

# **The Scandinavian Cooperative Advantage**

## **Theory and Practice of Stakeholder Engagement in Scandinavia**

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# The Scandinavian Cooperative Advantage: Theory and Practice of Stakeholder Engagement in Scandinavia

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**ABSTRACT**

In this article we clarify the historical roots of stakeholder theory to establish that a much larger role was played by Scandinavian thinkers in its development than is currently acknowledged. We show that important contributions to the stakeholder concept were being made by Eric Rhenman and his Scandinavian contemporaries *in parallel* to the contributions from the Stanford Research Institute (SRI) in the early 1960s and thereafter and thus are not a “historical trail” as they are currently labeled. Therefore we offer a significant modification to the historical narrative as presented in *Strategic Management: A Stakeholder Approach* (Freeman, 1984). These important Scandinavian contributions include the first publication and description of the expression ‘stakeholder’ in management literature accessible to scholars throughout the world and the introduction of the first stakeholder map to the management literature.

We use this occasion to consider potential relationships between these early Scandinavian contributions to the stakeholder concept with current practices of well-known Scandinavian companies. Through this we contend the evidence suggests relationships worthy of further considerations. We conclude by endorsing the expression “Scandinavian cooperative advantage” through which we intend to provoke increased attention from beyond Scandinavia. Cooperation between companies and their stakeholders is increasingly recognized as necessary for the social and environmental sustainability of world and the long-term profitability of companies where we contend inspiration for such cooperation may be prosperously drawn from Scandinavia.

## INTRODUCTION

*Strategic Management: A Stakeholder Approach* (Freeman, 1984) is widely described as the landmark contribution that helped to embed consideration to the concept of ‘stakeholders’ in management scholarship and managers’ thinking (Mitchell et al., 1997; Donaldson & Preston, 1995; Wood, 1991; Walsh, 2005). Within it, the Stanford Research Institute (SRI) is credited as originator of the stakeholder concept where a key component of this narrative is that the expression ‘stakeholder’ itself is attributed as having first appeared in the management literature via its inclusion within a 1963 internal memorandum at Stanford (Freeman, 1984: 31-33; 49n.1; 50n.15). Contributions to the stakeholder concept from Scandinavia by Eric Rhenman and his contemporaries are acknowledged but labeled as a “historical trail” that stemmed from “the original work at SRI” (Freeman, 1984: 33). More recently, this historical narrative is reiterated in *Stakeholder Theory: The State of the Art* (Freeman et al., 2010: 31).

In this article we modify the prevailing historical narrative that Scandinavian contributions are a “historical trail” dependent upon previous work from Stanford. Instead, we show that important contributions to the stakeholder concept were being made in Scandinavia *in parallel* to the work at Stanford in the early 1960s and thereafter. These important Scandinavian contributions include the first publication and description of the expression ‘stakeholder’ in management literature accessible to scholars throughout the world and the introduction of the first stakeholder map to the management literature. Furthermore, we show that important contributions to three fundamental tenets of stakeholder theory came from Scandinavia during the early years of stakeholder concept development. These three tenets are: 1) embracement of the jointness of

interests between stakeholders, 2) advocacy of a cooperative strategic posture, and 3) rejection of a narrowly economic view of the firm.

We use this occasion to consider potential relationships between these early Scandinavian contributions to the stakeholder concept with current practices of well-known Scandinavian companies. While we do not intend to imply that Scandinavian companies today are solely influenced by these historical Scandinavian contributions to stakeholder theory, we contend such reflection is reasonable as Rhenman and his Scandinavian colleagues were closely engaged with Scandinavian industry (Lind & Rhenman, 1989; Stymne, 2004; Lorange et al., 2003; Mintzberg, 2001: ix; Mintzberg et al., 2009: 286-288) and stakeholder theory is described as having achieved hegemonic status in Scandinavian management academia throughout the 1960s, 1970s and 1980s (Näsi, 1995a; 1995b; Lorange et al., 2003: 138; Kakabadse et al., 2005: 290). Through our explorations, we propose the evidence suggests relationships worthy of further considerations. In particular, we call for robust cross-regional studies to compare Scandinavian companies with companies from other regions in the world.

We close by endorsing the expression “Scandinavian cooperative advantage” (Strand, 2009) through which we intend to provoke increased attention from beyond Scandinavia. We propose that Scandinavia represents a promising context in which to consider effective cooperation between companies and their stakeholders. This is important because cooperation between companies and their stakeholders is increasingly recognized as necessary for the social and environmental sustainability of the world and the long-term profitability of companies (Porter & Kramer, 2011). As such, we encourage the field of strategic management to shift from focus on

achieving a *competitive advantage* (Porter, 1985) toward focus on achieving a *cooperative advantage* (Lei et al., 1997; Ketelhöhn, 1993; Skrabec, 1999) and we contend inspiration for this shift may be prosperously drawn from Scandinavia.

Before we enter into these discussions we should address what may be meant by the expression ‘Scandinavia.’ Scandinavia is usually meant to include the countries of Denmark, Norway, and Sweden (Bondeson, 2003; Nordstrom 2000). Hans Christian Andersen purportedly wrote the poem “I am a Scandinavian” (translated from Danish to English) after a visit to Sweden in 1839 to describe the close relationship he felt between the Danish, Swedish, and Norwegian people (Andersen, 2012; H.C. Andersen and Music, 2012; Andersen, 2009). Bondeson (2003: 3) states that Scandinavia is more recently commonly used to also embrace the country of Finland and that ‘Nordic’ is now often used synonymously with ‘Scandinavian’ (see also Derry, 1979). Some may agree with this broadening while others may disagree. Still others may point to the concept of Scandinavia as being more about an identity that transcends the notion of a fixed geographical boundary. We acknowledge these ambiguities but do not attempt to resolve them.

## **STAKEHOLDER THEORY**

The central thesis of stakeholder theory is that the purpose of a business is to create as much value as possible for its stakeholders. Stakeholder theory represents a collection of ideas, expressions, and metaphors about how companies can go about doing this. An underlying premise of stakeholder theory is that great companies recognize the intersections of stakeholder interests and continuously build and reimagine these intersections in an effort to create more

value for more stakeholders. While “Freeman (1984)” is the most commonly deployed citation in the management literature when the concept of stakeholder theory or the expression ‘stakeholder’ is invoked, scores of individuals over the years have contributed to the ever growing and contested (Miles, 2012) concept of stakeholder theory (eg. Carroll, 1989; Donaldson & Preston, 1995; Clarkson, 1995; Mitchell et al., 1997; Atkinson et al., 1997; Jones & Wicks, 1999; Hillman & Keim, 2001; Jensen, 2002; Post et al., 2002; Phillips, 2003; Morsing & Schulz, 2006; Barnett, 2007; Freeman et al., 2007; Sloan, 2009; Bosse et al., 2009; Harrison et al., 2010; Lameen & Zaheer, 2012). Freeman et al. (2010) summarize the related offerings and debates within the recent comprehensive volume *Stakeholder Theory: The State of the Art*.

Stakeholder theory is often positioned as a counterbalance to “shareholder theory” – which is frequently typified by Milton Friedman’s (1962/2002; 1970; 1986) assertion that the purpose of a business is to maximize wealth for its shareholders (also referred to as stockholders)<sup>ii</sup>. For example, Beauchamp, Bowie, & Arnold’s (2009) widely used textbook *Ethical Theory and Business* includes a section titled “Stockholder Management versus Stakeholder Management” and a discussion regarding the purpose of the corporation is teed up by contrasting texts by Friedman (1970) and Freeman (2009a).

Despite this ‘versus’ statement, both shareholder theory and stakeholder theory are intimately concerned with creating wealth for the shareholders. In this respect, there is no conflict between shareholder theory and stakeholder theory. As with shareholder theory, stakeholder theory proposes that given shareholders are vital stakeholders of the company their interests should be



taken into account. Furthermore, stakeholder theory contends that long-term profitability is a byproduct of a well-run company (Freeman, 2009a; Harrison et al., 2010).

