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## Ethical Decision Making – an Organic Stakeholder Model

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**Abstract:** Purpose: For the last three decades, Stakeholder management has been concerned either with strategic business management or business ethics, values and quality. Many models have been developed, but recently the literature asks for more dynamic models that can explain the complexities of the interaction between a corporation and its stakeholders. Methodology/approach: This paper offers a theoretical 'Organic Stakeholder Model' based on decision making theory, risk assessment and adaption to a rapidly changing world combined with appropriate stakeholder theory for ethical purposes in decision making processes in businesses. Findings: The concept of the 'Organic Stakeholder Model' is derived from observational studies of publicly owned enterprises from 2004 - 2011. The paper encourages researchers to test the validity of the model in any kind of business model. Practical implications (if applicable): The Model is based on case studies, but the limited scope of the length of the paper did not leave room to show the empirical evidence, but only the theoretical study. Originality / value of a paper: The model offers a new way of combining risk management with ethical decision-making processes by the inclusion of multiple stakeholders. The conceptualization of the model enhances business ethics in decision making by managing and balancing stakeholder concerns with the same concerns as the traditional risk management models does – for the sake of the wider social responsibilities of the businesses and its stakeholders.

**Key words:** Business Ethics, Decision Making, 'Garbage Can', 'Organic' System / Structures, Stakeholder Theory and 'Time' / 'Cost'-variables. Paper category: Conceptual paper

### 1. Introduction

Stakeholder theory has argued for the applicability of business ethics, moral values and qualities for more than three decades (Freeman 2010). A vast literature of many conceptualizing theoretical contributions and empirical analyzes have been done supporting the stakeholder theory of Freeman's (Freeman 1984) in the aim to understand its use normatively, instrumentally and ethically in all kinds of businesses and administrations of organizations. This paper contributes to this literature by a model adapting a more organic view of stakeholder management in order to introduce an analytical dynamism to stakeholder models (Fassin 2010) in the meeting of the complexities of businesses dealing with by multiple stakeholders.

First, the paper reviews very shortly the most relevant stakeholder theory and models supporting the proposed model, and thereafter presents ideas of the 'organic systems' (Burns and Stalker 1961) as well as the 'risk management' and 'decision making' as within the 'Garbage Can Model' (Cohen, March and Olsen 1972) in complex organizations with multiple actors and stakeholders (March 1994). From these theoretical insights the 'Organic Stakeholder Model' is proposed as an analysis tool for businesses and their stakeholder relationships. The model initially reverses the objectives for stakeholder management in the traditional way, and instead takes the view of 'the others' (Mead, in Cook 1993) – the stakeholders – and tries to view risk management from the viewpoint of the stakeholders *in order* to accomplish decision making, that reduces risks for stakeholders and for the business. Risks are

often seen by rational decision makers as something that we should “do-away” with (March 1994) which can be impossible – then, when reversing the viewpoint of ‘for whom’ and ‘what’ are businesses operating, by seeing risk management as ‘for stakeholders’ and implicitly ‘for businesses’, the management of risks reveals more knowledge about uncertainties just by stretching the network of knowers by including stakeholders in the process of decision making. March shows us by the introduction of limited rationality that it is impossible to know everything relevant prior to decision making, and irrationalities are certain kinds of unmanageable entities as well as knowledge-consumption that is cognitively limited by the participants in the known setting (March 1994).

When trying to reduce risks we know either by our own or other’s experiences, we still have a range of unknowable risks that we experience only by the outcomes of decision-making – meaning retrospectively (March 1994, Weick 1995). So what do managers do? They bring more and more knowledge into play in order to ‘rationally’ reduce risks and uncertainties until the point where cognitive limits of information capabilities reaches a point where known knowledge is no longer used, experiences are forgotten and rational choices can become irrational in the aftermath of sense making of the outcome of the decision making (March 1994). We only know if we made a good decision after we have implemented it (Weick 1979). No risk model has yet proven to be “safe” enough. We can only learn and learn from others in order to be able by our limited rationality to ‘estimate’ rational choices without lulling ourselves into the idea of risk-avoidance and risk-elimination (March 1994). And this involves risk-taking.

Choosing this view of the stakeholder involves the environment or society in risk management of business decision-making. Hypothetically, this ‘ethical turn’ can create a business case with mutual benefits that promotes and assists the decision maker even more than classical risk management seen from a self-fulfillment perspective eventually. It cannot eliminate risks and it cannot “do-away” with uncertainties. But the ‘Organic Stakeholder Model’ will offer a consensus of prioritizing risks in a broader view and eventually reduce the risk-taking of both businesses and stakeholders.

