reciprocal reaction to a perceived injustice the subject attributes to the target (see Bosse et al., 2009). In short, a firm is more likely to outperform its rivals when its stakeholders exhibit pro-relationship behaviour and refrain from behaviour that is costly to the firm (Harrison et al., 2010). Thus, our second research question is: What makes a stakeholder more or less willing to exhibit pro-relationship behaviour? We focus on these two questions because we believe careful scrutiny here yields important insights about what shapes the perceptions and actions of stakeholders toward firms.

Our primary contribution is to refine stakeholder theory’s conceptualization of relationships between an individual in any stakeholder role and a firm by providing theoretical depth to explain the nature of those relationships. We build a sequential framework that explains (1) the conditions under which an individual decides to continue in a stakeholder relationship with a firm and (2) the conditions under which a continuing stakeholder decides to provide pro-relationship, or extra-role, effort. Our work provides a solid theoretical foundation for four types of perceived psychological bonds (acquiescence, instrumental, commitment, and identification) first identified ‘for illustrative purposes’ by Klein et al. (2012, p. 133). While these bonds vary in type and strength, they all serve to attach an individual subject to a target and influence how the subject behaves towards a target.

In the following pages, we provide an overview of stakeholder theory and its particular emphasis on relationships between stakeholders and firms. We then discuss what
motivates a stakeholder’s decision to continue in or abandon a relationship with a firm and describe the factors that lead some stakeholders to exhibit pro-relationship behaviours. In pursuing these research questions, we extend stakeholder theory with mechanisms from established theory in social psychology to better understand the psychological bonds stakeholders perceive with firms. Our analysis suggests the underlying drivers of continuance decisions are different from those that motivate pro-relationship behaviour. As part of our analysis, we offer eight propositions to guide future work in the area. We conclude with a discussion about stakeholder bonds and the contributions provided by this work.

**STAKEHOLDER THEORY**

Given that a business is essentially a set of relationships among people who agree to coordinate in pursuit of complementary goals (Freeman et al., 2004), we aim to describe specific choices made by stakeholders in the context of their relationship with the firm. A recent overview of stakeholder theory states: ‘Business is about how customers, suppliers, employees, financiers . . ., communities, and managers interact and create value. To understand business is to know how these relationships work’ (Freeman et al., 2010, p. 24 italics added).

Considering the emphasis placed on stakeholder relationships in many recent works, however, the causes and effects of decisions made when managing stakeholder relationships are not well understood (Freeman et al., 2010; Jones, 2011; Laplume et al., 2008). How do you manage stakeholder relationships to create value if you do not have a way to understand ‘relationship’? Friedman and Miles (2002) offer one framework, arguing stakeholder relationships can be categorized using two dimensions: (1) whether the two parties have compatible or incompatible interests and (2) whether the relationship is necessary (internal) or contingent (external). Their approach does not, however, address the cognitive and emotional processes that underlie interpersonal relationships between stakeholders and firms in a way that advances our thinking or shapes managerial behaviour. Bundy et al. (2013) offer another approach, emphasizing that the salience of an issue, which is determined by a firm’s strategic cognition, will play an important role in shaping firm responsiveness. Finally, Brickson (2007) argues that the behaviours of a manager toward stakeholders will be shaped by her firm’s organizational identity orientation. That orientation, which represents the shared beliefs of employees about how the organization exists vis-à-vis its stakeholders, can range from individualistic to relational to collectivistic. In contrast to the work cited above, which fails to provide the depth necessary to understand and shape managerial actions, our approach pays particular attention to the point of view of stakeholders, offering important insight about why they behave as they do.

The logic developed herein adheres to the branch of stakeholder theory that views stakeholders as individuals rather than as occupants of generic roles such as customer, supplier, or employee. This ‘names and faces’ approach to stakeholder management views a firm as a network of individual personal relationships (McVea and Freeman, 2005). Accordingly, the interpersonal relationship between individuals who interact together for mutual benefit is the central unit of analysis (Freeman et al., 2010). Drawing
attention to the name and face of an individual is shorthand for treating her as an inte-
grated human being with motivations and desires beyond her rational and role-based
interests (Voronov and Vince, 2012). This places an explicit focus on the perceptions,
emotions and behaviour of solo stakeholders and those individuals who represent organ-
izations, groups, or communities as boundary-spanning agents.

The first of two advantages arising from the choice to expand this branch of the
theory is the acknowledgement that value creation opportunities often come from
nuanced understandings of individuals’ interests and potential (Harrison et al., 2010).
Individuals, as participants in the economy, continuously update their expectations,
preferences, and utility functions as they experience outcomes and learn about the rela-
tive availability of alternatives. As stakeholders engage with other market participants,
their motivation is much more likely to be satisfying their own interests rather than to
satisfy the interests of a particular stakeholder role they might play (Freeman and Gil-
bert, 1988). Compared to viewing individuals as occupants of generic stakeholder roles,
this approach also accounts for the growing phenomena in which individuals interact
with the firm in multiple roles: customers help design products (not just buy them),
employees are owners (not just labourers), and suppliers facilitate expansion (not just
provide widgets) (McVea and Freeman, 2005).

The second practical benefit of the ‘names and faces’ approach is that it argues man-
gement makes more value-creating decisions by focusing on individual stakeholder
relationships (Wicks and Freeman, 1998). A normative implication is that firms and their
stakeholders interact in two-way, interdependent relationships that create moral obliga-
tions in both directions (Mill, 1859; Phillips, 2003) and directly influence justice and fair-
ness considerations for the parties involved (e.g., Bosse et al., 2009; Phillips et al., 2003).
An instrumental implication is that as managers’ decisions improve stakeholder out-
comes, they eventually also improve firm outcomes (Jones, 1995). Of course, this also
implies that a firm that does a poor job in managing its stakeholders will fail to realize
the level of potential gains necessary for long-term growth.

Stakeholder theory holds that a firm’s value-creation activities – indeed its long-term
survival – are determined by its ability to establish and maintain beneficial relationships
with individual stakeholders (Post et al., 2002). Focusing our attention in this study on
building a theoretical foundation for individual stakeholder relationships as a robust
construct, we maintain that managers can be very selective about which relationships
they want to maintain and where they want to promote pro-relationship behaviour.
These decisions, consistent with existing arguments in stakeholder theory, are likely
based on a manager’s assessments of stakeholder power, legitimacy, and urgency (Mitch-
ell et al., 1997), and will serve to influence the decisions and behaviours of specific stake-
holders. In the next section we begin to explore the relationship construct itself to better
explain what drives individual stakeholders’ efforts toward the firm.