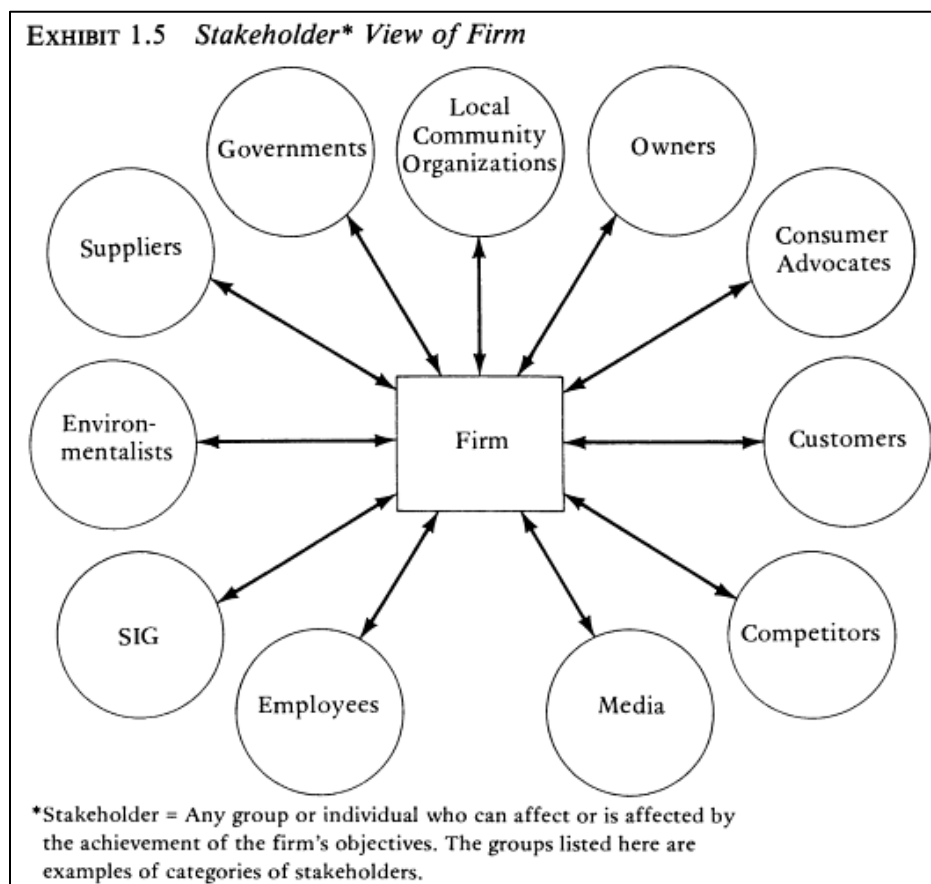
A primary distinction between shareholder theory and stakeholder theory is that stakeholder theory is concerned with creating value for a broader range of stakeholders as a primary objective of the firm that goes beyond considerations for just shareholders. Stakeholder theory contends that stakeholders represent an end in and of themselves and are not to be considered by companies and their managers solely as a means through which to create wealth for shareholders. Therefore ethical considerations are deeply embedded within stakeholder theory and thus stakeholder theory rejects a narrowly economic view of the firm that is often associated with shareholder theory (Harris & Freeman, 2008; Freeman et al., 2010).

### **Historical Roots of Stakeholder Theory: from Stanford to Scandinavia?**

Within *Strategic Management: A Stakeholder Approach* (Freeman, 1984) a historical narrative is presented in which contributions to the stakeholder concept from Scandinavia by Eric Rhenman and his contemporaries are labeled as a “historical trail” dependent upon previous work at Stanford in the 1960s. In the following sections, we show that important contributions to the stakeholder concept were being made in Scandinavia *in parallel* to the work at Stanford in the early 1960s and thereafter. These important Scandinavian contributions include the first publication and description of the expression ‘stakeholder’ in management literature that was accessible to scholars throughout the world, the introduction of the first stakeholder map to the management literature, and important contributions to fundamental tenets of stakeholder theory during the early years of stakeholder concept development.

### *Stakeholder expression*

The most widely used definition of stakeholder is drawn from Freeman (1984: 46) in which stakeholder is defined as “any group or individual who can affect or is affected by the achievement of the firm’s objectives.” This definition of stakeholder first appeared within Freeman (1984: 25) at the base of a stakeholder map (Figure 1) in which examples of stakeholders of the firm are depicted that include suppliers, owners, governments, customers, local community organizations, and employees.



**Figure 1: Stakeholder map from Freeman (1984: 25)**

Within the Freeman (1984) text the Stanford Research Institute is credited as first introducing the expression ‘stakeholder’ to the management literature via its inclusion of the stakeholder expression within an internal memorandum. Under the heading “History of ‘Stakeholder’” (1984: 31) the text states:

The actual word “stakeholder” first appeared in the management literature in an internal memorandum at the Stanford Research Institute (now SRI International, Inc.) in 1963.

Contributions to the stakeholder concept from Scandinavia by Eric Rhenman and his contemporaries are acknowledged within the Freeman (1984) text but are labeled as a “historical trail” stemming from “the original work at SRI” (Freeman, 1984: 33). Questions have lingered over the years regarding the accuracy of implying this sort of Scandinavian dependency on Stanford and questions have been raised whether more credit is due to Scandinavian contributors to the stakeholder concept (Näsi, 1995a; 1995b; Carroll & Näsi, 1997:50; Lorange et al., 2003; Vandekerckhove, 2009; Mason & Mitroff, 1982 [as cited in Freeman 1984: 49n.1; 50n.15]). Freeman’s (2009b: 97) recent remarks exemplify this:

I do not know how much influence Rhenman had on the original definition of the SRI approach, but many conversations with the late Juha Näsi convinced me that Rhenman’s role had been underestimated in the subsequent development of stakeholder theory.

Additional details<sup>iii</sup> to the historical narrative are offered within the more recent comprehensive volume *Stakeholder Theory: The State of the Art* (Freeman et al., 2010) but the central claim remains the same as first stated in Freeman (1984): the expression ‘stakeholder’ first appeared in the management literature via its inclusion within a 1963 internal memo at Stanford and contributions to the stakeholder concept from Scandinavia by Eric Rhenman and his

contemporaries are a “historical trail” based upon “the original work” at Stanford (Freeman et. al., 2010: 31). We will explore, and ultimately modify, this claim to show that important contributions to the stakeholder concept were being made in Scandinavia *in parallel* to the contributions from Stanford in the early 1960s and thereafter.

But first, we offer Mitchell et al.’s (1997: 858) chronology of the stakeholder expression and associated sources to provide an overview of cited sources for the stakeholder expression. Mitchell et al. (1997: 858) echo the historical narrative from Freeman (1984) within their presentation of 27 stakeholder definitions and sources from 1963 through 1995 (see Table 1) as they commence their stakeholder chronology with “Stanford memo, 1963” followed by “Rhenman, 1964.”

Source	Stake
Stanford memo, 1963	“those groups without whose support the organization would cease to exist”
Rhenman, 1964	“are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence”
Ahlstedt & Johnukainen, 1971	“driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending”
Freeman & Reed, 1983: 91	Wide: “can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives” Narrow: “on which the organization is dependent for its continued survival”
Freeman, 1984: 46	“can affect or is affected by the achievement of the organization's objectives”
*	* 21 additional definitions offered from 1984-1995
Donaldson & Preston, 1995: 85	“persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity”

**Table 1: Stakeholder chronology from Mitchell, Agle, & Wood (1997)**

Mitchell et al.'s citation "Rhenman, 1964" refers to Eric Rhenman's 1964 Swedish book titled *Företagsdemokrati och Företagsorganisation*. Throughout this ~200 page volume, Rhenman (1964) employs the Swedish expression 'interessent.' Interessent means somebody having an interest and is described as an equivalent expression to the English expression 'stakeholder' (Näsi, 1995a: 98; Carroll & Näsi, 1997: 50). Rhenman's publication was translated to English in 1968 under the title *Industrial Democracy in the Workplace* (Rhenman, 1968) in which the expression 'interessent' was directly translated to 'stakeholder.' The expression stakeholder is used throughout the entire ~180 page volume and appears prominently on the first page of the foreword<sup>iv</sup> as follows (and accentuated with quotation marks indicating its novelty at the time):

The chief "stakeholders" in the company... are customers, the shareholders, and the employees. But the state, the local authorities, and the suppliers too – to take a few examples - can at times be the source of pressing or awkward demands. --  
(Rhenman, 1968: foreword)

Thus the Stanford memorandum and Rhenman's offerings represent the earliest stakeholder sources cited by Mitchell et al. (1997) and the only sources they cite from the 1960s. Other stakeholder chronologies include Ansoff (1965) as another 1960s stakeholder reference (Friedman & Miles, 2006: 5-8) but the 1963 Stanford memorandum and Rhenman (1964) are consistently listed as the first and second chronological stakeholder references in the management literature. Therefore as we work to clarify the historical narrative regarding the origins of the stakeholder concept in this article - and in particular the introduction of the expression 'stakeholder' to the management literature - we focus primarily on Stanford and Rhenman during the 1960s.