### **1.1. Methodology**

The ‘Organic Stakeholder Model’ has been developed theoretically on the basis of participant-observations done in Danish water companies from 2004 – 2011. First, I was working as a practitioner from 2004 -2010, and afterwards I conducted ongoing and retrospective research in these projects as case studies, which I observed in two respectively large and medium-sized water companies. My role as a participant-observer was that of a project manager out of several decision makers, which gave me the opportunity to observe while negotiating with other managers such as top managers, project managers, employees and various outside-organization stakeholders such as regulators, authorities, neighbors, unions, property owners, land owners, NGOs, shopkeepers, advocates, schools, road users, workers, citizens and many more.

The observations and documentation that has been part of the development in the theoretical model contains a vast amount of documents (written emails, reports, minutes, press material, books and videos, interviews and written notes) - in some of the cases more than thousands of pages. The model is derived from a constructivist paradigm on the basis of sense making and decision making processes in order to

create meaning with stakeholder relationship and -management (Weick 1995, March 1994).

## 2. Theoretical basis

Stakeholder theory, since R. E. Freeman's contribution (Freeman 1984), has become a matter of how to assess business ethics into actions of social matters. Many authors have supplemented his model (e.g. Donaldson & Preston 1995), developed it (Mitchell et al. (1997); Wartick & Wood (1998); Wood et al. (2008); Fassin 2009) or made new stakeholder concepts and perspectives (Rowley 1997; Jensen 2002). Mitchell et al. (1997) and Wartick & Wood (1998) found the salience of the stakeholders depends on power, legitimacy and urgency, which Fassin (2009, 2010) took up lately and addressed new stakeholder categories from: stakewatchers, stakekeeper, stakeholders and stakeseekers (Holzer 2008). Fassin's model is based on three types of power introduced by Mitchell et al. (1997) and Wartick and Wood (1998): Formal, Economical and Political power.

However, Fassin's purpose is to introduce a more dynamic model to the stakeholder theory, since the literature lacks ways to illustrate the complexities of stakeholder relationships (Fassin 2010: 39). His model is inspired by Rowley's network model (Rowley 1997) and takes the benefits of visualization into a web of connections rather than describing concepts of what is actually done in these relationships. The theoretical urge of description of dynamism in stakeholder models is also the aim of this paper. But instead of conceptualizing new stakeholder roles as the above literature comprehensively addresses, this paper wants to bring the above insights into an 'Organic Stakeholder Model' that concentrates on the meaning development of the stakeholder relationships and how the concept of 'ethics' addressed by Freeman (1984, 2010) is performed in real cases and how the outcome of these perceptions of what is 'ethical' in decision making by the involvement of various stakeholders – determinant or others less determinant – comes to be expressed.

The theory building for the 'Organic Stakeholder Model' involves ideas from Burns and Stalker's definitions of 'organic structures' in organizations (Burns and Stalker 1961) – a structure I will argue from the empirical evidence is present when dealing with stakeholders. I will argue that decision making in organizations is tied to stakeholder relationships in these types of hybrid organizations, and these ideas can and will be used in many kinds of organizations – purposefully or unconsciously. In this respect I draw my ideas from Cohen, March and Olsen's (1972) 'Garbage Can Model' decision making, and also the elaboration of these ideas expressed by March in 'A Primer on Decision Making' (March 1994), where he elaborates these ideas into organizational management in general. The basic of combining these ideas is not foreign for either theorists, since the glue of observations all have done is based on the way, which Weick described as 'sense making' (Weick 1995).

### 2.1. 'Organic structures of stakeholder relationships'

Tom Burns and G. M. Stalker (1961) did a study of 20 different industrial organizations finding themselves in an environment of continual change in both market situation and technical information and thereby struggling with constantly new and unfamiliar tasks, and how these organizations tried to stabilize this fuzziness into operational and practicable conditions (p. vii). They categorized and compared

managerial systems as either 'mechanistic' or 'organic', where 'management' is understood as "*directing, coordinating and controlling the operations of a working community*" (p. 13). 'Mechanistic' systems were found in traditional bureaucracies defined by the functions, methods, responsibilities and powers in a highly structured organization with clear boundaries such as vertical hierarchies, clear duties and procedures to proceed the task necessary (Ibid., Weber 1978). 'Organic' systems were found in organizations and defined by interactions happening in both lateral and vertical levels in the organizational structure rather than vertical command systems as in the traditional bureaucracy (Burns and Stalker 1961: 5). 'Organic' systems are as well as the bureaucracy 'stratified', but not hierarchical in the same way (Ibid.: 122).

