A Five-Sided Model of Stakeholder Influence

Autoria: Ricardo Corrêa Gomes, Luciana de Oliveira Miranda Gomes

Abstract

Stakeholder theory is well established, but needs further development in order to be a useful tool for public sector managers to analyse the relationships they form and the challenges they face from the environment in managing complex and multi-customer organizations. There are few empirical, or even theoretical, studies focusing on cross-cultural investigation on the subject of stakeholder analysis. At the level of local government, the literature is almost non-existent. This paper aims to contribute to stakeholder theory by comparing the arena in which public managers from two different contexts make decisions under the constraint of stakeholder influences. The concepts of stakeholder influences presented in this theoretical paper are based upon three main theories: Resource Dependence Theory, Social Network Theory, and the Institutional Perspective. The analysis presented in this paper focuses on a number of case studies from Brazil and England, which have been carried out employing the same protocol and framework for data collection and analysis. Data was gathered through in-depth semi structured interviews with managers and with some important stakeholders. The paper offers descriptive and normative contributions in that it examines how Brazilian and English public sector managers perceive stakeholder influence, in order to identify similarities and differences and to evaluate the effect of such influence on decision-making. A model constructed from such two different contexts sheds light on the normative, descriptive and instrumental power of stakeholder theory, and elaborates an understanding of the rationale for stakeholder influence, the factors that promote superior performance and the development of appropriate strategies for dealing with stakeholder influence. Public sector managers from Brazil identified five categories of stakeholder influence. British public sector managers perceived stakeholder influence as falling into seven clusters. In spite of the difference between the numbers of clusters found, there is great similarity between the types of influence stakeholders exert upon Brazilian and English local government decision-making. The cross national analysis indicates that the English model has two additional sources of influence upon decision-making. By using the model proposed here, public managers could develop a better understanding of their stakeholders and the kind of influence each is likely to exert on decision-making. This contribution is important in the context of strategic performance management. For example, by using the model, managers could devise more appropriate strategies for dealing with stakeholder influence and more precise performance indicators.
Introduction

Stakeholder theory is well established, but needs further development in order to be a useful tool for public sector managers to analyse the relationships they form and the challenges they face from the environment in managing complex and multi-customer organizations. There are few empirical, or even theoretical, studies focusing on cross-cultural investigation on the subject of stakeholder analysis.

Stakeholder theory has been explored in some specific public services, such as healthcare services. In this vein, Burton (1999) discussed the importance of stakeholder analyses for city health projects. She concluded that it could be an important tool for identifying the risks and opportunities posed by stakeholders (Burton, 1999). In another empirical study, Carruthers et al. (2006) examined the importance of positive relations between suppliers and purchasers of health services. They concluded by proposing a framework for categorising stakeholders based upon four themes that emerged from their investigation. Those four themes were: relationship dynamics, people/organisations, propensity and capacity to cooperate and systems and procedures (Carruthers, Ashill, & Rod, 2006).

In a later study, Daake and Anthony (2000), looked at the relative power of stakeholders, and contended that stakeholders are likely to accept roles and responsibilities in the strategic planning processes of Health Care Organizations. They concluded that “the typical managerial practice of ranking stakeholder influence needs to be supplemented with stakeholder self-perception measures” (Daake & Anthony, 2000, p. 104). All previous studies dealing with stakeholding or stakeholder analysis, have failed to depict the whole picture, and have focused instead on some particular detail of the relationship between the organization and its stakeholders.

In terms of theory building, stakeholder theory can be described as “descriptive/empirical, instrumental, and normative” (Donaldson & Preston, 1995, p. 66). It is descriptive because, “It presents a model describing what the corporation is. It describes the corporation as a constellation of cooperative and competitive interests possessing intrinsic value” (Donaldson & Preston, 1995, p.66). It is also instrumental because, “It establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals” (Donaldson & Preston, 1995, p. 67).

And it is normative because it focuses on how things should be or ought to be, i.e. how managers should deal with corporate stakeholders (Jawahar & McLaughlin, 2001). The present study focuses on the descriptive basis, and the author agrees with Jawahar and McLaughlin (2001, p. 399) that, “Very little descriptive theory or research, which describes how organizations interact with stakeholders, exists in the extant stakeholder management literature.”