The basis for the claim within Freeman (1984) that Scandinavian contributions are a “historical trail” from Stanford was a private conversation in the early 1980s between Freeman and Professor Kirk Hanson (a professor at Stanford in the early 1980s) and related correspondence in the early 1980s between Freeman and individuals who were associated with the Stanford Research Institute during the 1960s (Freeman, 1984: 49n.1; 50n.15). The lynch pin for this claim is a retrospective account offered by Professor Hanson that Eric Rhenman was a visiting scholar at Stanford during the 1960s while Rhenman was writing *Industrial Democracy in the Workplace* (Rhenman, 1968). Based upon this retrospective account, it is implied within Freeman (1984: 31-33; 49n.1; 50n.15) that Rhenman drew from the stakeholder discussions taking place at Stanford in the early 1960s and imported these learnings to Scandinavia upon his return. It follows that the statement is made that the Scandinavian offerings represent a “historical trail” dependent upon the “original work at SRI” (Freeman, 1984: 33). This account is reiterated more recently in Freeman et al. (2010: 30-31; 42n.18; 45-46n.19).

We show that while Rhenman did spend an extended stay at Stanford during the 1960s, it was not until mid-1968 which was after he had already completed both the Swedish (Rhenman, 1964) and English (Rhenman, 1968) versions of *Industrial Democracy in the Workplace*. Through this we refute the lynch pin for the claim that Scandinavian contributions are a “historical trail” dependent upon previous work at Stanford. We establish this timeline based on a review of historical publications - in particular the Swedish and English forewords and prefaces of Rhenman’s texts in which Rhenman provides dates, locations, and descriptions of his working environments in the 1960s - in combination with the assistance of Eric Rhenman biographer Rolf H. Carlsson who is working on a biography of Eric Rhenman at the time we author this article<sup>v</sup>.

In the preface of Rhenman's (1969a; 1973a) *Organization Theory for Long-Range Planning*, first published in Swedish in 1969 and later in English in 1973, Rhenman (1973: vi) describes having "benefited from many conversations with Professor James Howell<sup>vi</sup>" and "for several months in 1968 he also provided me at Stanford University with a stimulating environment in which I could work undisturbed." A review of the Swedish foreword of Rhenman's (1969b; 1973b) *Managing the Community Hospital*, first published in Swedish in 1969 and translated into English in 1973, offers a collaborating clue as Rhenman pens the date as "July 1968" and his locale as "Stanford, California" (Rhenman, 1973: xvii). Based on this, we establish that a visit by Rhenman to Stanford took place for several months during 1968 that included July 1968.

This is a key piece of information because it means that Rhenman had completed both the Swedish and English versions of *Industrial Democracy in the Workplace* in advance of this extended stay at Stanford in 1968. Rhenman had long before completed the Swedish version as it was published in 1964. Within its foreword, Rhenman pens the date as "January 1964" and his locale as Stockholm and Rhenman had also completed the English version of *Industrial Democracy in the Workplace* published in 1968. Within its foreword, he pens the date as "September, 1967" and his locale as Stockholm (Rhenman; 1968: foreword).

Instead, we offer that Rhenman was primarily working on the Swedish version of *Organization Theory for Long-Range Planning* (Swedish: 1969a; English: 1973a) during his 1968 stay at Stanford<sup>vii</sup> based upon the forewords and prefaces of Rhenman's texts and discussions with

Carlsson<sup>viii</sup>. During his time at Stanford in 1968 Rhenman also penned the preface to the Swedish version of *Managing the Community Hospital* (Swedish: 1969b; English: 1973b).

To fully refute the lynch pin for the claim we must also consider whether Rhenman may have had an earlier stay at Stanford prior to 1968. The specter for such a stay is raised within Freeman et al. (2010: 45-46n.19) in reference to it having been customary during Rhenman's era for Swedish doctoral students to spend a year in the U.S. (Stymne, 2004). Through our reviews of forewords and prefaces of Rhenman's texts and our discussions with Carlsson<sup>ix</sup>, we dispel such a potential. Rhenman had a stay at Carnegie Tech in 1959-1960 and the University of Cambridge in the U.K. in 1962 but had no such earlier stay in Stanford<sup>x</sup>.

In sum, while we recognize and celebrate the important contributions to the stakeholder concept that came from Stanford during these early years and also recognize that the exact nature of the relationship between Rhenman and the SRI is still not entirely clear (Freeman, 2009b: 97; Freeman et al., 2010: 45-46n.19), through this exercise we refute the lynch pin for the claim that Scandinavian contributions are a "historical trail" dependent upon "the original work" at Stanford as was first proposed within Freeman (1984) and reiterated more recently in Freeman et al. (2010). Thus instead, we contend that important contributions to the stakeholder concept were being made in Scandinavia *in parallel* to the work at Stanford in the early 1960s and thereafter.

One of the important contributions to the stakeholder concept from Scandinavia is the first publication and description of the expression 'stakeholder' in management literature assessable



to scholars throughout the world. Rhenman's 1964 publication of *Industrial Democracy in the Workplace* in Swedish was available to scholars and practitioners across Scandinavia (Näsi 1995a; 1995b) and his 1968 publication in English was distributed in Europe by Tavistock Publications Limited from the U.K. and in the U.S. by Barnes and Noble, Inc. - both of which represented major publication houses. In this English version, Rhenman (1968: 36; see also Figure 3) defines stakeholders as:

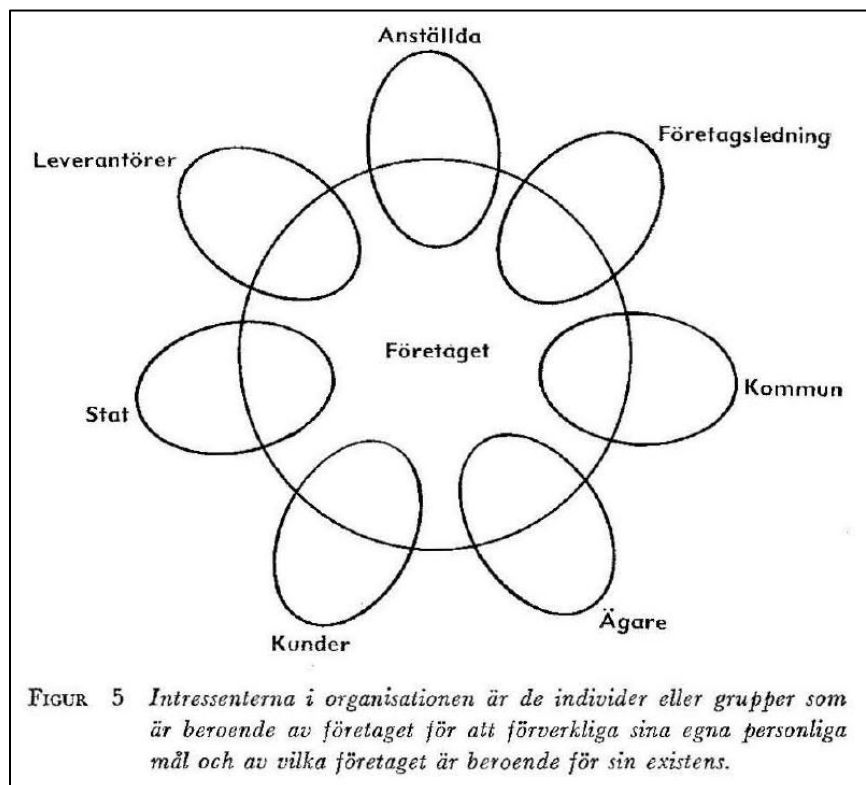
The stakeholders in an organization are the individuals or groups dependent on the company for the realization of their personal goals and on whom the company is dependent for its existence.

In contrast, the 1963 Stanford memorandum was not easily assessable to scholars elsewhere. As example of this Mitchell et al. do not directly cite the 1963 Stanford memo itself in their stakeholder chronology offered in Table 1 but rather they state “[as] cited in Freeman & Reed, 1983 and Freeman, 1984.” Referencing Freeman (1984) has become the most common means through which to cite the 1963 Stanford memorandum<sup>xi</sup> (eg. Alkhafaji, 1989: 104; Donaldson & Preston, 1995: 72; Philips, 2003: 115; Crane & Matten, 2010: 61).

Rhenman's offerings, however, were cited by others throughout the early years of stakeholder theory development. In the first paragraph of their book, Ahlstedt & Johnukainen (1971: 7) (who are the third definitional contributor listed in Table 1 behind the 1963 Stanford memorandum and Rhenman (1964)) state “in our development we were mainly influenced by the Swedish organization researcher Eric Rhenman.”<sup>xii</sup> Rhenman (1964), Rhenman & Stymne (1965) and a number of other texts by Rhenman and colleagues are cited throughout this ~140 page Finnish volume. Ahlstedt & Johnukainen (1971) do not reference the 1963 Stanford memorandum.