Their conclusions were that 'organic' systems adapt better to unstable conditions (p. 11) because "*problems and requirements for action arise which cannot be broken down and distributed among specialist roles within a clearly defined hierarchy*" (p. 8). "*The individuals have to perform their special tasks in the light of their knowledge of the tasks of the firm as a whole*" (Ibid.) and knowledge to adapt to the changing conditions have to be sought and negotiated in all levels of the company in order for the company to survive in a competitive and rapidly changing environment (p. 11). Change is understood to be both related to the use of technology and the performance and interaction among individuals in the organizations. And in order to make changes both in choices of adaptive and most efficient technology for the tasks as well as the change in human interactions with each other and with the technology, the amount of knowledge and how this is found, decided applicable, implemented and stored as memory in these organizations is no longer hierarchical determinant, but multilayered inside and outside the organizations. Burns and Stalker found that no single set of principles could be said to be of 'good organization' or 'ideal type' of management system or administrative practice generally, but 'mechanistic' systems are well adapted under stable conditions, where 'organic' systems are best suited for adaption to rapid environmental changes (p. viii + 11).

The next question - what is meant by 'unstable conditions' or 'rapid environmental changes'? Here, Burns and Stalker explain the concept of 'novelty' related to 'risk-taking' in order to 'reduce harm' when "*an enormous numbers of random possibilities are eliminated by rational choice (which means that) the chances of harm rather than good resulting are reduced, not eliminated*" (p. 21). In the same sense they find that when environments or conditions are rapidly changing "*the person or the organization is itself changing, so that even to maintain the same degree of fitness for survival, people and institutions may have to change their ways (so the) risks attendant upon change may have to be weighed against other risks arising from maintaining the same state of affairs*" (p. 21). This indicates the operation of an organic system of management is dependent on effective communication (p. 252) across departments, among individuals, workers, consumers (i.e. stakeholders in general) and finally linked to the decisions made for these necessary changes at stake.

## **2.2. The 'Garbage Can Model' of decision making**

Decisions are continually elaborated in everyday practice both in times of stability and times of change. For the purpose of changing conditions the 'Garbage Can Model' explained by Michael D. Cohen, James G. March and Johan P. Olsen (1972)

is very relevant in connection to the above 'organic structures' suggested by Burns and Stalker (1961). Cohen et al. (1972) describes organizations characterized by *problematic preferences, unclear technology* and *fluid participation* as 'organized anarchies' and found by computer simulations of 324 examples on how decisions are made in these fluxes of uncertainties with a metaphor like the 'garbage can'. The 'organized anarchy' is not a definition Cohen et al. characterizes whole institutions or organizations with, but any organization can be characterized as such "in part – or part of the time" (p. 1). The process occurs precisely when the conditions of more normal rational models are *not* met (p. 16).

- ... an organization is a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision makers looking for work. (Cohen et al. 1972: 2)

The above changes the focus of meaning of choices and how this changes over time (p. 2). This emphasis of 'timing' and 'time-pattern' is linked with 'energy', which I understand to be how much 'quality' and 'value' for 'whom' and 'what', as Cohen et al. suggest will become crucial in decision making (Ibid.). The definition of the 'garbage can' is a metaphor for and linked to 'opportunities of choices' in which different problems and solutions are mixed un-structured, found relevant and non-relevant, in the timing of their appearance in the setting of time during the process, and loosely coupled by the attention of participants acting fluidly and non-coherent during the whole process of decision making (Ibid.).

This makes organizational decision making dependent on a "*relatively complicated interplay among the generation of problems in an organization, the deployment of personnel, the production of solutions, and the opportunities for choice*" (p. 2). Cohen et al. defines the way decision making is done under these premises in four streams: A stream of 1) choices, 2) problems, 3) solutions and 4) energy allocated. All streams depend more or less on 'entry time' (calendar time), 'decision structure' (who is allocated to make decisions), 'energy requirement' (how difficult is it, how many resources must we activate, what are the possible implications or harm) and 'access structure' (a list of choices to which the problem can be assessed). These streams are tested in the computer simulation of 324 examples, which leads Cohen et al. following findings of decision making processes in 'organized anarchies' in three ways:

- 1) *Resolution*: Some choices solve some problems after an amount of time of working with them.
- 2) *Oversight*: If new choices become available for problems that may be connected to other choices and this new choice limits the time and energy to solve the problem, it is chosen.
- 3) *Flight*: A more attractive choice comes along after some time working with the problem and other choices. The problem then leaves the other choices and attaches to the new one because of the apparent attractiveness of outcome.