EXPLAINING CONTINUANCE

Stakeholder theory recognizes that a firm’s ability to retain the participation of primary
stakeholders is a source of competitive advantage (Jones, 1995) and can make the differ-
ence between firm survival and death (Pajunen, 2006). It is better for a firm to have its
stakeholders contributing to its objectives than to have them limiting or severing their relationships with the firm. However, the decisions and behaviours in a relationship are never entirely attributable to just one of the parties. A manager, for example, is not just a passive agent whose behaviour in a relationship with a subordinate hinges entirely on the employee’s willingness to stay with the firm.

Over the last half century, social psychologists have established theory about individuals’ behaviour in interpersonal and family relationships that is particularly fitting for our purposes due to its combination of parsimony and generalizability. Social exchange theories focus on how people in relationships achieve a mutually acceptable balance of returns from their relational investments (Blau, 1964; Homans, 1961). Thibaut and Kelley (1959) suggest an individual’s decision to continue in a relationship is contingent on the standards she uses to evaluate her relationship outcomes. When two parties interact on repeated occasions, they perform activities that affect one another. As such, interaction yields relationship outcomes that can be categorized as rewards (e.g., contentment, joy, success, fairness) and costs (e.g., pain, frustration, anger, unfairness) (Farrell and Rusbult, 1981; Rusbult and Buunk, 1993).

People use two standards to evaluate those outcomes. The first standard is the comparison level (CL), which represents a person’s perception of what he should get or deserves to get from the relationship. CL is established by a combination of prior relationship experiences and social comparisons (Festinger, 1954), including those that shape one’s expectations for how they should feel (Frijda, 1988). Like in standard economic logic, stakeholders observe what other similarly-situated participants get out of their market interactions (both priced and non-priced components of their utility functions) and revise their expectations accordingly. The CL provides a standard for determining satisfaction with and attraction to a relationship. To the extent one’s outcomes exceed his CL, the relationship is satisfying and attractive. To the extent that one’s CL is greater than his outcomes, the relationship will be deemed unsatisfying and unattractive (Farrell and Rusbult, 1981; Le and Agnew, 2003; Thibaut and Kelley, 1959).

The second standard is the comparison level of alternatives (CLalt). CLalt is based on the person’s knowledge of available alternative opportunities. The best alternative a person believes to exist for a given relationship represents the basis for his CLalt. The degree to which outcomes in the relationship exceed CLalt determines how much he is dependent on the relationship. A person who evaluates his outcomes are greater (less) than his CLalt will likely remain in (leave) the relationship (Thibaut and Kelley, 1959). An individual can unknowingly influence their own perception of this comparison by investing time, emotional energy, and shared possessions in the relationship. As the size of the individual’s investment increases, he experiences a psychological state that motivates continuance ‘for better or worse’ (Rusbult and Buunk, 1993, p. 180).

In sum, the choice to continue in a relationship has been described as a subjective, psychological experience of the structural state of dependence (Agniew et al., 1998; Le and Agnew, 2003). The early work by Thibaut and Kelley continues to serve as an enduring foundation for theories focusing on relationship variables (Johnson and Johnson, 2005). The underlying logic of this work is also still being examined, with most research in this area focusing on established romantic relationships (Holmes, 2000). VanderDrift and Agnew (2014, p. 929), for example, use this foundation to examine
how individuals process relationship-relevant information . . . [that] is key to predicting the sorts of behavioral maintenance they engage in and whether their relationship will remain stable”. As we explain in the following section, this is consistent with our conceptualization of perceived relationship bonds and relevant to our understanding of stakeholder theory. One contribution we make by developing theory that supports specific types of perceived relationship bonds is that we can articulate multiple distinct situations that result in continuance behaviour. Each of the relationship bonds we explain in the following section is subjectively represented and experienced.

**Perceived Relationship Bonds**

More than 40 years ago, sociologists identified the concept of perceived relationship bonds. Their work describes a relationship as being held together by perceived psychological bonds that attach the two parties (Granovetter, 1973; McCall, 1970; Turner, 1970). While early writings on relationship bonds were in the context of family relationships and some contemporary studies on psychological bonds are in the context of employee-employer relationships, the bond concept is broadly applicable to any individual subject who may perceive a bond to a target. We use the concept of perceived bonds to explain stakeholders’ decisions to continue with an organization.

A predominant body of organizational behaviour research examines the nature of the ties that link employees to their organizations (e.g., Klein et al., 2009; Vough, 2012). While various aspects of organizational ties have emerged in this literature (Mathieu and Zajac, 1990), the most prevalent framework is Meyer and Allen’s (1991) three-form model that suggests employees form ties with their employers because they have to, they want to, and or they believe they ought to. An underlying assumption of this model is that some relationships continue as a result of calculative, economic considerations while others continue based on affective, emotional considerations. Consistent with the names-and-faces approach in stakeholder theory, our model builds on the assumption that people are never exclusively cognitive or exclusively emotional. Like Farrell and Rusbult (1981), Meyer and Allen’s model refers to all forms of ties as ‘commitment’.

Klein et al. (2012) set out to reconceptualize the concept of organizational commitment. In building their case, they argue that the commitment literature has mistakenly lumped different types of bonds under the label of commitment and identified different types of commitment based on the type of target to which a person commits. They direct organizational commitment researchers to view commitment as just one type of bond that is applicable across targets. To help isolate the commitment bond, they outline a continuum including three other types of bond ‘loosely modelled on the types of extrinsic motivation in self-determination theory’ (p. 133). Self-determination theory (Deci and Ryan, 2000) is a general theory of motivation based on whether the person feels their behaviour is self-controlled or externally controlled.

Our approach to examining the conditions under which individuals decide (1) whether to continue in a stakeholder relationship with a firm and (2) whether to provide extra effort to that firm is not based in a general theory of motivation. Instead, we believe a theory of relationships should specifically incorporate interdependence. In a variety of settings, scholars in social psychology have established that power in a
relationship stems, in part, from perceptions of asymmetric interdependence (Lee and Tiedens, 2001). More specifically, when a subject believes she is more dependent on a target than the target is on her, she is less powerful (Salancik and Pfeffer, 1977). Therefore, the foundation of theory we build goes beyond self-determination to account for the subject’s perceptions after considering her outcomes from the focal relationship target and those she thinks she would get from her next best alternative target. We start by distinguishing those stakeholder perceptions that do not register as psychological bonds and, therefore, underlie the decision to leave a relationship.