The present study starts from the assumption that an understanding of the participation of stakeholders in local government decision-making is needed, and that it can be reached by mapping the arena in which this sort of organization operates. To this end, the present study started from the two investigations presented in Gomes et al. (2010), Gomes and Gomes (2009) and from the stakeholder list presented in (Gomes & Gomes, 2008) with the aim of developing a general model of stakeholder influence in the local government domain.

The aim of this paper is to compare empirical evidence on stakeholder management obtained in a qualitative, cross-national investigation carried out with case studies from Brazil and England. As those two investigations have been published elsewhere, here only the comparison between the two models resulting from that analysis is presented. In these investigations the key research question was: How do stakeholders influence local government decision-making processes?

The two studies reviewed are based on cross-comparison case studies in which data was gathered by in-depth semi-structured interviews with the main actors in the process (managers and stakeholders). Data was analysed using content analysis and displayed in a Partially Ordered Meta-Matrix with the help of QSR N6 software. To ensure internal validity (Bryman,
2008), both investigations employed the same protocol, and the only difference between the two studies was the number of managers and stakeholders interviewed. This difference did not undermine the strength of the results because the grounded theory rationale of data saturation was used.

The paper concludes by proposing a model that resulted from the combination of the empirical evidences collected in the two studies. It is possible to be confident about the stakeholder influence model, because it has been tested in two very different cultural, political, economical contexts, but has arrived at very similar results in the two cases. This fact supports the strength of the model as a genuine normative contribution to stakeholder theory.

**Theoretical Framework**

The concept of stakeholder influence presented in this theoretical paper are based upon three main theories: Resource Dependence Theory, which helps to explain why organizations approach each other to acquire the resources they need to operate; Social Network Theory, which explains how the connections between two or more organizations come about, and the Institutional Perspective helps in understanding environmental influences driven by regulatory bodies. The phenomenon of stakeholder influence is developed with the help of these three theories.

**Resource Dependence Theory**

In broad terms, Resource Dependence Theory has its roots in the set of relationships between an organisation and its technical environment (Orrù, Briggart, & Hamilton, 1991). These relationships are normally based on the process of exchanging resources. Pfeffer and Salancik (1978) described the main tenets of this theory as follows:

- An organisation behaves like its environment. In order to understand an organisation’s behaviour it is first necessary to understand the environment the organisation inhabits;
- An organisation is likely to survive if it is able to acquire and maintain resources;
- An organisation is said to be effective to the extent that it “is meeting the demands of the various groups and organizations that are concerned with its activities” (J. Pfeffer & Salancik, 1978, p. 11).
- An organisation is dependent on its environment, because it needs resources that are owned by agents who belong to that environment; “Managers and other stakeholders can to a degree shape or enact their environment” (J. Pfeffer & Salancik, 1978, p. 135).

As an open system (Katz & Kahn, 1978), an organisation needs resources, and in order to acquire them, it has to negotiate with other organisations that are the owners of those resources. Depending on the importance of these resources for the organisation, this process can lead to a dependency relationship under which some resource suppliers exercise power over other organisations (J. Pfeffer & Salancik, 1978). The higher the relative importance of the resource, the more attached to this supplier the organisation will be.

Resource Dependence Theory deals with how organisations cope with these relationships of dependence in order to survive while trying to maintain their autonomy. Organisations need to adapt to their technical environment in order to be able to cope with relationships of interdependency and power (Christine Oliver, 1991). The better adapted to its technical environment one organizations is, the more likely it is to survive and prosper (J. Pfeffer & Salancik, 1978).

Pfeffer and Salancik (1978) argued that dependence is a measure of how important to the organisation resource suppliers are. This measure ought to influence the position of the
resource supplier in the organisation’s strategic plan. In Pfeffer and Salancik’s view (1978) any component of the external technical environment should be, to some extent, important for the organisation’s survival. It is critical to know how important each component is. On the basis of these ideas, it can be argued that local government organizations have to deal with resource suppliers in order to achieve their required resources.

**Social Network Theory**

According to Jackson and Stainsby (2000, p. 11), “networks are clusters of relationships which span indefinite ranges of space and time”. They (Jackson & Stainsby, 2000, p. 12) also argued that networks are formed for pursuing “joint goals”. A network can be defined as a set of co-operative relationships between an organisation and others within its environment (Scott, 1998). The relationships formed between local government organizations and their stakeholders are likely to be seen as network type relationships (Rowley, 1997) to the extent that these relationships imply involvement in coalitions with persons, groups or other organisations, seeking joint goals and enjoying compatible benefits (Klijn & Koppenjan, 2000).