Cohen et al. then finds an interesting connection from their simulations. 'Resolution' is not the most common decision making style, though many problems are sought to be solved in this manner from the beginning. 'Oversight' and 'Flight' are more common in the process in general (p. 9). The process is also found very sensitive to variations in energy load. If energy load is heavy, problem activity and decision making activity are increased, and the decision making gets more difficult, which leads to the choice characterized from 'oversight' and 'flight' and much time is spent while problems are not thoroughly solved or entirely eliminated (Ibid.). Decision

makers and problems tend to track each other through different choices that do not eliminate the problem or eventually solve it. Attention is paid to the importance of problems and the timing of their entrance in such ways, that early problems are resolved more likely than late problems. The queue of problems is typically made on the basis of importance. But in this respect, the *“important choices are less likely to resolve problems than unimportant choices. Important choices are made by oversight and flight. Unimportant choices are made by resolution”* (Cohen et al. 1972: 11). These findings of 'organized anarchies' opposed to more 'rational choices' linked to 'resolution' are made parallel in many organizations and projects. This mixture of decisions making processes supports Burns and Stalker's (1961) ideas of 'organic' management systems for the better adaptability to changes in all levels of and by all issues found in modern, complex organizations having multiple stakeholder relationships, facing multiple demands and claims to solve problems in organizations structures, with decision makers stratified across all levels in the hierarchy ('organic'). Burns and Stalker investigated industries and Cohen et al. investigated universities and public, politically administrations primarily. This combination of Burns and Stalker's 'organic' system of management as a symbol of 'rational choices' and the 'garbage can' model as a symbol of 'anarchistic choices' suits the observations I did from 2004 – 2011 in the Danish water companies who are structurally and organizationally mixed of both industrial and public administrations, which makes the 'Organic Stakeholder Model' combine decision making from both 'rational' (organically adaptive to changes) and 'anarchistic' features.

### 3. The 'Organic Stakeholder Model'

The 'Organic Stakeholder Model' wants to view the micro-processes of decision-making and how this creates a similar pattern to 'organic' systems of management while also dealing with 'rational' as 'irrational' or 'anarchistic' decision-making processes. The model is purposefully left very simple. This idea may conflict with the complexities it actually offers a viewpoint to, but to embrace complexity in organizations, in projects or issues and in decision making based on the realization that decision makers have the cognitive limitations of comprehending large amounts of information typically present in complex situations of decision making with the allocation of multiple actors, multiple decision makers and multiple stakeholders, very few indicators are necessary to explain how this 'limited rationality' (March 1994) operates in practice. Therefore in this model I want to show how 'ethics' in decision-making is possible when linked to stakeholder theory by two dependent variables:

- Time
- Costs.

'Time' is in the model understood in two ways:

- Chronological time (calendar time)
- Relational time (past, present and future).

'Costs' are in this model also understood twofold:

- Economic costs (in terms of finance)
- Relational costs (in terms of social and environmental consequences of the changes made by decisions).

The model wants to show how 'time' and 'costs' are tidily connected to the values and qualities of 'ethics' as well as it incorporates the features of 'power' and 'legitimacy' and 'urgency' as well as many other features in the multi-complexities of human interaction, means and ends, products and outcome et cetera. In this respect

'time' and 'costs' can be both limited and expanded in the mixture of 'garbage can' processes and 'organic' systems for adaption to environmental change and fluidity. In organizations, any kind of assemblage of humans in a structured or loose coupled group with defined or loose coupled tasks and merits almost every issue, problem or project has a limited 'time' and 'costs' allocated for the task at stake. And the decisions to be made inside these boundaries are often made on unclear preferences, fluid participation (Cohen et al. 1972), changing environments (Burns and Stalker 1961), limited or irrational use of knowledge (March 1994), limited allocated resources et cetera and 'rational' thinking decision makers as many humans want to perceive themselves and the ideal decisions they *want* to make in 'irrational' circumstances characterized with different layers of 'powers' (and legitimacies, which I also consider as a variant of 'power') inflicting the choices.

In this model, 'Stakeholders' have an overall perpetuated role as *the problem or risk holder and the decision influencers* (Freeman 1984, 2010). For this role I do not distinguish between primary or secondary stakeholders (Clarkson 1995), nor do I distinguish between their levels of influence by categorizing them into schemata of 'power', 'legitimacy' and 'urgency', - the importance of stakeholders - because these categorizations can be adapted into the model implicitly. By 'problem' or 'risk' holder I see stakeholders as the *various individuals affected by a problem or holding a risk connected to the organization, which holds an 'energy' to them that has exceeded the equilibrium of concern such that attention is now paid to these problems or risks in order to make certain actors act and change the situation so the problem can be solved and equilibrium retained*. And by 'decision influencers' I see stakeholders not as egalitarian actors with similar influence, but as *influencers managing to impact decisions in the process of decision making with more or less weight according to the problem and risks they hold*.