**Discontinuance.** The constructs explained thus far can be combined to specify three conditions under which a stakeholder will leave a relationship, as shown in Figure 1. First, a stakeholder is not satisfied in a relationship when her CL exceeds her CLalt, and her CLalt exceeds her outcomes. This person will not be satisfied in her best alternative relationship, either, but will be less unsatisfied there compared to the current relationship. Second, when a stakeholder’s CLalt exceeds his CL, and his CL exceeds his outcomes, he will be unsatisfied in this relationship and happier in a relationship with his best alternative. Finally, a person for whom CLalt exceeds his outcomes, and his outcomes exceed his CL, will be satisfied but can do better if he defects to a relationship with his alternative. While a more generalized statement can be made that any stakeholder relationship is unstable when the stakeholder’s evaluation reveals that CLalt exceeds outcomes, it is
important to recognize the role of CL when attempting to understand the psychological mechanism underlying a stakeholder’s intent to stay or leave the firm (more on this in the next section). Our logic is consistent with studies suggesting subjects who have negative emotional reactions when assessing a relationship have greater intentions to discontinue (e.g., Barry and Oliver, 1996). Previous work also suggests there may be reason to expect a stakeholder who at one time perceived a particularly strong bond – but then grows dissatisfied – will experience a condition of discontinuance and behave in ways that are especially destructive for the firm (Mishra and Spreitzer, 1998).

We now turn to developing a tight theoretical model of distinct psychological bonds (indicated on the right half of Figure 1) that can be perceived by any individual stakeholder and directed toward the target that is triggering that perception. We ultimately develop three bonds building on the theoretical system introduced in the preceding section and a fourth bond using related theory from social psychology. For the purpose of our study, individual subjects do not suffer from indecision. They are attracted to a relationship or they are repelled by it, and this is empirically observable based on whether they remain engaged with the target. Again, we develop each of these bond types in the interest of explaining how perceived bonds impact stakeholder behaviour toward firms.

**Acquiescence bonds.** An acquiescence bond forms because the subject perceives no attractive alternatives to continuing with the target (Klein et al., 2012; McGee and Ford, 1987). Resource dependence theory explains how this situation influences the target’s behaviour: the subject’s lack of alternatives creates dependence on the target and provides the target with power to impose its will on the subject (Pfeffer and Salancik, 1978). Our focus throughout this study, in contrast, is on how this situation influences the subject’s behaviour.

We suggest an acquiescence bond is perceived by a subject to the extent her CL exceeds her outcomes and her outcomes exceed her CLalt. The subject who perceives this comparison pattern is non-voluntarily continuing in the relationship because she is not getting the outcomes she thinks she deserves, but she is unaware of an available alternative that will provide better outcomes. She might register a feeling of resignation. The strength of an acquiescence bond increases as the difference between outcomes and CLalt increases.

The defining characteristic of this subject’s commitment to the relationship is her perception of a lack of quality alternatives. An absence of quality alternatives can result in the subjective experience of dependence even when the subject is dissatisfied with the relationship and when the subject has little or no investment in the relationship (Farrell and Rusbult, 1981). Whether the lack of alternatives is factually true or not, the subject perceives a compulsory attachment to the target with which they will comply (Brickman, 1987; Frooman, 1999; Klein et al., 2012).

Studies in a range of settings support this association between the perception of an acquiescence bond and various stakeholders’ continuance behaviour. For example, buyers will continue in a relationship with a particular supplier in situations where they believe there is only a single source for the products they require (Morgan and Hunt, 1994). Similarly, customers may reluctantly put up with long lines at a grocery store if they believe there are no other viable options in town. Finally, employees perceive a
lack of alternatives, for example, when they think it would be difficult to find another job of equal or better quality or when their alternatives are limited by non-work factors such as family members who are difficult to relocate (Allen and Meyer, 1990). Using the names and faces approach, we argue the choice to continue with the focal firm under these conditions applies to all stakeholders.

Proposition 1: When a stakeholder perceives her CL > her outcomes > her CLalt, the stakeholder perceives an acquiescence bond and her intent to continue her relationship with the firm increases as the difference between her outcomes and her CLalt increases.

Instrumental bonds. Subjects perceive an instrumental bond when they believe staying with the target will provide a favourable outcome for them (Cohen, 2007) or they will incur net cost if they do not continue engaging with this particular target (Klein et al., 2012). We argue the subject who perceives this type of bond believes she is receiving outcomes in this relationship that exceed her CL, and her CL exceeds her CLalt. She is satisfied in the relationship to the extent her outcomes are greater than her expectations; she perceives dependence because her next best alternative is well below her outcomes (Thibaut and Kelley, 1959). A defining characteristic of this condition is a comparatively large investment size. The strength of an instrumental bond – and therefore the intensity of the associated emotion – increases as the investment size increases because this expands the difference between outcomes, CL, and CLalt. She will continue in the relationship because she believes dissolving it would cause her to lose some tangible or intangible benefits that are relationship-specific.

Clearly, one antecedent of an instrumental bond is the subject making a relationship-specific investment that has little value in other settings (Kanter, 1968; Meyer and Allen, 1997). Examples of specific investments that might be lost if the owner of a buying firm switches suppliers include site-specific assets such as a distribution centre located near the buyer (Cannon and Homburg, 2001) or a power plant located near a coal mine (Josskow, 1987). Relationship-specific investments that provide the basis for a subject to create and capture more value by staying with the target also raise the opportunity cost he would incur if he were to discontinue the relationship. The strategy literature is familiar with how this situation affects the target’s behaviour. While specific investments are undertaken to create value, they also raise the risk of economic exploitation by the target (Klein et al., 1978).

Alternatively focusing on subjects’ behaviour, perceived instrumental bonds link subjects to targets and can motivate subjects to maintain the relationship (Iverson and Butticieg, 1999). Evidence about instrumental attachments between stakeholders and firms is supportive of this logic. For example, Anderson and Narus (1990) show a positive correlation between a distributor’s evaluation of the financial returns from a relationship with a manufacturer and the distributor’s cooperative behaviour in the relationship. The implication is that stakeholders perceiving an instrumental bond will choose to stay with the firm in an attempt to realize the value of their specific investments.