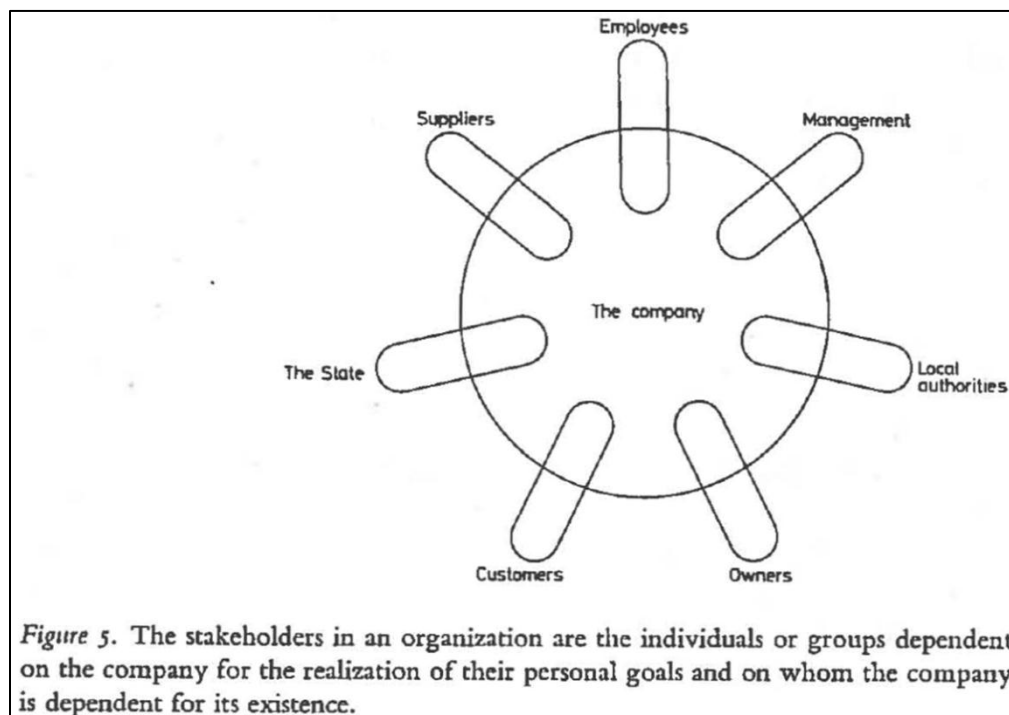
### ***Stakeholder map***

Another of the important contributions to the stakeholder concept from Scandinavia is introduction of the first stakeholder map to the management literature. The stakeholder map included within Freeman (1984: 25) is shown in Figure 1. Some two decades before Rhenman (1964: 36) offered the stakeholder map shown in Figure 2 within the original Swedish version of *Industrial Democracy in the Workplace*. In this stakeholder map, the company ('företaget') and its stakeholders are represented by a series of overlapping ellipses. These overlapping ellipses visually accentuate the fundamental tenet of stakeholder theory that the company and its stakeholders share a jointness of interests.



**Figure 2: Stakeholder map (Swedish) from Rhenman (1964:36 )**

This 1964 stakeholder map by Rhenman can legitimately hold the claim as the first stakeholder map introduced to the management literature. While Rhenman's 1964 publication was a major publication in Scandinavia (Näsi, 1995a; 1995b) and care should be taken to avoid a more recent privileging of English-language publications (Näsi, 1995a: 98; Carroll & Näsi, 1997: 50), one could claim that the English version of the stakeholder map within the 1968 English publication of *Industrial Democracy in the Workplace* represents the first stakeholder map published in the management literature assessable to scholars throughout the world. As emphasized before, this book by Rhenman (1968) was distributed by major publication houses represented in Europe by Tavistock Publications Limited and in the U.S. by Barnes and Noble, Inc. The English version of the stakeholder map is shown in Figure 3 (Rhenman, 1968: 25) in which examples of stakeholders of the company are depicted including suppliers, owners, the state, customers, and employees.



**Figure 3: Stakeholder map (English) from Rhenman (1968:25)**

We now move on to show that important contributions to three fundamental tenets of stakeholder theory came from Scandinavia during the early years of stakeholder concept development. These three tenets are: 1) embracement of the jointness of interests between stakeholders, 2) advocacy of a cooperative strategic posture, and 3) rejection of a narrowly economic view of the firm.

### ***Embracement of the jointness of interests between stakeholders***

Stakeholder theory embraces the fundamental tenet that the company and its stakeholder share a jointness of interests (Freeman, 2010). Stakeholder theory contends the company should first consider how its interests are joint with its stakeholders and focus its efforts to expand the value created rather than approaching stakeholders as competitors in a zero-sum game. Freeman (2009a: 65) contends:

Managing for stakeholders may actually produce better consequences for all stakeholders because it recognizes that stakeholder interests are joint. If one stakeholder pursues its interests at the expense of others, then the others will either withdraw their support, or look to create another network of stakeholder value creation.

While acknowledging that stakeholder interests may be in partial conflict, Freeman et al. (2010: 9, note 13) contend that “if the possibility of innovation and the redefinition of interests is always present, then we can more profitably focus on the jointness of interests rather than on the conflict.” Hence stakeholder theory stresses the avoidance of making trade-offs that may immediately seem unavoidable and instead calls upon managers to creatively negotiate tensions.

Historical contributions from Scandinavia to this fundamental tenet of stakeholder theory are readily apparent. Rhenman (1968: 54) writes “The survival of the organization is a common goal of all stakeholders. This creates interdependence between the stakeholders.” The most conspicuous evidence is found within Rhenman’s stakeholder maps shown in Figure 2 and Figure 3 where the overlapping ellipses visually accentuate the fundamental tenet of stakeholder theory that the company and its stakeholder share a jointness of interests.

### *Advocation of a cooperative strategic posture*

Stakeholder theory has long promoted the consideration of stakeholders as cooperation partners first rather than competitors. Said another way, stakeholder theory advocates that the firm adopts a “cooperative strategic posture.” The notion of “strategic posture” was introduced by Covin & Slevin (1989) in reference to the inclination for a company to embrace strategies along some particular dimension. Covin & Slevin explore strategic posture along the entrepreneurial-conservative dimension where on one end of the dimension the inclination for a company to embrace entrepreneurial strategies is represented and the other end of the dimension represents the inclination for a company to embrace conservative strategies. The construction a dimension is deliberately oversimplified but useful to highlight general tendencies.

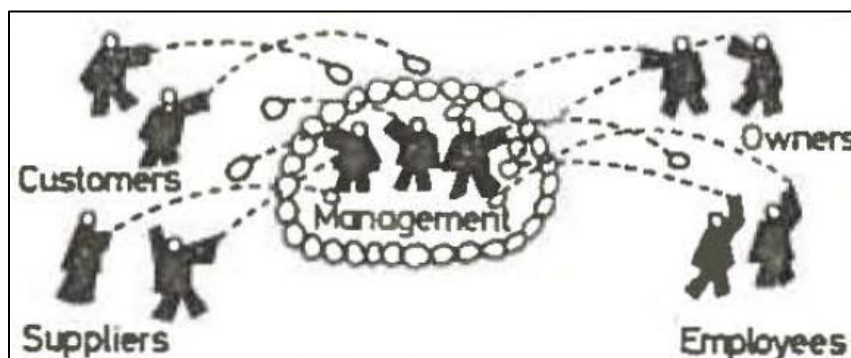
We utilize Covin & Slevin’s notion of strategic posture to introduce the competitive-cooperative dimension where the embracement of a cooperative strategic posture is a fundamental tenet of stakeholder theory. Freeman et al. (2010: 275-6) explain:

By pitting individuals against one another within the survival-of-the-fittest atmosphere, narrators of the traditional approach to capitalism foster the notion of competition as a *prerequisite* to capitalist society... The focus on competition rather than cooperation is mistaken... [F]ocusing on how to beat stakeholders

and retain power in any relationship leaves out those many instances where collaboration is necessary in order to survive... Using their imagination to create sustainable collaborative relationships can lead managers to be more effective even within highly competitive markets. Large gains in prosperity throughout history are associated more with mutually beneficial trade (which creates value) than with dominance (which tries to capture value).”

Historical contributions from Scandinavia to this fundamental tenet of stakeholder theory are readily apparent. Rhenman (1964, 1968), Rhenman & Stymne (1965), Rhenman et al. (1970) and the associated offerings from Scandinavia during this early period of development of the stakeholder approach promote the adoption of a cooperative strategic posture by companies and their management. As the title of Rhenman’s *Industrial Democracy in the Workplace* explicitly indicates, the adoption of a cooperative strategic posture is rooted in the promotion of democratization in business whereby the company cooperatively engages with its stakeholder and partakes in ongoing negotiations through which to more effectively consider their interests.

Rhenman (1968: 34) describes what he calls a traditional view of business where stakeholders are assumed to be in competition with the company and its management - and he soundly rejects this view. Rhenman depicts this view as the stakeholders of a company pitted in a snowball (or rock) fight against the company’s management as shown in Figure 4<sup>xiii</sup> and spends his energies to dispel this view.