'Problems' in this model are defined as *uncertainties, issues or impacts that have reached an amount of energy attached to them that cannot be ignored at the time being because of the eventual threat against survival*. If an organization reaches a point where production costs exceed the revenue of the sale, the organization has to make changes to adapt to the market situation in order eventually survive or close as in Burns and Stalker's (1961) investigation. If an organization does not change the actions in a specific way, penalties will be made, and eventually the organization will not survive long term. Some problems are not as essential for the survival of the organization - most problems are small problems taking place as a normal task in the organization, and could be placed at any time of importance. Problems are normally solved according to their importance whether the actions taken is part of an 'anarchistic' model such as the 'garbage can' model or any other kind of organizations. This is due to Cohen et al.'s and March's specifications (Cohen et al. 1972, March 1994) of the 'energy' it takes to solve problems, where some problems have little 'energy' attached to them and are easy and quick to solve, while others have a heavy load of 'energy' attached to them and take more time, resources, and costs to be solved. But no problems arise by no one or nothing.

The 'rational' reason may not be present at the moment the problem appears. That is why 'knowledge' is important for actors to understand and solve it. 'Irrational' problems can also arise to 'irrational' choices where knowledge and rationality are very limited, but where means and ends are related 'power' comes into play which is emphasized in other stakeholder models than this. 'Irrational' choices to one decision maker can be the 'rational' choice of a superior. In this model 'problems' are always attached to a *receiver* or a *sender*. Here they are attached to the stakeholders.



Problems are sent from somewhere and someone, who either has a problem or will receive another problem if the specific problem is not solved. The stakeholders interested in decision making have a stake in the problem in some one way (Freeman 1984, 2010).

A problem or issue can also be attached to 'stakeholders' that do not have a voice themselves - the natural environment, the climate, animals, the poor, the disabled etc. Many problems and issues do not have a voice or the voice they have is not heard. Therefore, these 'stakeholders' normally have a spokesperson or spokesperson-organizations to represent them. Some stakeholder models regard "the environment" or "the climate" etc. as 'stakeholders' themselves (Woodward 2002) but the evidence of undesired changes as a 'voice'. In this model all these voiceless entities are assumed to have a spokesperson or an organization to represent it. Other models regard "the environment" and "the climate" as 'issues' themselves (Freeman 2010), but this model distinguishes between the entities as represented by a spokesperson and the problems attached to it.

'Risks' are defined in the model as *the amount of uncertainties and unknown impacts one is willing to accept when taking a decision and making a choice*. This amount can be divided into types with intersection:

- 1) Known or imagined risks
- 2) Residual risk (intersection of 1) and 3))
- 3) Unknown risks.

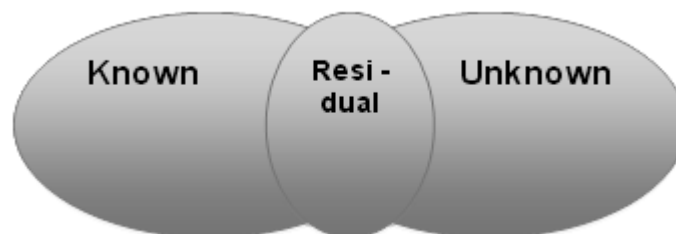


Figure 1: RISK-types

The first type can be rationally estimated using calculations or measures of consequences of harm and probabilities, but still does not "do-away" with all kinds of risks (March 1994). The rational way to deal with risk is mapping all knowledge from all possible and imagined interactions into a mathematical schemata then estimate the level of the *known* risks and estimated actions which reduce these risks (see Figure 1). There is still an amount of unknowable risk when actors rationally make choices in order to reduce risks. This 'residual' risk overlaps the known/imagined and estimated risks with the unknown risks. The unknown risks are not uncountable and impossible to estimate, because everything we know or imagine is put in the first and manageable category. The unknown is cognitively unattainable, but is still a risk we are aware can happen, but we do not know them before we experience them for the first time. In this part of the risk model together with the residual risks, the risk we could not eliminate after estimating known risks and taking actions to reduce their probability we can also call "risk-taking" (March 1994). Whenever a decision is made and implemented and made actionable and put into action, the residual risks and the unknown risks can occur as a consequence of the decisions we have made. Only

after seeing the consequences of our decisions and actions allocated to these can we experience and make sense out of what happened (Weick 1995).

