**Which stakeholder characteristics matter?**

Most firms have limited resources for stakeholder management and must prioritize which stakeholders' needs to address. Stakeholder salience has been explained primarily in terms of three things:

1. **Stakeholder power, legitimacy, and urgency**
2. **Organizational lifecycle stages, and**
3. **Stakeholder-related culture and commitments**

Arguing these past explanations focus either on stakeholder or firm characteristics but not both simultaneously, Bundy et al. (2018) argue an alternative explanation for stakeholder salience is **organization-stakeholder fit**. In this view, firms prioritize stakeholders (and vice versa) who share important values and the ability to satisfy strategic needs.

*Stakeholder power, legitimacy, and urgency*

Firms can characterize a stakeholder group by its power, legitimacy, and urgency (Mitchell, Agle, & Wood, 1997).

One question then is whether these stakeholder characteristics are objective or subjective dependent on the firm. It seems more likely that they are subjective, such that a stakeholder group could have more power over one firm than another, more legitimacy to one firm than another, and more urgency to one firm than another.

Mitchell et al. (1997) describe eight qualitative classes of stakeholders based on combinations of power, legitimacy, and urgency:

Table : Seven stakeholder types and three classes defined by combinations of power, legitimacy, and urgency (Mitchell et al., 1997). The three classes are determined by whether a stakeholder has one, two, or all three characteristics.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Type** | **Characteristics** | **Class** |
| 1 | Dormant | Power | Latent |
| 2 | Discretionary | Legitimacy | Latent |
| 3 | Demanding | Urgency | Latent |
| 4 | Dominant | Power + Legitimacy | Expectant |
| 5 | Dangerous | Power + Urgency | Expectant |
| 6 | Dependent | Legitimacy + Urgency | Expectant |
| 7 | Definitive | Power + Legitimacy + Urgency | Definitive |

**Is it possible to test the theory of organization-stakeholder fit?**

Bundy et al. (2018) develop a theory predicting when organizations and stakeholders will cooperate, conflict, or compromise as a function of the fit between their values, norms, and beliefs and their strategic needs and resources. How can I test their 6 propositions?

1. Value congruence will be positively associated with intrinsically motivated cooperative behavior due to increased character-based trust, relational predictability, mutual liking and affinity, and socioemotional communication between an organization and a stakeholder.
2. Strategic complementarity will be positively associated with extrinsically motivated cooperative behavior due to increased competence-based trust, environmental predictability, material exchange and reciprocity, and instrumental communication.
3. Initial value congruence will lead to the development of strategic complementarity over time.
4. Initial strategic complementarity will lead to the development of value congruence over time.
5. Organizational-stakeholder relationships characterized by high value incongruence and high strategic incompatibility will be positively associated with combative behavior.
6. Organizational-stakeholder relationships characterized by high strategic incompatibility (strategic complementarity) and high value congruence (value incongruence) will be associated with relational compromise.

**Which industry characteristics matter?**