Proposition 2: When a stakeholder perceives her outcomes > her CL > her CLalt, the stakeholder perceives an instrumental bond and her intent to continue her relationship with the firm increases as the difference between her outcomes and her CLalt increases.
Commitment bonds. The third type of bond, a commitment bond, has been called ‘a volitional psychological bond reflecting dedication to and responsibility for a particular target’ (Klein et al., 2012, p. 137). This type of bond is similar to the concept of affective commitment in Meyer and Allen’s (1991) model: the subject is attached to the target because he wants to be. The logic we develop explains the continuance behaviour resulting from a perceived commitment bond.

The subject who perceives a commitment bond believes her outcomes exceed her $CL_{alt}$ and her $CL_{alt}$ exceeds her $CL$. She is highly satisfied because her outcomes are well above the level she expects, and she perceives a moderate dependence on her relationship (Thibaut and Kelley, 1959) because it is providing better outcomes than the best alternative. The distinguishing characteristic of this type of relationship is that the subject registers high satisfaction. The strength of a commitment bond increases as the difference between outcomes and $CL$ increases. Even if the subject has reasonable alternatives and little relationship-specific investment, the intent to stay is driven by outcomes that greatly exceed what she thinks she deserves (Farrell and Rusbult, 1981).

In the marketing realm, empirical studies show strong ties between customer loyalty and positive firm outcomes. Palmatier et al. (2007), for example, find that buyers who want to stay engaged with certain salespeople positively affect the selling firm’s sales growth and selling effectiveness. Fleming et al. (2005) report that customers who have a stronger emotional attachment to their suppliers buy more products and willingly pay a premium. We conclude a stakeholder’s perception of a commitment bond is linked to her decision to continue in her relationship with the firm.

Proposition 3: When a stakeholder perceives her outcomes $>$ her $CL_{alt}$ $>$ her $CL$, the stakeholder perceives a commitment bond and her intent to continue her relationship with the firm increases as the difference between her outcomes and her $CL$ increases.

EXPLAINING PRO-RELATIONSHIP BEHAVIOUR

A person who chooses to remain in a relationship repeatedly faces the choice of pursuing immediate self-interest or acting on the basis of broader considerations that serve the interests of the relationship. Pursuing the interests of the relationship entails some degree of effort or personal cost beyond that required to serve immediate self-interest (Wieselquist et al., 1999). Any stakeholder can contribute more to the performance of a firm by wilfully performing their assigned tasks more effectively than required or by performing extra tasks. Bosse et al. (2009) explain that individuals in any stakeholder role may voluntarily boost their own performance beyond the level typically expected. Other stakeholder theorists (e.g., Coff, 1999) suggest organizational outcomes improve to the extent even one stakeholder provides greater effort, holding all else equal.

Such pro-relationship and pro-organization efforts that exceed the individual’s immediate self-interests are commonly observed among stakeholders in various roles. For example, in situations where the firm is facing opposition (e.g., from political or social actors), stakeholders in any role can speak out to defend the firm’s activities (Henisz
et al., 2014). Employees can volunteer to perform additional tasks, orient new employees, and help others accomplish their work (Bergeron, 2007). Harrison and St. John (1996) offer several examples including: (a) customers participating on product design teams, performing product testing, engaging in joint planning activities, and sharing facilities, (b) suppliers getting involved in design teams, integrating their enterprise resource planning system with the firm’s, tailoring their trade credit to the firm’s needs, and adjusting production schedules, and (c) community members organizing joint education programs that benefit the firm, forming task forces to solve skilled-labour shortages, and sponsoring joint public relations efforts.

In the following section, we describe stakeholder perceptions that are associated with increased pro-relationship behaviour. The perception of an identification bond reflects a very deep tie between a stakeholder and firm. As explained below, previous work in social identity theory helps to describe how and why this kind of bond arises in relationships. The remaining stakeholder perceptions that promote pro-relationship behaviour are based on properties of interdependence and have their origins in studies on intimate and family relationships.

Identification bonds. While the logic developed above explains how to identify and measure the strength of three different bonds, it is not sufficient for explaining an even stronger type of bond. Under certain conditions, a person’s perception of his current relationship can progress to the point where he rarely considers alternatives to the relationship. His intent to continue is not a focal concern. Identification bonds are so named because the subject identifies with the target’s values and makes a strong psychological investment in the target (see Klein et al., 2012). Values are an individual’s concepts of the relative worth, utility, or importance of things and ideas (Carroll and Buchholtz, 2012). Values, therefore, are foundational to individual behaviours and choices. Identification bonds arise when a stakeholder recognizes her values are similar to the firm’s values in a variety of relevant contexts. Someone who perceives an identification bond views pro-relationship behaviour as though it was immediately self-interested behaviour.

A common explanation for the existence of identification bonds is that individuals have a psychological need for self-esteem, and this need drives them to attempt to form positive social identities (Tajfel and Turner, 1979). One of the ways to accomplish this is by cognitively defining oneself as a member of certain groups that are believed to have desirable characteristics (Turner, 1985). To date, research on this phenomenon has been advanced by theorists involved with the social identity approach, which includes social identity theory (Tajfel and Turner, 1979) and self-categorization theory (Hogg and Terry, 2000), each helping to explain how and why individuals form their self-concept through identification with social groups.

Ashforth and Mael (1989) suggest that organizational identification is a particular kind of social connection in which an individual perceives oneness with a particular organization, as might occur with some stakeholders toward certain firms. The organizations most likely to serve as targets of identification are those viewed as prestigious, those that have distinct values, and those that have salient out-groups (Ashforth and Mael, 1989). Using this logic, a firm that can be classified according to one of Brickson’s (2007) three ideal organizational identity orientations (individualistic, relational, or collectivistic)
might be more likely to serve as a target of stakeholder identification because it behaves consistently towards external and internal stakeholders. According to Turner (1970), ‘when a relationship of identification exists, [the subject] assimilates into his own self-conception the qualities he perceives in [target]’s identity. When the effect is to enhance his own self-conception, [subject] experiences a bond to [target] (p.65)’. Drawing on Kelley (1979), Agnew et al. (1998) use the term cognitive interdependence to describe the mental state of a subject who identifies with a target and adopts a ‘collective representation of the self-in-relationship’. We argue the strength of an identification bond increases as the stakeholder increasingly embodies characteristics of the firm in her self-concept.