'Ethics' in this model are attached to the consequences of the outcome of the decisions, and to the unspecified and individual understanding of terms as 'behavior', 'quality' and 'value'. In this sense, ethics are not defined a priori to outcome since the notion of 'ethics' and 'behavior', 'quality' and 'value' are all attached to the impacts of the outcome. Different norms, values, and moral considerations come into play when making 'ethical' decisions. These definitions are impossible to make exhaustively a priori. Some ethical implications are stated as regulative in the legislation, others are connected to customs, perceived or written norms, religious or cultural behavioral moral considerations etc. and it would take an entire thesis to explain what 'ethics' means in specific contextual frameworks.

Therefore, this model's notion of 'ethics' is relevant to stay open to the specific contextual, cultural and religious norms, values and morals present at the specific times and settings. Are 'ethics' a 'rational' thing? As long as ethics are part of an agreement stated as a written text - be that of legislation, religious books, or normative scripts approved by an authority of any kind - I will see it as 'rational' in the way that enough people have voluntarily agreed these ethics are worth considering. But with this said, there are lots of discussions among academia, professionals and practitioners about the "right" ethics to use. Some norms of behavior are considered ethical in some parts of the world while considered unethical in other parts of the world. For example, religious matters of ethics. This paper does not take any action in these discourses, but regards 'ethics' as a notion connected to an agreed and "rightful" 'behavior', 'qualities' and 'values' solely understood in the present context of matter.

'Decisions' in this model are defined as *choices that are made to stabilize certain amounts of uncertainties, and are difficult or take a certain amount of energy to reverse – or are eventually irreversible*. For example, when a decision is made to buy a new set of trains for the nation, following decisions of producing them and the outcome of the actual product cannot be reversed; only destroyed, reused, et cetera. The outcome of the materiality cannot enter the same conditions as it were prior to the production of the new set of trains. If the nation refuses to receive the ordered train sets because of dissatisfaction with the outcome, the trains cannot disappear or be reversed to steel bars, organic oil products, et cetera. It will always be something else- resold, destroyed, re-used etc. Some decisions can be reversed if no outcome or impact has been executed yet at the time of changed decision. These reversibilities can be made in order of energy necessary to reverse the decision. Sometimes it takes little energy such as different parties meeting at a specific place and agreement to quickly reverse the decision can be made. Other times, the reversibility takes more energy to "undo" or the outcome may also be changed, but in a way that the impact has no relevant or indifferent weight to the already made outcome.

'Outcome' is defined by the *impact of the change the decision and actions attached have created*. An outcome is always attached to change which is attached to actions made for providing the change based on a decision made by someone. Only after the outcome has become reality, can people understand what has happened based on what actions linked to what decisions and see what impact it has done. As Weick has put it, "*How can I know what I think until I see what I say?*" (Weick 1979), meaning we can only understand the consequences of our actions (based on our deliberate or unconscious decisions) which lead to the last step in the

model - 'sense making', which is seen retrospectively upon an action taken after a decision has been made consciously or unconsciously.

In this model, '*Sense making*' is derived directly from Karl E. Weick's work (1995). In this respect, it is the last definition in the model leading to the ongoing organic 'cycle' of the stakeholder model where actions and outcomes (consequences) are interpreted by stakeholders and decision makers leading to new decisions or new problems (as seen in the 'garbage can' model) or solutions having various characteristics turn our attention to other problems or continue the process in the same or derived directions as the one we were in before. Weick (1995) says 'sense making' can only be retrospective, and hereby he means – as Soeren Kierkegaard articulated back in 1843 – life can only be retrospectively interpreted, but must be forwardly lived (Thielst 1994). We interpret actions made in the past, not while we live them out.

This leads us to the expression of the model and to discuss the correlation between the entities explained above and the correlation with 'ethics' and the dependent variables of 'time' and 'costs'.

The 'Organic Stakeholder Model' comprises the terms of *stakeholders*, *problems*, *risks*, *decisions*, *outcomes* and *sense making*. And the shared link between them is *ethics* consisting of the dependent variables of *time* and *costs*, which finally expresses how 'ethics' are connected to the decision making when involving stakeholders.