Rowley (1997, p. 894) suggested that: “Network analysis provides a means for examining how the pattern of relationships in a stakeholder environment influences an organizational behaviour”. Network analysis also helps to explain environmental forces upon decision-making. Applying the ideas of inter-organizational relationships (C. Oliver, 1990), a network can be seen as a reciprocal relationship because this type of relationship is based on co-operative relations, and this helps in understanding the symmetry of relationships. Talking about network management, Klijn and Koppenjan (2000, p. 140) argued that cooperation is very likely to improve network performance and components can enhance the outcomes for participating actors. The more co-operative these relations are, the more likely the network is to succeed. In other words, those eager to participate in a network are more willing to contribute. According to Bruijn (2005, p. 320), “Many eventual decisions have the nature of a win-win package deal: the profit and loss account is positive for each of the actors involved.” Within Social Network Theory, there is a concern about the best composition for the network (Klijn, Koppenjan, & Termeer, 1995), because success seems to be related to network composition. To this end, Klijn and Koppenjan (2000) suggested some strategies for managing networks. These were:

- Choosing the partner that owns the required resources;
- Creating consensus around goals;
- Creating “temporary organizational arrangements between organizations” (p. 141);
- Managing conflicts produced by the connections.

In addition, Klijn and Koppenjan (2000, p. 139) argued: “In order to survive, an organization requires resources from other organizations. These organizations engage in exchange relations with each other and a network of mutually dependent actors emerges”. Of course, symmetry is not always the outcome, because of the different amount of power each actor is likely to hold in the network.

Jørgensen et al. (1998) suggested a distinction should be drawn between technical networks and institutional networks between public organisations. By ‘institutional’ they meant a network of negotiation and diplomacy, which is comprised of all the “external actors able to influence the general context and conditions of the organization” (Jørgensen, Hansen, Antonsen, & Melander, 1998, p. 502). By technical they meant a network of production and consumption, wherein the organisation meets its “users, suppliers, and possible competitors” (Jørgensen et al., 1998, p. 503).
In the present study Social Network Theory is used as a means for understanding the pattern of relationships formed between a given local government organization and the stakeholders entitled to participate in the arena.

**Institutional Approach**

Selznick (1966, p. 251) stated that formal organizations are a product “of forces tangential to their rationality, ordered structures and stated goals”. As Scott (Scott, 1998, p. 117) argued, “The socially constructed belief exercises enormous control over organizations on both how they are structured and how they carry out their work”. Focusing on the environmental influences upon organizations, Institutional Theory can be regarded as complementary to Resource Dependence Theory, because it covers the other aspects of the organization’s relationships with the environment that are not concerned with resources. Indeed, an organization’s behaviour is a result of joint forces within its environment of which the task environment is a component (Tucker, Baum, & Singh, 1992).

Scott (1998) argued that environmental pressures make the organization conform to the social and cultural norms and this is central to institutional theory. Among institutional influences, there are some invisible forces pressing the organization to adhere to taken-for-granted rules and norms (Christine Oliver, 1991). Often, organizations feel themselves threatened by the prospect of being selected out and they decide to be isomorphic with other successful organizations. DiMaggio & Powell (1991, p. 66 quoting Hawley, 1968) defined isomorphism as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.” For this reason, and being constrained by similar environmental forces, organizations begin to look like each other (Orrù et al., 1991). DiMaggio & Powell (1991, p. 67-69) identified three types of institutional isomorphism:

- Coercive isomorphism that stems from the necessity of the organization to follow legal rules in order to achieve legitimacy;
- Mimetic isomorphism resulting from the phenomenon of organizations copying each other because they have no means to cope with environmental uncertainty;
- Normative isomorphism resulting from an organization being obliged to adopt patterned behaviours institutionalized by the authorities.

Institutional forces influence organizations to adopt new structures and behaviours institutionalized by their peers or imposed by superior forces. Sometimes, this situation is comfortable because by adopting institutionalized elements the organization might avoid its behaviour being questioned (Meyer & Rowan, 1991).