Marketing scholars have examined this phenomenon and refer to ‘communal relationships’ that occasionally develop between a consumer and a firm (Liu and Gal, 2011). The degree of communal bonding that develops between two parties has also been described and measured as closeness (Aron et al., 1991) and is characterized by the merging of identities and interests among parties (Liu and Gal, 2011). This closeness has been shown to be associated with longer-lasting relationships and higher satisfaction among the parties (Aron et al., 1992).

Recent studies indicate that when a consumer identifies with a company, she is likely to engage in extra-role behaviours including positive word-of-mouth, recruiting of other customers, and offering suggestions for improving products or services (Ahearne et al., 2005; Brown et al., 2005). In very close relationships where identification is high, subjects may form negative cognitions about potential alternative targets, even when those targets are attractive (Johnson and Rusbult, 1989; Miller, 1997), an example of the transformation of motivation from self-interested to pro-relationship. Relevant to stakeholder theory, it is important to note that this transformation does not always require significant deliberation on the part of an actor and may instead arise because of repeated interactions that follow a particular pattern (Rusbult and Van Lange, 2003).

Finally, marketing scholars have noted that consumers sometimes develop strong attachments to certain brands, especially if they perceive that those brands can help them achieve goals related to higher self-esteem, increased individuality, and their pursuit of what they aspire to become (Escalas and Bettman, 2005). According to this research, consumers utilize brands to create their self-concept, suggesting that the individual and the brand are tightly integrated, as would be the case when identification bonds exist. Here, identification has been described as a consumer ‘perceiving, feeling and valuing his belongingness with a brand’ (Lam et al., 2013, p. 236). These authors note (p. 247) that the deepest forms of identification involve ‘the embodiment of characteristics of the target into [the subject’s] self-concept’. Contemporary examples include customers who identify with Apple, BMW, Disney, Nike, and Starbucks. Other studies have focused on employees’ identification with an employer (e.g., Jones and Volpe, 2010). We suggest any type of stakeholder can perceive an identification bond with a firm and that her pro-relationship behaviour will increase as the bond strengthens.

Proposition 4: A stakeholder’s pro-relationship behaviour increases with the strength of her perceived identification bond.
These conditions that characterize an identification bond are not the only setting in which a stakeholder will choose to provide pro-relationship behaviour. We build our remaining propositions to examine other conditions under which individuals are willing to forgo immediate self-interest and, instead, exert pro-relationship behaviours. These propositions also employ foundational properties of interdependence found in sociological models of intimate and family relationships (e.g., Kelley and Thibaut, 1978; Rusbult, 1983). The properties used here link the structure of an interpersonal relationship to the partners’ behaviours in the relationship. For our purposes, the subject’s perception of each property is the relevant force affecting her pro-relationship behaviour. In the next section we explain how those perceptions associate with the stakeholder’s pro-relationship behaviour.

Degree of dependence. First, degree of dependence is an indication of the extent to which the subject’s outcomes are a function of the target’s actions. The subject is more dependent when her outcomes are mostly a function of the target’s actions. Alternatively, the subject is more independent when she has more control over the quality of her own outcomes and the target’s actions have little effect on her outcomes.

The degree of dependence property extends the continuance logic presented above beyond the comparison of outcomes, CL, and CLalt. A subject who is less dependent on her relationship because her control over outcomes is high will act in more self-interested ways to exert her direct control over the outcomes she gets. A subject is more dependent on the other person to the extent she cannot unilaterally control the quality of her own outcomes, even if her outcomes are only marginally better than her CLalt. Perceiving a high degree of dependence transforms the subject’s motivation from immediate self-interest toward pro-relationship behaviours because the person perceives little ability to improve her outcomes by pursuing her immediate self-interests (Rusbult and Arriaga, 1997). This assessment of the control she has over her own outcomes from the relationship stimulates emotions that influence her future thoughts and actions (Ellsworth and Smith, 1988). Together, these cognitive and emotional processes lead people who experience a high degree of dependence to exhibit pro-relationship behaviours such as devaluing other alternatives (Johnson and Rusbult, 1989; Simpson et al., 1990), behaving benevolently towards the partner even when the partner behaves poorly (Rusbult et al., 1991), sacrificing their own needs for their partner’s needs (Van Lange et al., 1997), and holding positively biased beliefs about their relationship and negatively biased beliefs about other relationships (Van Lange and Rusbult, 1995).

One example might be a salesperson who serves a very large customer undertaking initiatives to aid that important customer’s business (Pillai and Sharma, 2003). Another example can be found in the parents of a terminally ill child holding more positively-biased beliefs about a physician’s capabilities just after the initial diagnosis (Hummelinck and Pollock, 2007).

In general, subjects who have a higher degree of dependence are more likely to exhibit pro-relationship behaviours because their outcomes are closely tied to the target’s behaviour (Rusbult, 1983). We suggest individual stakeholders behave this same way in their relationships with firms.
Proposition 5: The pro-relationship behaviour of a stakeholder increases as her perceived degree of dependence on the firm increases.

Basis for dependence. Second, the basis for dependence reflects the degree to which the subject’s dependence in the relationship is perceived to be based on her outcomes being controlled jointly versus controlled by the other party. To the extent the subject’s outcomes are controlled by the other party, the subject is motivated to behave in pro-relationship ways only so long as the benefits of such behaviour continue. The interactions in such relationships are likely to follow a pattern of short-term reciprocal exchange such as tit-for-tat behaviour because the threat of purely self-serving behaviour is high (Rusbult and Arriaga, 1997). If the other party defects from this beneficial pattern, the subject will shift her behaviour to be more immediately self-interested.

In relationships perceived as jointly-controlled, parties are motivated to coordinate their interactions. The subject believes her outcomes depend on both parties’ behaviours, so she is motivated to coordinate with her partner (Rusbult and Arriaga, 1997). To the extent the subject registers positive emotions in this situation, she will provide increasing amounts of resources and quality of effort to the relationship (Huy, 2012). The subject will choose coordinated, pro-relationship behaviour without the need for continued monitoring of outcomes resulting from the other party’s behaviour.

One example of a relationship characterized by perceptions of joint control over outcomes is the partnership between a surgeon who operates on ankles and a manufacturer of artificial joints such as Zimmer or Stryker (Landro, 2014). These relationships often involve collaborative design work and consultation. On the other end of the spectrum, one example of a relationship in which a stakeholder views its outcomes as controlled by the other party is that between Jabil Circuit, a Florida-based contract manufacturer, and BlackBerry (Chang, 2013). During a span of 90 days in 2013, BlackBerry went from Jabil’s second-largest customer to having no relationship at all. Because BlackBerry had such strong buying power and only agreed to short-term contracts, it was able to control outcomes of the relationship.