Throughout the definitions of the seven categories within the model, we see how the dependent variables are explained by extract from the definitions:



Figure 2: The Organic Stakeholder Model

### 3.1. Ethics depending on 'Time'

The dependent variable of 'time' in the central notion of 'Ethics' is apparent in the way problems enter the decision making process by stakeholders inside or outside the organization. Stakeholders characterize the 'sender' or the 'receiver' of the problem or derived problems of decision making. From the definition of a problem attached to a stakeholder we see how 'time' is linked to 'energy' load, and that problems arise when the 'energy' load reaches a point and time where something has to be done in

order to avoid ethical issues like 'harm' or in order to 'survive' and avoid 'death' or the collapse of the organization or the lives of the stakeholders. The problems may land on the decision maker's desk long before a disaster is present- so early no sign of a potential problem is visible. But if risks of the problem are perceived viable, attempts at a solution may occur long before they become real problems. In this relation, we see 'time' as 'relational' either in preventing a disastrous future from realization, or in the avoidance of possible consequences. In 'relational time' people use knowledge from their own prior experiences either or those of others similar situations. So in order to prevent certain problems becoming real in the future, the knowledge and experience from the past are used deliberately to solve imagined problems or calculated (estimated) before evidence from them appears. Some term this as being *pro-active*.

'Time' has two kinds of features in this model: *chronological* and *relational*. Chronological time is used for when a timetable is made for a specific problem and decisions and products have to be created in order to solve it. Relational time is when decisions are made from our experiences or knowledge in order to prevent problems such as doing a risk-calculation or risk-estimation. Then we imagine risks that might occur when valuing different path to go by our decision-making. We use sense making to interpret our experienced actions and consequences, and we value them in terms of 'ethical' 'qualities' such as "good", "balanced", "harmful" etc. Risk-management is mainly perceived as valuing risks taken if certain decisions are made prior to decision-making. We want to estimate the probability of "harm" to others and ourselves and what courses we have available to avoid it. We could imagine business doing these risk-calculations in order to enhance utilitarian goals, but most times managers consider risks both outside and inside their organizations because they are aware of the risks affecting stakeholders will probably harm our organization as well. For example, harm done to customers buying a specific good will lead to certain penalties for the organization sooner or later. Of course, some utilitarian managers can dictate harm to others, but these kinds of motives are not considered in this model. The model assumes managers care about and have ethical purposes in their decision making, and this model wants to show how this is dependent on 'time' as well as 'costs' – both situational (chronological time and financial costs) and relational (past, present and future time and social or environmental consequences).

'Time' – or 'timing' has a special 'value' or 'quality' related to 'ethical' decision making and stakeholder relationships. A sound and 'ethical' relationship with stakeholders calls for a specific need for the right decisions according to problem resolutions as specific points of 'time'. If decisions are made *after* or too late according to specific consequences of a problem or decisions, 'energy' attached to this specific problem does not end with the elimination of the problem (which I also called "neutralizing"). New and additional 'energy' will be attached to the problem, and the 'energy' necessary to solve the problem *ex post* is much higher or has heavier load than problems solved "in time". Stakeholders retrospectively make sense of actions from the past. They react to actions in the present by the meaning they give the actions while deciding for the expected future consequences of their present actions (Weick 1995).

#### **4. Ethics depending on 'Costs'**

This example leads us to describe the other dependent variable of 'ethics', namely 'costs': financial and relational (social and environmental consequences). As we saw

in the former variable of 'time', the two different notions of costs are often interlinked the same way. Financial costs ordered to solve a given problem also have consequences of relational costs. Ideally, problems are solved in order to "do-away" with or neutralize them, and some problems cannot do without financial costs attached to them. Other problems may be solved by posing an apology or explaining one's behavior to the one who has been harmed (March 1994).

The problems regarded in the 'Organic Stakeholder Model' are have both financial costs and relational costs to them. When a problem is posed in organization and has to be solved as a kind of 'project', they often have a certain amount of 'energy' attached to them. In order to solve the problem in order to neutralize the problems and minimize the relational costs, it often needs a financial cost budget to do the proper decision making in order to deliver actions or remedies to solve the problems. The examples investigated in this paper all have these preferences attached to them, but they are solved very differently – from pure 'rational' or 'resolvable' manners to 'oversight' and 'flight' manners such as seen in the 'garbage can' model (Cohen et al. 1972). Typically for these kinds of problems, multiple stakeholders have an interest in the decision making process and the consequences of the actions posed ex post decision making. The 'ethical' decision making involves inclusion of various stakeholders or debates around what it takes to neutralize the problem in order to satisfy a certain amount of stakeholders. The problem is not a stand-alone in these kinds of projects, many juxtaposed problems arise when making decisions, and all problems have to be dealt with either directly or indirectly according to the risk they contain.