**Issues in stakeholder theory building**

Donaldson and Preston (1995) argued that stakeholder theory should evolve by trying to meet some epistemological criteria, namely descriptive accuracy, normative validity and instrumental power. For descriptive accuracy, they suggested looking at an organization as a “constellation of cooperative and competitive interests possessing intrinsic value” (1995, p. 66). With reference to instrumental power, they recognised the importance of defining the relationships between stakeholder influence and the achievement of the organization’s objectives. Normative validity is the acceptance that each stakeholder represents a set of interests to which the organization should devote attention. The organization should therefore know each stakeholder as well as the sort of influence or collaboration that stakeholder is able to dedicate to the organization’s objectives.

Based on the literature above, this paper contributes to stakeholder theory by pointing out similarities and differences in the stakeholder identification process using a cross-cultural approach. The study aims to demonstrate whether cultural, political, and other sorts of cross-cultural differences are likely to influence stakeholder consideration for local government
managers. As a main direction for the investigation, the following hypothesis drove the research: Different cultural issues do not have an important impact upon the way stakeholders are considered. This hypothesis is based on the principles of the institutional approach, according to which organizations imitate each other in order to achieve efficiency and legitimacy (DiMaggio & Powell, 1991), and on the resource dependence perspective, according to which organizations seek relationships with resource owners in order to be able to achieve their objectives and these relationships depend on the importance of the resources to the organization (Jeffrey Pfeffer & Salancik, 2003).

The research question addresses whether cross-cultural differences have any influence on stakeholder identification. Secondly, the way public managers from two different countries, Brazil and England, think about stakeholders in similar ways will be examined. This evidence is likely to corroborate the assumption that stakeholder theory describes a universal phenomenon. Moreover, this research contributes significantly to the consolidation of an existing body of knowledge, which is in need of further normative justification (Donaldson & Preston, 1995).

First Model: The Brazilian stakeholder influences model

The Brazilian case studies, as demonstrated elsewhere (Gomes & Gomes, 2009), focused on four municipalities located at the State of Minas Gerais. The cases where chosen according to the opportunity criterion, that means, some administrations were invited to participate as a case in the investigation and we took those that have accepted the invitation in order to have two with bigger population and two with smaller.

According to Brazilian public sector managers, stakeholder influences stems from five clusters: Limitation, Collaboration, Orientation, Legitimacy and Inspection. Evidence is presented in the following sections and the findings are summarised in the model depicted in Figure 1. These clusters are detailed below.

The Limitation Cluster

The limitation cluster encompasses stakeholder ability to place institutional and technical requirements upon decision-making. In the Limitation Cluster there are the Federal Government, State Government, the Financial Office, Councillors and the Mayor. This is described as the ‘limitation cluster’ because of the power the stakeholders hold for limiting the actions of managers in making decisions.

The Finance Office has the power to influence decision-making because it holds the key to secure decisions about the budget and expenditure, which have to be negotiated with them in order to get more resources for carrying out any activities. The Mayor has the power to influence decision-making because he/she has the final word in whole the process, being able to decide goals and targets for the Municipal District as a whole.

The Limitation Cluster encompasses stakeholder ability to place institutional and technical requirements upon decision-making. In the Limitation Cluster there are the Federal Government, State Government, the Financial Office, Councillors and the Mayor. This is described as the ‘limitation cluster’ because of the power the stakeholders hold for limiting the actions of managers in making decisions.

First Model: The Brazilian stakeholder influences model

The Brazilian case studies, as demonstrated elsewhere (Gomes & Gomes, 2009), focused on four municipalities located at the State of Minas Gerais. The cases where chosen according to the opportunity criterion, that means, some administrations were invited to participate as a case in the investigation and we took those that have accepted the invitation in order to have two with bigger population and two with smaller.

According to Brazilian public sector managers, stakeholder influences stems from five clusters: Limitation, Collaboration, Orientation, Legitimacy and Inspection. Evidence is presented in the following sections and the findings are summarised in the model depicted in Figure 1. These clusters are detailed below.

The Limitation Cluster

The limitation cluster encompasses stakeholder ability to place institutional and technical requirements upon decision-making. In the Limitation Cluster there are the Federal Government, State Government, the Financial Office, Councillors and the Mayor. This is described as the ‘limitation cluster’ because of the power the stakeholders hold for limiting the actions of managers in making decisions.