Proposition 6: The pro-relationship behaviour of a stakeholder increases as her perceived basis for dependence with the firm is more jointly controlled.

Mutuality of dependence. Third, the property of mutuality of dependence captures the extent to which both partners are dependent on each other for their outcomes. When just one partner is dependent, mutuality of dependence is very low. When both partners are equally dependent, mutuality of dependence is high. Mutuality of dependence is a function of both the degree to which the parties can affect the quality of each other’s outcomes and the comparative attractiveness of each party’s CLalt (Rusbult and Arriaga, 1997). Again, it is the subject’s perception of this property that drives her behaviours.

Perceived low mutuality of dependence, or asymmetric dependence, motivates the party with high dependence to appease the party with low dependence. To the extent the low dependence partner’s outcomes exceed her CL and CLalt, she will remain satisfied in the relationship even though the high dependence partner’s behaviours have little influence on her quality of outcomes. Perceived high mutuality of dependence, on the
other hand, motivates both parties to behave in ways that sustain their relationship. When both perceive high control over the other’s outcomes, there is high potential for cooperation. Both partners can realize higher quality outcomes by improving the quality of the other party’s outcomes. High mutuality of dependence is associated with equal incentive of both parties to exhibit pro-relationship behaviour (Rusbult et al., 1994).

An example of high perceived mutuality of dependence might include a customer and a supplier choosing to link their information systems in order to make it possible that the customer’s replenishment needs are instantaneously communicated to its supplier’s purchase order system (Johnston and Vitale, 1988), as is occurring among many hospitals and medical supply distributors (Mines, 2013). We note that the linking of systems sometimes occurs because of asymmetry in a relationship, as when Wal-Mart suppliers are forced to comply with the firm’s IT mandate, which would not be indicative of mutuality of dependence. Another example of high mutuality of dependence would be a municipality offering tax incentives to retain a major corporate facility, such as the state of Ohio’s recent offer of $56 million to General Motors as a means of retaining a plant in the town of Moraine (Story, 2012). Linking this reasoning, we propose:

**Proposition 7:** The pro-relationship behaviour of a stakeholder increases as her perceived mutuality of dependence with the firm increases.

**Correspondence of outcomes.** Fourth, correspondence of outcomes is a property that refers to the extent to which the partners’ behavioural preferences are perceived to be compatible. A relationship characterized by perfectly correspondent outcomes is one in which both partners’ behaviours, even if they are different behaviours, result in mutually beneficial outcomes (Kelley and Thibaut, 1978; Rusbult and Arriaga, 1997). In such a relationship, both parties’ highest potential quality of outcomes is achievable when they align their behaviours. Parties perceiving this type of relationship work together to produce high quality outcomes, and they seek to sustain the relationship through pro-relationship behaviours (Ickes, 1985; Surra and Longstreth, 1990). The correspondent outcomes can be the result of both parties doing the same activities or different activities.

A relationship with moderately correspondent outcomes is characterized by tradeoffs such that both parties cannot achieve their highest potential quality of outcomes (Rusbult and Arriaga, 1997). When one party acts in a self-interested way, it results in costs – or at least opportunity costs – borne by the other party. Similarly, when moderate correspondence is perceived, pro-relationship behaviour that serves the other party comes at a direct cost to the subject. Perfectly non-correspondent outcomes are zero-sum, discordant situations in which one party receives rewards to the extent the other party incurs costs (Rusbult and Arriaga, 1997). What is good for the subject is not good for the other party. A perception of non-correspondent outcomes, all else equal, drives more immediately self-interested behaviour.

Many relationships between franchisors and their franchisees serve as examples involving high correspondence of outcomes between firms and stakeholders. For instance, when a parent company launches a successful national advertising campaign, franchisees see their business increase dramatically, leading to higher royalties for the
parent company as well (Horowitz, 2013; York, 2008). This may trigger pro-relationship behaviours on the part of the franchisee, including a choice to expand operations (Mignonac et al., 2013). Though we can find no reference to correspondence of outcomes in the stakeholder theory literature, the underlying concept that firms and their stakeholders can perceive more or less correspondent interests is a familiar one (Freeman et al., 2004). We propose a direct link to a stakeholder’s pro-relationship behaviour as follows:

Proposition 8: The pro-relationship behaviour of a stakeholder increases as her perceived correspondence of outcomes with the firm increases.

Drawing from previous work in psychology, sociology, and management, this paper identifies relationship constructs that shape the choices stakeholders make in interacting with firms. The eight propositions we offer above describe how stakeholder perceptions shape two decisions made by stakeholders: (1) the decision to continue in a relationship with a firm and (2) the decision to engage in pro-relationship behaviours. In the following section, we offer a general discussion.

DISCUSSION

This work provides an important foundation for new insights about managing for stakeholders. In business, the act of creating value often involves many repeated exchanges between parties. Much of strategic management theory about value creation seeks to explain these exchanges by focusing on transactions as the base unit of analysis. A transaction is a ‘transfer of goods, services, or funds’ (Merriam-Webster). The choice to explain repeated exchanges in terms of transactions, however, misses an important feature of value creation activity that occurs due to relationships. While parties in a relationship often transfer value, a relationship, to be clear, is not the same as a series of repeated transactions. A relationship stimulates each party to experience emotion, requires them to perceive some form of psychological bond, and motivates them to take some action on behalf of the other party. The ability of an individual to form bonds enables him to generate mutual benefits with others that would be impossible for someone who demanded immediate reciprocity in every transaction.

As stated in the introduction, we present our logic from the point of view of an individual stakeholder who is in a relationship with a firm. But our model works both ways. A manager at the firm, for example, is also a subject in certain stakeholder relationships and, therefore, makes decisions about whether to continue with each stakeholder and how much effort or resources to put into the relationship. We wrap up the paper staying true to our original perspective, noting these points apply regardless of which individual person is the focal subject.