Often a certain amount of financial costs available time has been allocated to the resolution. From the examples, these boundaries might be fixed, but may be negotiated with multiple stakeholders. Sometimes the stakeholders have what Mitchel et al. (1997), Wartick and Wood (1998) and Fassin (2009, 2010) and others addresses as certain and crucial amounts of power, legitimacy and urgency to stretch these boundaries of 'time' and 'costs'. Sometimes determinant stakeholders such as the authorities, regulators or politicians pose demands that require more financial costs and time. Other times stakeholders have to obey determinant stakeholders and live with decisions that create certain relational costs and perhaps financial costs to their interests. For example, when the city council decides to build a new road or sewer basin the property owners might be forced out of their houses with financial compensation if their properties occupy the geophysical area needed. The powers of these political, legislative or regulative stakeholders are stated by law and whether property owners like the decisions or not, they must obey them.

In these cases, the implicated stakeholders often argue about the balance between the relational costs and the received financial costs. The 'values' and 'qualities' they have lost may represent a misbalance in the view of the 'victim' of this specific political decision. In other cases, decisions are more flexible to various stakeholder demands of various 'energies' (powers, legitimacies and urgencies) and solutions are sought to satisfy as many stakeholder demands as possible. In the latter situation of a certain amount of flexibility in decision processes, 'ethics' may be more fluid and at the same time as certain amounts of 'ethics' are stated in the legislation, other amounts of 'ethics' might be negotiated in the decision making process by the inclusion of various stakeholders and transparency in motives, means and ends in the decision making process (Pedersen 2006). Typical kinds of legislations concerned with the 'interests of the public' allow public service actors by

law to decide and solve problems such as the example with the city council planning of new infrastructure.

'Ethics' are typically built into the legislation, stating how implicated stakeholders shall receive financial compensations for the costs the project incurs them. However, the legislation does not indicate *how* and *where* the road or basin should be placed and which public concerns the project should consider. In this respect the 'ethical' decisions of the planner comes into play. Maybe 'rational' reasons to place the road in a specific place considers the benefit of the many road users, but other times 'ethics' of individual consideration comes natural. For instance, the road planning removes the livelihood of small shopkeepers and no 'ethical' alternative for these shops can be provided. The road planner might consider 'ethics' for both the road users and the single shopkeepers in a way that the shops are preserved and the physical place of the road is considered for the adaption of both individual and public interests. The problems of these complex projects such as the construction of roads and other infrastructure are that decisions of allocated costs and time is often decided prior to the final design of the project, especially if the project is politically decided. Financial costs and time schedules may be seemingly fixed, but vast examples of public construction processes proves both budgets and time are typically exceeded in the end (Kreiner 2009) due to unforeseen events, claims, or demands that were unknown at the time of the decision or even decisions made on a wrong basis.

## 5. Conclusion

The 'Organic Stakeholder Model' suggests how 'ethical' decision making depends on two crucial variables: chronological and relational 'time' and financial and social 'costs'. Whether decision making processes are more 'rational' or 'garbage can'-like, these models suggest that in order to avoid what March exemplified, problems solved by 'oversight' and 'flight' did not really solve anything. The decision-maker should take 'time' and 'cost' into consideration when making ethical decisions that impact stakeholders.

If complex problems are to be solved involving multiple stakeholders, decision makers should invest in elasticity in 'time' and 'costs' to provide 'ethical' decisions and to solve what seem to be unsolvable problems. This is what 'organic' systems can do more effectively than 'mechanic' as Burns and Stalker showed (1961). That is why the 'organic system' is part of the 'Organic Stakeholder Model'. The necessity to include stakeholders in both determinant level (Mitchel et al. 1997, Wartick and Wood 1998) and other levels during the process and to value the 'ethics' by flexibility in 'time' and 'costs' in this inclusion and transparency in decision making (Pedersen 2006) can be the way to solve complex problems with the maximum commitment of all relevant stakeholders to the project design (Kreiner 2009). When 'time' and 'cost' are fixed, the outcome will be framed as such and the result dependent on what is possible inside the rigidness of this framework.

The 'Organic Stakeholder Model' can be applied on all business models, and the benefits of regarding 'ethics' with the dependent variables of 'time' and 'costs' suggest a way to 'walk-the-talk' when managers talk about *business ethics*. Some problems that initially seemed unsolvable might find a solution that all parties can accept by bringing 'ethics' into the planning and decision making processes.

## 6. Further research issues

The 'Organic Stakeholder Model' invites researchers to test the validity and reliability of the model on empirical case studies. The model is derived and proposed out of several years of observation studies in Danish water companies that are mixed organizations of private corporations and public administrations. It would be interesting to test whether the model suits other branches, businesses or organizations, and if the link between stakeholder involvement in ethical decision making depending on 'time' and 'costs' are viable here also.

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