The Finance Office has the power to influence decision-making because it holds the key to secure decisions about the budget and expenditure, which have to be negotiated with them in order to get more resources for carrying out any activities. The Mayor has the power to influence decision-making because he/she has the final word in whole the process, being able to decide goals and targets for the Municipal District as a whole.

State and Federal Government has the power to influence decision-making because they have the power of transferring money to local government. They also have the power to influence decisions through the administrative hierarchy, because they are entitled to set down objectives which must be accomplished by the municipality. Councillors influence decision-making because they approve the budget, the laws and the regulations, i.e. they set down the legal and financial framework that the Municipal District has to be comply with in order to achieve legitimacy.

Based on the evidences presented by Gomes (2006), it can be assumed that there is a strong dependence relationship between local government and the stakeholders represented in this cluster. There is also evidence that in this particular arena, officers have little power to define the rules of the game; instead, they have to comply with the rules in order to achieve legitimacy. In terms of Social Network Theory, the relationships formed between local government and stakeholders seem to be of the institutional network type, because there is
clear evidence that some of the stakeholders are able to shape the general context in which the organization operates.

**The Collaboration Cluster**

This cluster was called the ‘Collaborative Cluster’ because there are some stakeholders that join local government to help in delivering services. In this cluster there are employees, other local and regional offices and other partners (public and private hospitals, for instance). Employees are able to influence decision-making because they are in charge of delivering services and they execute the service delivery process and therefore they are the ultimate contact with the local population.

Partners in delivering public services are another stakeholder in this cluster. This situation happens because local government either has not the needed resources for delivering a specific service, or this kind of public service is not its principal activity and managers decide to contract the service out. This is the case of hospitals that help delivering health services, private schools, third sector organizations that help on social care, detention centres and other activities.

The interaction formed between local government and stakeholders in this cluster is a dependence relationship. This situation becomes clear when we look at the relationship between local government and its employees and with public partners. In terms of a social network, it seems to be a symmetrical relationship, because the dependence relationship is balanced, i.e. they need each other for achieving their objectives. Local government needs employees to deliver services and employees need their job in order to make a living. In relation to partners, the relationship formed is also symmetrical because local government needs products and services from their partners and their partners need to fix relationships with local government to meet their commercial objectives. This is the case with medication, which has been transferred from other government offices to the local Health Office.

**The Orientation Cluster**

This cluster was called the ‘Orientation Cluster’ because there are some stakeholders that are able to exert influence due to their power to set down the agenda to which local government must comply. In this cluster, there are the Mayor, the City Council, the State and the Federal Government. The connections formed in this area are an instance of an institutional relationship. According to Brazilian legislation, the Federal Government sets down the main agenda; State Government sets down the regional agenda and local government must construct its agenda framed by the other two spheres of government agenda.

The Mayor influences decision-making by setting down public policies. In other words, the Mayor decides the main objectives and targets for local government. He or she also defines the main strategies and the main objectives for the whole Municipal District. Federal and State Government influence decision-making by setting down goals and overall objectives, which have to be accomplished by the Municipal District. In the agenda setting, local government is not allowed to define criteria; instead it has to follow the directions defined by the stakeholders.

**The Legitimacy Cluster**

In this cluster there are citizens and the local community. It is called the ‘Legitimacy Cluster’ due to the nature of the democratic and electoral system. At the local level, politicians are elected by the local population, who delegate to them the power to take decisions on their behalf. In spite of the acceptance of this idea, there was no evidence that managers regard citizens as electors rather than as users of services. Brazilian public sector managers regard citizens as a customer to be satisfied. According to these views, citizens have needs and they demand public services.
The only evidence found about the local community as a stakeholder was related to its indirect participation in councils through their representatives. The present legislation requires that councils be formed for improving accountability. To this end, there are several types of councils and some examples of them are: the Health Council, the Education Council, and Social Care Council (Brasil, 2008). This participation is very important, but this seems not to be the public managers’ perceptions of this local community role.

The Inspection Cluster

In this cluster there are Councillors and the Accountancy Tribunal. This was called the ‘Inspection Cluster’ due to the power that these stakeholders have to hold managers accountable and to oblige them to comply with some rules and regulations. In this vein, councillors inspect and audit local government as a whole. That means, councillors have the power to keep an eye on public managers’ actions and to ask formally for explanations in the event that something wrong is detected. This makes councillors a strong stakeholder able to threaten decision-making.