Contributions to Stakeholder Theory

A firm that is managing for stakeholders attempts to coordinate a network of dyadic relationships that enables individuals to achieve their own goals better than they could alone.
or in alternative relationships. Doing this successfully in a competitive marketplace begins with getting those stakeholders to wilfully remain in their relationships with the firm and requires at least some subset of individuals in the network to put extra effort into their relationship. We contribute to stakeholder theory, consistent with the names and faces approach, by developing arguments that focus on individuals’ emotions, perceptions, and behaviours in their relationship with a firm. Specifically, we provide theory for the construct of perceived psychological bonds and apply the theory to stakeholders of a firm. We suggest a stakeholder decides to continue in her relationship as long as she perceives a psychological bond, and we formalize specific types of bonds that explain the stakeholder’s decision to continue in a relationship. As the strength of her perceived bond increases, her intent to continue in the relationship increases. The role of perception should not be understated here: emotions, for example, can obfuscate a subject’s comparison of alternatives. And the perception of alternatives has important implications for the power dynamics in a relationship. Our propositions P1, P2, and P3 specify three sets of testable conditions under which a stakeholder will continue in a relationship.

Our work suggests the identification bond stands apart from acquiescence, instrumental, and commitment bonds. The first three types of bonds we present can all be derived from and explained using comparisons of outcomes, expectations (CL), and alternatives (CLalt). Identification bonds require greater psychological investment in the relationship and typically form after a relationship matures, through repeated interactions via the other bond types. The arguments developed to explain identification bonds provide stakeholder theory a way to explain why stakeholders who perceive certain similar and complementary values with a firm will choose to exhibit both continuance and pro-relationship behaviours.

To the extent a firm’s stakeholders decide to behave in pro-relationship ways, the firm is more likely to meet its objectives. Our propositions P5 – P8 explain four conditions under which a stakeholder will provide such beneficial behaviour. All four conditions represent perceived properties of interdependence that a stakeholder considers when evaluating how much effort to put into a relationship vis-à-vis the emotional and material rewards he expects from the relationship. This contributes to stakeholder theory by identifying specific variables that influence how a firm’s outcomes are affected by its stakeholder relationships.

In sum, our sequential model of relationship continuance and pro-relationship behaviour provides newfound understanding of relationship dynamics that will enable the theory to explain more of the variance in stakeholder behaviour towards the firm. This complements Bundy et al.’s (2013) perspective on issue salience. The granular relationship-specific decisions made by individual stakeholders explained herein can also be used to better understand the psychological processes that might initiate cycles of positive reciprocity that Harrison et al. (2010) argue can be a source of competitive advantage for a firm. Such advantages may depend on the firm’s ability to appropriately assess stakeholder relationship bonds and interdependencies.

**Expanding the Logic to Stakeholder Organizations**

The names and faces approach in stakeholder theory emphasizes the importance of individual people who work together to create value. In building on this approach, our
logic and propositions are about an individual stakeholder’s perceptions and behaviours in his relationship with a firm. We recognize that many of these individuals are engaged with a firm in the context of a role they play at another organization. A salesperson, for example, who perceives a bond to a buying (customer) organization may represent a larger selling (supplier) organization. The psychological processes that we explain still apply. The salesperson’s assessment of relationship outcomes, her comparison level, and her comparison level of alternatives, for example, are all framed in the context of her role as representative of the supplier. We stress, though, that the psychological processes of the person and the psychological processes of the sales representative (i.e., the person in the role) are not separable when applying the names-and-faces approach. Idiosyncrasies matter. While this is perhaps most clear in considering the potential for her to perceive an identification bond with the buying firm, it also applies to her perceptions of the four properties of interdependence.

Furthermore, while the logic developed above explains one stakeholder’s behaviour towards a firm, business-to-business relationships commonly involve multiple boundary-spanning agents who perceive bonds to the other party. The dynamism and complexity of the interactions among multiple individuals inside two firms who behave according to the theory developed here can now be modelled. To the extent multiple individuals representing the same supplier organization (for example) have relationships with the customer organization, each of them is likely to have idiosyncratic perceptions of their relationships. This reasoning is consistent with the underlying objective of the names and faces approach which is to stress the inseparability of business decisions and personal considerations (e.g., positive/negative valence; what is right/wrong, fair/unfair) (McVea and Freeman, 2005). We expect the process of aggregating the concepts we have presented will also call for identifying the relative authority, influence, or power of each individual in a given relationship. Layer onto this phenomenon the reality that the cast of characters at the two firms will change over time and result in a figurative pushing of the ‘reset button’ that requires new relationships to be formed. This suggests at any point in time the strength of bonds perceived by the set of individuals involved in a business-to-business relationship are relevant in understanding the creation of value in that relationship.

Managerial Implications

Our propositions also provide a basis for guiding managers who want to understand and impact the behaviours of stakeholders in order to affect the stakeholder’s intent to stay with the firm. When dealing with a stakeholder who perceives only a weak psychological bond, a manager would benefit from repeated interactions that might allow him to assess which of type of bond is most applicable. This can enable the manager to accurately place focus on (1) delivering better outcomes to the stakeholder as a means of raising the likelihood that stakeholder will choose to continue the relationship, (2) offering normative justifications to the stakeholder about why his comparison levels ought to be adjusted in ways that make the relative comparison of outcomes more positive, and (3) providing reasons to change his view of the value of available alternatives so that the desire to stay is strengthened.
Another lever available to managers facing a stakeholder who is reluctant to continue with the firm is to affect the stakeholder’s satisfaction by inviting them to change their role or activities without leaving the organization. For example, a firm may reassign an employee to a task that better matches his personal interests or promise a customer better service in exchange for a volume guarantee. The point is that managers can take actions that directly influence stakeholders’ conditions of continuance.

Managers can also use this theory for guidance on how to motivate more pro-relationship behaviour from a stakeholder. When dealing with a stakeholder who is not choosing pro-relationship activities, a manager can engage that person to assess – and possibly influence – her perceptions of interdependence. To the extent the manager can unilaterally offer greater benefits or lower costs to the stakeholder, doing so in a transparent way might heighten the stakeholder’s perceived degree of dependence. While this seems a potentially costly behaviour for the firm, the reciprocal pro-relationship behaviour from the stakeholder could make this a value-creating strategy (Bosse et al., 2009). When the basis for dependence is more jointly controlled, the manager can promote pro-relationship behaviour on the part of the stakeholder by consistently encouraging joint coordination of their activities.