**Figure 4: *Stakeholders assumed in competition from Rhenman (1968:34)***

Instead, Rhenman calls for the management of the company to adopt what we describe as a “cooperative strategic posture” where the management of the company first considers its stakeholders as potential partners in cooperation rather than initially assuming stakeholders are adversaries in competition. For example, Rhenman (1968: 5) describes the expected benefits when such a posture is assumed between management of a company and its employees:

Many arguments [for industrial democracy] revolve around the dream of higher productivity and greater efficiency. We can discern two trains of thought. First, it is expected that democratic measures will arouse employee’s interest and cooperation. Secondly it is hoped that if employees have a greater part in running the business, it will be easier to tap their resources of experience, knowledge and ideas. In the long run this should provide the employees themselves with greater opportunities for personal development and education.

Many of Rhenman’s writings from this period focus on the need for cooperation between management and the employees of the company but he also extends this to stakeholders beyond the walls of the company to include suppliers, customers, owners, local authorities, and the state as indicated with the stakeholder map depicted in Figure 3. Rhenman describes that “maintaining cooperation” is at the heart of management’s responsibilities: “a special group, management, devotes itself professionally to resolving the conflicts and maintaining cooperation” (Rhenman, 1968: 36). To maintain cooperation between stakeholders, Rhenman calls for stakeholder engagement in the form of joint decision making. In this approach, management is called upon to creatively negotiate the tensions that arise when interests of stakeholders are considered in conflict:

It falls to management to arrange a resolution of these conflicts so that the necessary coordination can be attained.... One of the most

important methods for resolving conflicts... is joint decision-making. (Rhenman, 1968: 54)

### ***Rejection of a narrowly economic view of the firm***

Stakeholder theory rejects the notion of a narrowly economic purpose of the firm and promotes instead the notion that the purpose of the firm is to create value for its stakeholders. This is not to say that economic success is irrelevant in stakeholder theory - to the contrary. Stakeholder theory promotes the concept that through effective consideration of the interests of stakeholders the company is more likely to achieve economic success over the long-run than if the company considered economic performance as its primary objective. Thus stakeholder theory promotes the notion that economic success is a byproduct of a company that makes creating value for its stakeholders its primary objective (Freeman, 2008)<sup>xiv</sup>.

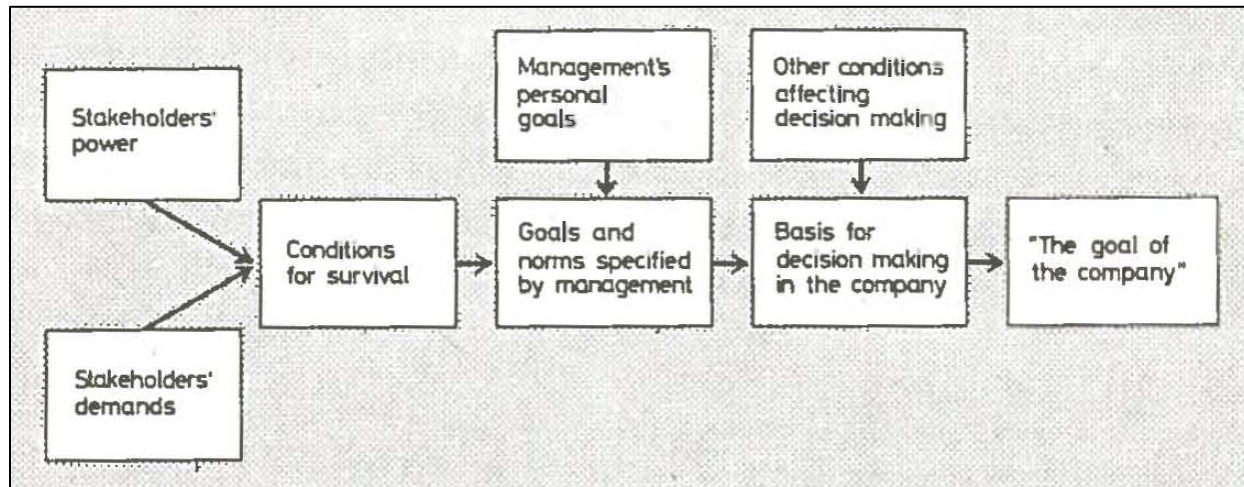
Throughout the offerings of Rhenman and his Scandinavian contemporaries is the clear signal that the purpose of the firm goes beyond a narrowly economic view. Rhenman (1968: 30) engages with the question of the purpose of the company and raises a point of contention with the neoclassical economics perspective:

One of the most common subjects of dispute in any discussion of company goals is whether the only, or at any rate the main, goal of all private companies is to maximize profits. Classical economic theory assumes this to be true and many people still claim that it is so - even in fact that it *should* be so.

Rhenman demonstrates his theory of the purpose, or goal, of the company within the figure titled “Summary of the theory of the company’s goals and policy” shown in Figure 5 in which Rhenman (1968: 31) depicts “the goal of the company” as a product of the co-mingling of efforts to satisfy stakeholder interests. Figure 5 also represents a rejection of the separation thesis as



“Management’s personal goals” are explicitly included as an input into the overall goal of the company through which Rhenman includes the hopes, aspirations, and ethical choices of managers.



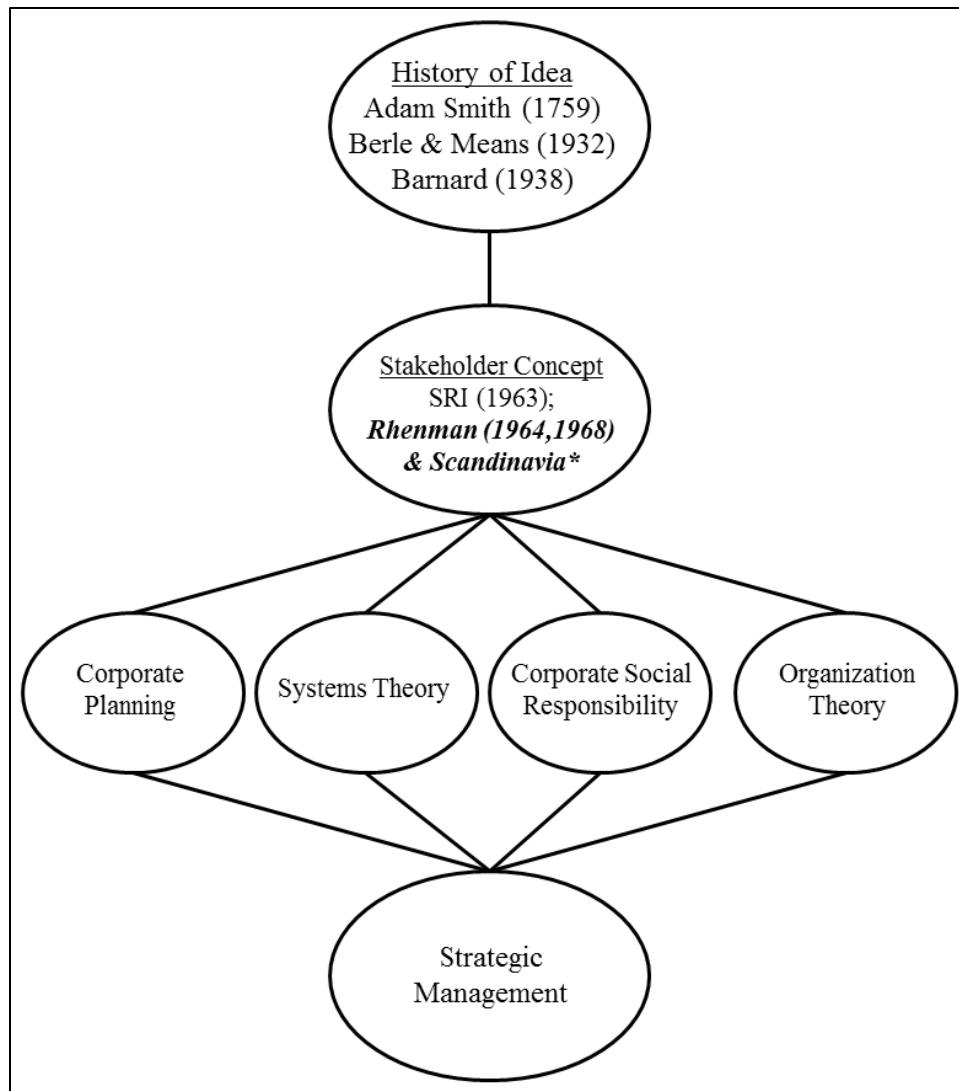
**Figure 5: Rhenman’s (1968: 31) summary of the theory of the company’s goals**

Rhenman (1968: 99) expands upon this by stating:

The classical theorists regarded the company’s goal as a given factor [(i.e. narrowly economic)]. We have seen that this view is unrealistic. Instead it is probably management’s most important task to formulate goals that are adapted to the opportunities offered by the company’ situation, goals that will satisfy the demands of the stakeholders.