The other strong stakeholder in this cluster is the Accountancy Tribunal, which represents a real nightmare for public managers. The Accountancy Tribunal has the statutory power to inspect local government activities, because it enforces of the law. The relationships identified on this cluster can be associated with the institutional network, because of the power these stakeholders have for ensuring accountability.

Second Model: The English stakeholder influences model

The English case studies, as demonstrated elsewhere (Gomes, 2006), focused on four local government scattered through England. The cases where chosen in order to depict the demographic and the political control situation at that moment (2002). So, four local authorities were studied being two controlled by the Labour Party and two by the Conservative; two were regarded as rural areas and two as non-rural areas (the debate about urban and suburban still remains).

According to British public sector managers, stakeholder influence stems from eight clusters: Decision-makers, Agenda developers, Decision-making facilitators, Performance developers,
Decision-making ‘legitimaters’, Decision-making controllers, Service deliverers, and Policy-framework developers. Figure 2 presents the clusters that are detailed in what follows.

**Figure 2: The English Local Government Stakeholder Influence Model**
Source: (Gomes, 2006, p. 95)

**Decision-makers**
In this cluster, the presence of stakeholders who aim to keep the decision-making process running was detected. According to the findings, the main influential stakeholders are the councillors who are empowered to make the most important decisions within the council and their decisions are supported by the skill and expertise of senior officers and staff. The influences detected in this cluster are all regarded as a representation of power over decision-making. They differ in terms of the basis upon which influence is exerted as the table indicates. Councillors’ powers stem from legal prerogatives and senior officers’ powers derive from their control over skills/knowledge. Influence generated by this cluster originates from both technical and institutional environments.

**Agenda developers**
In this cluster, central government and the full council were identified as the main influences. The influence generated in this cluster is acknowledged as active. Both central government and the full council have an ownership interest in setting the agenda under which local authorities are steered. In addition, both have the power to influence decision-making because they are empowered by legal requirements for doing so. Influences generated from this cluster are institutionally-based.

**Decision-making facilitators**
In this cluster, senior officer and their staff were identified as being able to influence decision-making. It is an active influence and both have power to influence because they control the required skills that councillors rely upon for making decisions. Moreover, influences generated from this cluster are technically-based.
Performance Supporters

In this cluster, the Audit Commission, the LGA, and the IDeA were identified as being able to exert influence over decision-making. Influences generated from this cluster are active and they stem from both technical and institutional environments. The Audit Commission is empowered by legislation to create conditions for improving local government performance. The LGA and the IDeA represent community interests in decision-making. The IDeA’s role is an outcome of its objectives as an agency created by local government to help local government.

Decision-making ‘legitimaters’

In this cluster, citizens (exercising their voting-rights) were identified as the only stakeholders empowered to influence decision-making. Influence generated from this cluster is active and institutional. As citizens elect councillors to make decisions on their behalf, they have an ownership interest in the process.

Decision-making controllers

In this cluster, central government, the Audit Commission, councillors, and the local media were identified as influencers in decision-making. Central government is influential due to its powerful resources (funds), which is a technical influence. The Audit Commission is legally empowered to oversee local government behaviour and performance, and this is an institutional influence. The full council is empowered by law to scrutinize decision-making. To do so, it appoints members to a scrutiny committee. According to the Local Government Act 2000 (DETR, 2000), the scrutiny committee is a body empowered to scrutinize the executive committee in the implementation of policies and frameworks set by the whole council. It is, therefore, an institutional influence. Lastly, the local media is able to scrutinize decision-making because it has control over the critical resource of information. Therefore, it is a technical influence.

Service Delivery Collaborators

In this cluster, some stakeholders were identified as being able to exert influence because they help to deliver services. They are employees, voluntary organizations, public partners and private partners. These stakeholders have power to influence decision-making because they control skills that characterize the influence as technical. There is another influence identified in this cluster which stems from the concept of isomorphism. As organizations compete and co-operate with local government in delivering services, they are likely to influence mimetic isomorphism over it. For this reason, a type of institutional and passive influence can be identified as stemming from this cluster.