If both the firm’s and stakeholder’s outcomes are heavily dependent on each other’s unilateral actions, making that fact apparent will strengthen the stakeholder’s perceived mutuality of dependence and, as a result, their pro-relationship behaviour. Managers might also influence a stakeholder’s decision to perform pro-relationship activities by offering to structure their respective tasks and outcomes in such a way that both parties’ outcomes are more perfectly correspondent. This strategy might have the added benefit of closely matching the stakeholder’s perception of an appropriate procedural justice norm.

If a stakeholder seems to perceive an identification bond, the manager should determine which values are most important to that stakeholder, attempt to maintain the bond by demonstrating that the firm shares those values, and encourage the stakeholder to engage with other stakeholders who might also come to realize their values align with those of the firm. To the extent a manager hopes to expand the number of stakeholders who perceive an identification bond, she should demonstrate authenticity by regularly acting in ways that are consistent with a core set of values. Organizational behaviours that are associated with excellence and prestige, for example, tend to attract stakeholders who identify with those values.

In sum, our framework helps managers better understand why they are experiencing the stakeholder outcomes they do. It is important for managers to realize that just because a stakeholder remains in a relationship with the firm and exhibits pro-relationship behaviour, he may not be happy about it. The stakeholder who perceives an acquiescence bond and perceives a high degree of dependence continues in the relationship but is not as satisfied as the stakeholder who also continues in the relationship because he perceives a commitment bond and perceives a high correspondence of outcomes. Managers can assess a stakeholder to determine the type and strength of bond that is currently influencing the stakeholder, determine the stakeholder’s perception of his interdependence with the firm, take action to adjust or cultivate those bonds and perceptions of interdependence, and realize improved relationship outcomes when stakeholders respond with continuance and pro-relationship behaviours.
Contributions to Other Fields

Our framework can inform research in fields that focus on particular types of stakeholders. For example, scholars in marketing (customers), finance (financiers), operations (suppliers, distributors), and organizational behaviour (employees) might find this work helpful in examining why their individual stakeholders continue with the firm and exert pro-relationship behaviours. The contribution to OB, specifically, is a tractable theory of why these bonds are associated with a stakeholder’s (e.g., an employee’s) intent to continue in a relationship. It is quite possible that future studies in these fields, building from our foundation, will uncover additional psychological processes that affect their respective stakeholders’ relationship behaviours.

This framework also has important implications for scholarly work on the topic of corporate social responsibility (CSR). Scholars who examine the relationships between firms and governments or firms and NGOs might gain additional insight into the decisions made by those stakeholders and the firms with which they interact.

Limitations

While our attention is on a stakeholder’s existing relationship with a firm, some of the constructs we develop might also help explain a stakeholder’s decision to begin regular interactions with the firm in the first place. March and Simon (1958), for example, describe an instrumental theory of organizational equilibrium in which individuals are motivated to participate in an organization when the outcomes from their participation meet or exceed their expectations. We use a similar argument in predicting attraction and continuance behaviour. Our approach is not exclusive of person-environment fit theory, which is ‘one of the more venerable lines of psychological theorizing’ (Dawis, 1992, p. 70) and might be helpful in extending our work to the phenomenon of relationship initiation. Research on recruitment and selection in the organizational behaviour literature looks at the match between the person and employment environment (Edwards, 2008). Schneider (1987) explains that people seek to initiate an employment arrangement with an organization based on their attraction to the organization’s goals. The organization, for its part, selects the person for employment when the individual has competencies that meet its needs. More contemporary work in that field focuses on the perceived fit between the person’s values and the organizational values (Edwards and Cable, 2009). Developing a tight and parsimonious theory for this phenomenon, however, will be a challenge.

Our model does not seek to explain the possible phenomenon in which an individual stakeholder chooses to remain in the relationship, but also chooses to behave in negative or destructive ways towards the target firm. To the extent this might be more than an immediate attempt to rebalance perceived justice in the relationship, we do not provide a theoretical explanation for it.

Future Research

An important potential outcome of this research is a more granular model of stakeholder management that is easier to operationalize and test empirically. The psychological bonds construct offers one new way to test the theory. Because relationship bonds must be perceived or recognized by the subject, they are measurable. Individual stakeholders who are subjects in an empirical study of this theory can be provided a list of
relationship attributes and asked to indicate, on a Likert scale, (1) how important each of the attributes is to them (CL), (2) how well the focal firm performs on each attribute (outcomes), and (3) how well they think the next best firm performs on each attribute (CLalt). Such an instrument will provide for the relative comparisons called for here. Other initial methods for measuring the type and strength of perceived bonds from stakeholders to firms – and capturing the related outcomes – can be further adapted from the theory herein and existing studies in social psychology.

As the bond construct is examined across various stakeholder-firm relationships in future studies, researchers will likely uncover strategies for facilitating bonds, additional types of bonds, and other categories of costs and benefits resulting from stakeholder bonds. One possibility future studies can examine is whether – and under what conditions – some strong stakeholder relationships can create pitfalls for a firm. This work promises opportunities to compare nuanced differences in the perceived boundary of a given firm from multiple stakeholders’ perspectives (Crilly, 2013). Deeper insights will come from examining rich case studies of the decisions managers make regarding the interdependences, interactions, and conflicts among their stakeholder relationships. As Meyer and Allen (1997) point out, it should be expected that because goals and values of various [stakeholders] naturally differ, the efforts and priorities among the [stakeholders at] a given firm will sometimes be complementary and at other times be conflicting. One potential avenue for exploring this is through an examination of stakeholder loyalty to a firm, especially when loyalty is characterized as ongoing adherence to shared values (Coughlan, 2005).

CONCLUSION

Value creation arises from exchanging benefits in a cooperative scheme. Some exchanges can be completed immediately; others are more complex and are contingent upon a perception that the parties are engaged in an ongoing relationship. In this latter case, benefit can be given by one party who cannot realistically expect to receive benefit right away. The study of strategic management, broadly, seeks to explain the nature of – and the value created through – such relationships among firms and their stakeholders. We argue perceived bonds and properties of interdependence are prominent factors at the individual level of analysis (or micro-level) that link emotion and behaviour in stakeholder relationships to organizational outcomes.

ACKNOWLEDGMENTS

The authors wish to specifically thank the following for helpful comments and discussions during the development of this manuscript: Heather Elms, Don Forsyth, Ed Freeman, Jeff Harrison, Thomas Jones, Howard Klein, Bidhan Parmar, Rob Phillips, Jeff Pollack, Steve Tallman, and Andy Wicks.

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