### **Historical Roots of Stakeholder Theory: a Modification**

In sum, we contend that Rhenman and his Scandinavian colleagues were developing important contributions to the stakeholder concept *in parallel* to the work at Stanford. Therefore we submit a significant modification to the figure within in Freeman (1984: 32, Exhibit 2.1) titled “A History of the Stakeholder Concept” in which we now include Rhenman (1964, 1968) alongside the Stanford Research Institute (SRI) as shown in Figure 6.



**Figure 6: History of the Stakeholder Concept from Freeman (1984: 32), \*updated**

We broaden the update depicted in Figure 6 beyond just Eric Rhenman to also include “& Scandinavia” as indication of the many Scandinavian contributors to the stakeholder concept in the early 1960s and thereafter. This includes Bengt Stymne. Within their influential 1965 book *Företagsledning i en Föränderlig Varld* (English: *Management in a Changing World*), Rhenman & Stymne (1965) explicitly outline the stakeholder approach - or “stakeholder theory” as Nasi (1995a: 20) highlights that they called it. Rhenman and Stymne were among a number of key contributors to the Scandinavian Institute for Administrative Research<sup>xv</sup> (SIAR) that was

founded at this time in the mid-1960s (Lind & Rhenman, 1989; Mintzberg et al., 2009: 286-288). The SIAR's influence reached well beyond Scandinavia as indicated by Rolf Carlsson who remarks "From early on SIAR had distinguished visiting researchers, e.g. Larry Greiner, Jay Lorsch, and a very young Henry Mintzberg."<sup>xvi</sup> Speaking of the SIAR, Henry Mintzberg (2001: ix) observes:

SIAR led to a kind of golden age in Swedish management writing, to my mind one of the richest we have ever seen in the field. It stands especially stark contrast to the pedantic nature of so much of the academic writing on one side today and the breeziness of so much popular writing on the other.

## **SCANDINAVIAN INDUSTRY & STAKEHOLDER THEORY IN PRACTICE**

We now turn attention to consider potential relationships between the early Scandinavian contributions to the stakeholder concept with current practices of several well-known Scandinavian companies. In doing so, we do not intend to imply that Scandinavian companies today are solely influenced by the aforementioned Scandinavian offerings to stakeholder theory. Rather, we contend this is reasonable to consider if a relationship may exist given that Eric Rhenman and his Scandinavian colleagues were so closely engaged with Scandinavian industry throughout their developing the stakeholder concept and stakeholder theory is described as having achieved hegemonic status in Scandinavian management academia throughout the 1960s, 1970s and 1980s.

The tight connection between the Scandinavian academics and Scandinavian industry during these decades are well known (Lind & Rhenman, 1989; Engwall et al., 2002; Adler et al., 2004; Stymne, 2004; Mintzberg et al., 2009: 286-288) and serves as evidence that the stakeholder

concept was not being developed in Scandinavia in an academic “ivory tower” with little relationship to practice. Lorange et al. (2003) describe this tight engagement:

...we have been struck by the impression that strategic issues and thoughts have developed early in Scandinavia, often long before such topics entered the main stream of international academic writing. The main reason seems to be the close connection between theory and practice...in terms of access to empirical cases and data. Tight cooperation between the academic world and business firms has assured that research issues have been both relevant and timely.

Näsi (1995a; 1995b) also discusses the pervasiveness of the stakeholder approach across Scandinavia as the dominant paradigm. He describes that stakeholder theory achieved hegemonic status in Scandinavian management academia and industry in the 1960s, 1970s, into the 1980s. Kakabadse et al. (2005: 290) echo these sentiments. Näsi describes that Rhenman (1964, 1968) and Rhenman & Stymne (1965) were first widely adopted in Sweden and then quickly spread throughout Scandinavia. Nasi (1995b: 20) states the stakeholder approach “enjoyed an almost dominant role in university management teaching” and “was frequently used as a framework for both academic research and for practical company planning” across the region<sup>xvii</sup>. Lorange et al. (2003: 138) add:

The stakeholder model, informally called “Rhenman’s rose” (eg. Rholin, 1972; Bruzelius & Skärvad, 1974; Sjøstrand, 1974), was formalized and incorporated into Nordic textbooks long before the publication of classic U.S. books on stakeholder perspectives.

Scandinavian companies demonstrate widespread embracement of the stakeholder language, use of stakeholder maps, and offer ample evidence of the embracement of the three tenets of stakeholder theory discussed within this article. This includes a demonstrated willingness by Scandinavian companies to cooperatively engage with NGOs. This is noteworthy when one

considers Yaziji's depiction that "[c]ompanies view nongovernmental organizations as pests, or worse" (2004: 111) where it follows that companies are unlikely to cooperate with NGOs. In the following we offer relevant examples of effective stakeholder engagement practices by Scandinavian companies that include such company-NGO cooperation to address concerns of mutual interest.

The major Swedish retailer H&M (2012a) employs the stakeholder language as exemplified within its overview titled "Engaging With Our Stakeholders" and describes how it engages with customers, communities, employees, suppliers, industry peers, policy-makers, NGOs, and investors (see Figure 7) and issues of common interest between H&M and its stakeholders.

H&M CONSCIOUS							
ENGAGING WITH OUR STAKEHOLDERS							
CUSTOMERS	COMMUNITIES	EMPLOYEES	SUPPLIERS	INDUSTRY PEERS	POLICY-MAKERS	NGOs	INVESTORS
H&M is a customer-focused company. Understanding and meeting their needs is at the core of everything we do.	H&M is closely connected with communities around the world in which our stores are located and those that host our supplier factories.	We want our employees to be advocates for H&M brands. Motivated and satisfied employees means better customer interactions and a better and more productive workplace.	Our suppliers are our valued business partners. Stable and long term relations are key to mutual growth. Strengthening their ownership over their sustainability issues and involving their employees is important in enabling long-term sustainable development.	Some challenges are best addressed collectively. We work with industry peers and even companies operating in other sectors to define industry standards and common responses to shared challenges.	H&M and our suppliers are subject to rules set by policy-makers. Maintaining dialogue with them helps us to stay informed about, and sometimes to help shape, our legal and regulatory context.	NGOs are expert advisers on standards and practices throughout our value chain. We rely on their expertise and independence to ensure that we meet the most up-to-date standards and to make us aware of any concerns.	H&M is a publicly listed company. As such, we are accountable to our investors.
HOW WE ENGAGE							
<ul style="list-style-type: none"> <li>In-store customer interactions</li> <li>Customer service organisation</li> <li>Social media (8.7 million Facebook fans, 600,000 Twitter followers)</li> <li>Market research</li> <li>Consumer media</li> <li>Consumer organisations</li> </ul>	<ul style="list-style-type: none"> <li>Through community partners</li> <li>Interactions with local authorities</li> <li>Through NGO interaction (local + global)</li> <li>Interactions with IOs and governments</li> <li>Interviews with workers in supplier factories through our Full Audit Programme (FAP)</li> </ul>	<ul style="list-style-type: none"> <li>We have an open-door policy, encouraging constant feedback</li> <li>Store or union representation in many markets</li> <li>European Works Council (EWC)</li> <li>Meetings facilitated through our global framework agreement with Union Network International (UNI)</li> <li>Regular individual performance reviews</li> <li>Employee surveys in some markets</li> </ul>	<ul style="list-style-type: none"> <li>Individual meetings throughout a partnership</li> <li>Introduction meetings with new suppliers</li> <li>Full Audit Programme (FAP)</li> <li>Training modules</li> <li>Interviews with workers in supplier factories through Full Audit Programme</li> </ul>	<ul style="list-style-type: none"> <li>Multi-stakeholder initiatives such as the Fair Labour Association (FLA), Sustainable Apparel Coalition and Better Cotton Initiative</li> <li>Various regional and local initiatives such as Sector Roundtables</li> <li>Different forms of pre-competitive collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Industry-wide meetings</li> <li>Responses to official consultations</li> <li>Dialogue through intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings or ad hoc dialogue on global and local level</li> <li>Specific programmes with global local NGOs countries</li> <li>Direct partnerships</li> <li>Partnerships through membership organisations, like the Better Cotton Initiative</li> <li>Community investments</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual and quarterly reports and related press and telephone conferences</li> <li>Sustainability reporting</li> <li>Monthly sales figures</li> <li>Individual meetings</li> </ul>
KEY ISSUES							
<ul style="list-style-type: none"> <li>Product design</li> <li>Product quality and durability</li> <li>Product affordability</li> <li>New store locations and markets</li> <li>Supply chain working conditions</li> <li>Chemicals used in production processes</li> <li>Green transport and waste management</li> </ul>	<ul style="list-style-type: none"> <li>Community investments</li> <li>Employment opportunities and impacts on growth and development</li> <li>Environmental impact</li> <li>Community support (i.e. disaster relief or garment donations)</li> </ul>	<ul style="list-style-type: none"> <li>Job security and growth</li> <li>Pay and working conditions</li> <li>Equal opportunities</li> <li>Training and career progression</li> <li>Supply chain working conditions</li> <li>Conscious Actions in store</li> </ul>	<ul style="list-style-type: none"> <li>Long-term relationships</li> <li>Order/capacity planning</li> <li>Capacity building and skills transfer</li> <li>Compliance with our requirements</li> <li>Social dialogue and worker involvement</li> </ul>	<ul style="list-style-type: none"> <li>Industry-wide social and environmental challenges, such as supply chain working conditions and environmental impacts</li> <li>Best practice in pre-competitive matters</li> <li>Legal and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory and legal compliance</li> <li>Local labour and environmental standards (including minimum wages and social dialogue)</li> <li>Product safety and quality standards</li> <li>Climate change</li> <li>Uzbek cotton</li> </ul>	<ul style="list-style-type: none"> <li>Labour rights and supply chain working conditions</li> <li>Social and economic development contribution</li> <li>Water and chemicals management</li> <li>Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>Sales development</li> <li>Profitability</li> <li>Sustainability matters</li> <li>Expansion</li> </ul>