Policy-framework developers

In this cluster, central government, the full council and local taxpayers were identified as influential stakeholders. The first two stakeholders have power because they are legally institutionalized to define the legal and financial framework within which decisions are to be made. Therefore, it is a type of institutional influence. The local taxpayers have power because they control financial resources, which is therefore a type of technical influence. According to the findings, it is not a strong influence due to the funding system employed in Britain in which around 70% of the money spent by local government comes from central government. As councillors are the ‘leaders’ of the process, they have the ultimate word in decision-making. In this way, and trying to shape the model, the decision-making process in action (clusters in which decision-makers are inserted) has to be at the centre of the system, and it is
surrounded by the other ‘bodies’. The model is built upon an analogy with the solar system, in which the sun is at the centre and the other planets are attracted to it by the force of gravity. Each cluster is connected to the centre by an arrow which represents the influence communication channel. The golden rectangles surrounding the decision-making box represent the clusters of influences. The pale yellow and dotted boxes represent the stakeholders entitled to exert that sort of influence. These boxes are dotted because the stakeholder concept incorporates a notion of flexibility, since stakeholders are likely to change according to different environmental conditions. The pale blue rectangles represent the sort of influence transferred through the arrows. The model summarizes the findings about stakeholder identification and salience in the decision-making process of English local authorities.

Discussion

Comparing the two models, one can identify differences and similarities, but more similarities than differences, and those differences that do exist can be explained by the different stages public management has achieved in the countries. As a mature democracy, England has created mechanisms for supporting local government performance, as can be seen in the performance supporting cluster, in which there are the Audit Commission, the Local Government Association and the Improvement and Development Agency (IDeA). In Brazil, there was no evidence of such institutional support for poorly performing local government. Another difference relates to the decision-making cluster, which works differently in the two countries. While in Brazil, the local community elects a mayor to govern the municipality for four years, in England the local community elects the full council and this assembly will appoint an Executive Committee to take the daily decisions on their behalf. That means, in Brazil the managerial process rests on the mayor’s shoulders, while in England it is divided among the councillors that compose the Executive Committee. As the English investigation was conducted in 2002, no evidence was found about the local government reform that has been adopted for a directly elected mayoral model (Dhillon, 2006). The other difference was about how decision-makers saw the role of senior officers in the process. In England, they were seen as the people appointed to facilitate the decision-making process due to their skills and knowledge. In Brazil, senior officers – called secretaries – were appointed according to political purposes. That means some officers are not prepared for the function and he/she spends a great deal of time learning how the public administrative machine works, causing loss of efficiency and effectiveness.

The other clusters resemble each other, which are the case of collaboration, agenda setting, legitimating, inspecting and limitation clusters. The two studies indicate that public managers regard the influences that stem from these clusters as critical to the decision-making process. From these observations, the following general model is proposed, which presents the clusters that fit in both situations. According to this model, local government makes decisions regulated, collaborated, oriented, legitimised and inspected by some influential stakeholders that need to be taken into account in its formulation of strategy and performance management if it wishes to be successful. Figure 3 is consistent with the extant theoretical framework that explains the influence environmental factors exert upon organizations through stakeholders working alone or in groups. Looking carefully at the connections between the areas of influence and the decision-making cell, one can easily identify patterns of resource dependency, institutional constraints and network formation.
Influence over the money supply arises from the regulatory cluster, which makes central (federal) and other tiers of government a strong stakeholder able affect performance either by reducing or expanding the flow of money. Despite the criticism that taxes are raised at the local level, it is up to central/federal government to allocate the amount each local government is entitled to receive. This is a real example of a resource dependent situation.

In the collaborator cluster, internal and external agents were identified that approach local government in order to help it deliver public services. This happens because the public entity is incapable of delivering such services, or due to the search for efficiency, which is the case of public and private partners. In the specific case of employees and officers, the explanation rests upon a win-win solution. Local government needs workers and staff need employment. Of course, no working relationships happen without struggles, but, at the beginning at least, they approach one another in order to take advantage of resources (money and job conditions for staff and skills for the employer). This relationship can be explained by a resource dependence rationale.