**Figure 7: H&M's Stakeholder Engagement Overview**

H&M's description of its relationship with suppliers and industry peers as shown below depicts consideration for exploring the jointness of interests between H&M and its stakeholders. Closely

related, this is also indicative of a cooperative strategic posture as suppliers and industry peers are both described in a cooperative manner as indicated by such expressions as ‘partners’ and ‘shared challenges.’ The use of the expression ‘industry peers’ instead of the more commonly used expression ‘competitors’ may be considered as hint of a more cooperative strategic posture:

***Suppliers:*** Our suppliers are our valued business partners. Stable and long term relations are key to mutual growth. Strengthening their ownership over their sustainability issues and involving their employees is important in enabling long-term sustainable development.

***Industry Peers:*** Some challenges are best addressed collectively. We work with industry peers and even companies operating in other sectors to define industry standards and common responses to shared challenges.

H&M also demonstrates a rejection of a narrowly economic view of the firm with its approach to addressing issues related to the human rights of children, where its approach is similar to another major Swedish retailer IKEA. Both IKEA and H&M partner with the organizations Save the Children and UNICEF (commonly referred to as NGOs<sup>xviii</sup>) to cooperatively address the incredibly complex challenges related to respecting the human rights of children and associated issues of child labor. Like others in their industries, IKEA and H&M source products from developing regions of the world which brings with it a suite of social and environmental challenges.

In partnership with these NGOs, IKEA (2012) and H&M (2012b) have adopted an approach to be guided by “the best interest of the child.” This approach would not have been likely had a narrowly economic view of the firm been adopted, however through this approach the interests of IKEA, H&M, Save the Children, and UNICEF are also furthered over long run as IKEA and

H&M also reap the benefits of a more stable supply chain and Save the Children and UNICEF benefit from greater access to children to further their missions. While many companies have stated they do not accept child labor and may generate a supplier code of conduct that states they will cease doing business with a supplier if they learn child labor exists, many of these companies do little to actively engage with the issues associated with child labor. In their report “What Works for Working Children,” Boyden et al. (1998) describe that a hasty pull-out by a company (prompted by concern of consumer boycott, for example) can inflict even greater harm on the affected children. Given that child labor is but a symptom of even greater challenge-poverty- these children may be forced into alternative means of generating money, including prostitution.

IKEA and H&M’s approach represent an example of stakeholder engagement in which comingling of jointness of interests, cooperative strategic posture, and a rejection of a narrowly economic view of the firm is apparent. By rejecting a narrowly economic view of the firm, IKEA and H&M expanded consideration to issues in their supply chain beyond just those associated with more traditional considerations for supply chain issues about the topics associated with price, quality, and serviceability. These remain important issues, of course, but the field of considerations is broadened to consider ethical considerations regarding those affected by IKEA and H&M’s supply chain operations - including children. Due to the cooperative strategic posture demonstrated by IKEA and H&M, suppliers and NGOs are engaged more as partner than they are as competitor through which a jointness of interest between stakeholders is more likely considered. The *Financial Times* (2004) describes IKEA’s approach as a “grown up plan to tackle child labour.”

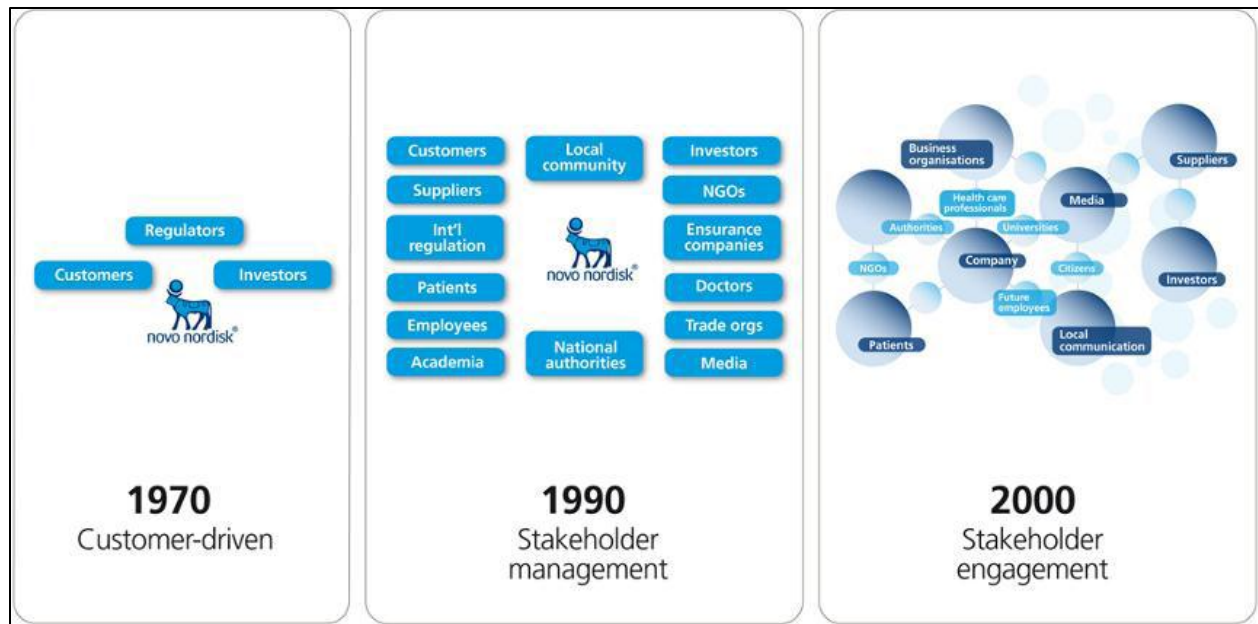


The large Danish pharmaceutical company Novo Nordisk is widely recognized for its competencies in strong stakeholder engagement (eg. Morsing & Oswald, 2009; Wheeler, Colbert, & Freeman, 2003; Pedersen, 2006; Strand, 2009; Morsing & Schultz, 2006; Mirvis & Googins, 2006). Novo Nordisk (2012a) widely employs the stakeholder language as evidenced within its corporate website titled “Stakeholder engagement.” Here, Novo Nordisk describes a cooperative strategic posture through which a greater realization of the jointness of interests amongst stakeholders is accomplished:

The rationale for Novo Nordisk's stakeholder engagement is that collaborative efforts are the best way to co-create innovative solutions for the benefit of both parties involved. For instance, products and services are developed to satisfy customer and societal needs. Throughout the value chain, from discovery to distribution, engagement with stakeholders informs goal-setting and decision-making.

Novo Nordisk's (2012b) Vice President of Corporate Sustainability Susanne Stormer describes Novo Nordisk's stakeholder engagement approach as an evolution over the decades where Novo Nordisk now considers itself as one part of an interdependent and dynamic constellation of stakeholders. This depiction represented in Figure 8 accentuates the interdependence and influence between Novo Nordisk and its many interconnected stakeholders. Stakeholder engagement is stressed at Novo Nordisk as the means through which to better understand the interests of its stakeholders and work cooperatively to create value for the company and its stakeholders.





**Figure 8: Stakeholder Engagement Evolution at Novo Nordisk**

The large Danish industrial biotechnology company Novozymes (once part of the same company as Novo Nordisk) also demonstrates a mature state of stakeholder engagement. Novozymes (2012) employs the stakeholder language and indicates a cooperative strategic posture and consideration for identifying jointness of interests between stakeholders as depicted in its corporate website titled “Stakeholder engagement:”

Novozyms has a long tradition of engaging with stakeholders and incorporating their key concerns into our core business practices... What we learn from engaging with our stakeholders is important input to our strategy development, thereby ensuring that our future activities are conducted in a responsible manner and that key stakeholder care-about are addressed. This in turn helps us to set direction in our business units and in geographical regions, and can drive formalized partnerships with customers, suppliers, technology partners, and NGOs.