In the agenda setting cluster, central/federal and other tiers of government can again influence local government by defining the main objectives that will steer their objectives and targets. The nature of the relationship formed between local government and this cluster may be explained by the tenets of institutional theory. According to this theory, an organization needs to comply with the set of rules and regulations derived from its institutional environment in order to achieve legitimacy. This is similar to the legitimating cluster, from which local politicians gain power and legitimacy for steering the local government for a period of time.

Finally, in the controller cluster formal and informal mechanisms of control can be seen at work. The mechanisms derive from both the need to hold public sector managers accountable to society and the need to ensure money has been spent according to the institutionalized mechanisms of performance, namely efficiency, effectiveness, equity and economy. This seems to be another relationship that can be explained by institutional theory arguments, because it appears to be a demand from society or the result of the action of pressure groups.

Conclusions

This paper contributes to the public management literature by comparing the results of two empirical and descriptive investigations of stakeholder theory, which involved two different contexts: local government in Brazil and in England. The two investigations aimed to describe the arena in which local government managers make decisions and the pattern of influences exerted by stakeholders on the process. Both studies were based on evidence gathered through
cross-sectional case studies in which the perceptions of public sector managers were gathered by in-depth, semi-structured interviews. Comparing the two studies, it can be concluded that local government, like any other type of organization, needs to create mechanisms for involving stakeholders in its activities, as well as creating mechanisms for managing its relationships with them. Such mechanisms allow managers to see more clearly the environment in which they make decisions, as well as to pinpoint strategic issues that would help them to make plans that more closely reflect their circumstances. As the main contribution of this paper is to provide a model for summarizing stakeholder influence, the main conclusion is that there is a huge amount of influence that managers have to deal with (the bad news); nevertheless, these influences are very likely to be clustered into some groups of influence (the good news), which is likely to make the managers’ job easier.

In order to manage local government in such complex networks, managers need to identify their stakeholders clearly and to understand the sort of influence they are able to exert upon decision-making, in order to both acquire needed resources and legitimacy. From these studies, it has been seen that stakeholder influence stems from both technical and institutional environments. In the technical environment, there are stakeholders that have power over resources and in the institutional environment there are stakeholders who are entitled to set the rules and the regulations that managers have to comply with.

The model proposed in this paper aims to describe the arena in which local government makes decisions in terms of stakeholder influence. By comparing two studies carried out with local government in Brazil and in England, a normative contribution to stakeholder theory was proposed, with a view to making public sector managers at the local level more conscious of the environment they operate within. Evidence was found that, despite the cultural differences and differences in the development of public management between the two countries, it is possible to frame stakeholder influence model based on managers’ perceptions. This model presents five sources of influences that require attention from decision and policy makers. The evidence indicates that influence can be understood as deriving from both the technical and institutional environment.

The paper raises some issues which are helpful on explaining the relationship between stakeholder influence and public organizations. In other words, it helps to identify the influence a stakeholder is likely to exert upon local government decision-making, which may make this kind of organization more manageable. By using the model proposed here, public managers would be able to know their stakeholders better, as well as the sort of influence each is likely to exert on decision-making. This contribution is a strong one, because of the light it sheds upon strategic and performance management. For example, by using the model, managers could devise more appropriate strategies for dealing with stakeholder influence and more precise performance indicators.

The originality of this study lies in the challenge of trying to look at the same phenomenon in diverse cultural settings. Even though today information travels at the speed of light, there are some issues that do not change with such speed. But decades before the beginning of the information age, bureaucratic phenomena travelled across the world, transforming the way public administration was carried out. This study is pioneering in terms of cross-cultural stakeholder influence analysis, in comparing such diverse contexts and raising issues about the way local government can devise strategies more effectively.

For further studies, it would be desirable to apply the model in other types of public organizations, such as third sector, regional and central government, in order to verify whether or not these areas of influence are universal. The model would gain on richness and coverage if stakeholder influences are also analysed with the help of Regime Theory, which in Mossberger’s view (2009) can be seen as the most dominant theoretical approach focusing on political relationships in cities to explain responsiveness to low income people and involves coordination of multiple actors; Urban Regime Theory, which according to Davies and
Imbroscio (2009) is able to explain how local actors constrained by their environments are capable of re-shaping the environment through cross-sectoral governing arrangements. This would be a reliable path for constructing stronger, normative Stakeholder Theory, capable of defining strategies for managing relationships with these powerful actors in the domain of public organizations.

References