The major Norwegian extractives company Norsk Hydro offers perhaps the closest explicit connection to Rhenman. While describing its cooperative strategic posture, Norsk Hydro offers

a timeline of events rooted in the promotion of greater democratization of business that appear as if they came straight from the pages of Rhenman's *Industrial Democracy in the Workplace*:

In order to secure stable access to raw materials and energy for our fertilizer operations, we investigated opportunities to participate in oil and gas production in the middle of the 1960s. After several years, Hydro and its partners discovered oil and gas in the Ekofisk and Frigg fields on the Norwegian Continental Shelf... In 1978, we commenced production of ethylene and vinyl chloride monomer. During this time, we also pioneered new labor relations practices aimed at democratizing the workplace and increasing the cooperation between management and employees, leading to a spirit of collaboration which continues to define the company today. (Norsk Hydro, 2011: 23).

Norsk Hydro prominently depicts a cooperative strategic posture as a primary component of “The Hydro Way” as depicted in Figure 9.



**Figure 9: The Norsk Hydro Way**

This cooperative strategic posture is evidenced in Norsk Hydro's longstanding partnership with Amnesty International to cooperatively address human rights issues related to where Norsk Hydro operates. Norsk Hydro operates in countries recognized for some of the most challenging human rights issues but it recognized it did not possess the competencies necessary to address the complex challenges associated with human rights. Indicative of its cooperative strategic posture, in 2002 Norsk Hydro formed a partnership with Amnesty International to address this issue in which Norsk Hydro and Amnesty International shared a jointness of interests. Speaking of this, Norsk Hydro (2002c) stated:

Norsk Hydro and Amnesty International have signed a cooperation agreement to bolster human rights work... Amnesty will offer Hydro its expertise in connection with the company's internal training of managers and employees on the handling of human rights in the various countries Hydro operates in. Hydro has extensive management development programs, for which Amnesty will provide training on general human rights questions, in addition to supporting the company in the study of concrete cases. Training programs directed to particular countries and problem areas will also be developed. The agreement stipulates that this cooperation is intended to strengthen focus and work on human rights...

The partnership with Amnesty International was architected largely by its then Vice President of Corporate Social Responsibility, Rolf Lunheim. Lunheim's remarks indicate Norsk Hydro's (2002d) rejection of a narrowly economic view of the firm in which the interests of the company's stakeholders were taken into account:

We in Hydro want to support the countries we operate in not only through the results from our business operations, but also in other ways. We have decided to invest in three social areas - education, human rights and health. These are essential factors in social development with the aim of improving living standards for the majority of people. We invest through cooperation agreements with NGOs that operate within these areas.

Another major extractive company from Norway, the petroleum company Statoil, has also demonstrated a cooperative strategic posture and a consideration for the interests of its stakeholders. Statoil is touted as having developed a competency to cooperatively engage with the local communities in which it operates to explore the jointness of interests between it and its stakeholders (Strand, 2009). Statoil (2012: 84) describes its approach as:

Statoil aims to make sustainable investments that benefit the communities and countries in which we operate. We do this by creating local content and generating positive spin-offs from our core business in support of development ambitions wherever we are present... We support education and skills building in the local community and among our suppliers and contractors in order to build lasting capacity and to help them develop the skills standards and certifications required to work in the oil and gas industry.

The offerings presented from these major Scandinavian companies represent a small sample of evidence regarding how Scandinavian companies demonstrate embracement of the stakeholder language and the three tenets of stakeholder theory presented within this article from which significant contributions come from Scandinavia.

One could, however, contend that the Scandinavian expressions of the stakeholder concept are merely a reflection of the Scandinavian institutional structures (Midttun et al., 2006; Campbell, 2007) and/or cultural norms (Grennes, 2003; Bondeson, 2003; Dorfman et al., 2004; Morsing et al., 2007; Carlsson, 2007; Vallentin & Murillo, 2010; Gjølborg, 2010) that encourage engagement between a company and its stakeholders. Corporate ownership serves as a useful example given that state ownership and foundation ownership are quite common occurrences in a Scandinavian context and one could argue these sorts of ownership makes engagement between and its stakeholders all the more likely given that shareholders are no longer just

shareholders – but shareholders represent an amalgamation of stakeholder interests. For example, the Norwegian state owns 67% of Statoil (2011) and 34% of Norsk Hydro (2012), respectively. Furthermore, the concept of a foundation owning corporations is also a common occurrence in a Scandinavian context where according to Thomsen and Hansmann (2009; as cited by Herlin & Pedersen, forthcoming) corporate foundations own and operate a quarter of the 100 largest Danish corporations and control close to half the value of the major Danish stock index (KFX). The Danish corporations Novo Nordisk and Novozymes are part of a common ownership structure through Novo A/S and the Novo Nordisk Foundation (2012) - and where this foundation has a stated purpose to encourage a longer-term perspective to improve the health and welfare of people. Herlin & Pedersen (forthcoming) describe how these foundations bridge boundaries to facilitate engagement between a company and stakeholder groups, such as NGOs.

Thus from this perspective, one could argue that Rhenman and colleagues' offerings regarding the stakeholder concept are as much, or perhaps more, a reflection of a Scandinavian institutional and cultural context than anything else. In response we would contend this is further reason to more deeply explore the cooperation between companies and their stakeholders in a Scandinavian context. We invite multi-level explorations to consider these important interactions between institutional and cultural factors with stakeholder engagement activities of companies.

## **SCANDINAVIAN COOPERATIVE ADVANTAGE**

In closing we endorse the expression “Scandinavian cooperative advantage” (Strand, 2009) through which we intend to provoke increased attention from beyond Scandinavia. We propose

that Scandinavia represents a promising context in which to consider effective cooperation between companies and their stakeholders given the long-standing traditions and apparent embracement of the stakeholder concept across Scandinavia.

We intend to encourage a shift in the field of strategic management from a focus on achieving a *competitive advantage* (Porter, 1985) toward focus on achieving a *cooperative advantage* (Ketelhöhn, 1993; Slocum et al., 1997; Skrabec, 1999; Strand, 2009). A shift of this nature is important because cooperation between companies and their stakeholders is increasingly recognized as necessary for the social and environmental sustainability of the world and the long-term profitability of companies (Porter & Kramer, 2011). However, as we describe in the following, the existing language of strategic management associated with the concept of *competitive advantage* likely prevents such cooperation.

A company is said to have a competitive advantage when it is implementing a value creating strategy that is not simultaneously implemented by any current or potential competitors (Porter, 1985; Barney, 1991). Michael Porter's 1985 book *Competitive Advantage* and his well-known "Five Forces Model" (Porter, 1979; 1980) are pillars of the strategic management field associated with competitive advantage. In her recent volume *Understanding Michael Porter: The Essential Guide to Competition and Strategy*, Magretta (2012: 63) remarks "no term is more closely related to Michael Porter than *competitive advantage*." However, Magretta (2012: 17) warns:

Managers often think about competition as a form of warfare, a zero-sum battle for dominance in which only the alphas prevail. This... is a deeply flawed and destructive way of thinking. The key to competitive success for businesses and nonprofits alike -

lies in an organization's ability to create unique value.... Creating value, not beating rivals, is at the heart of competition.

Thus in this sense that achieving a competitive advantage is about creating value, the concept of stakeholder theory is very much about achieving a competitive advantage. However, the expression "competitive advantage" is not commonly deployed in conversations about the stakeholder concept because, as Freeman et al. (2010: 275-276) describe, an initial focus on competition tends to dominate the necessary focus on the notion that value is more likely created when stakeholders first consider how to effectively cooperate with one another. As Magretta's remarks indicate, the expressions and associated discourse associated with the field of strategic management are predominantly competitive in spirit that draw from zero-sum game competitive realms of military, sport, and chess (von Ghyczy, 2003; Oliver, 1999; Cardon et al., 2005; Audebrand, 2010). These expressions imply that for there to be winners, there must be losers.

This competitive-based language is likely to have unintended negative influence on management practices (Ghoshal, 2005; Pfeffer, 2005; Rocha & Ghoshal, 2006; Wang et al., 2011). Ferraro et al. (2005) point to the self-fulfilling prophecy of the language we use in social sciences where through the promotion of competitive expressions- like achieving a *competitive advantage* as the objective of strategic management- we are likely create to competitive behavior that may prevent companies from cooperating with their stakeholders to create more value together. Relatedly, in his classic *The Evolution of Cooperation*, Robert Axelrod (2006) offers that in competitive environments an individual is often blinded by his short-term self-interest to recognize that it is in his long-term best interest to cooperate.

Therefore, we encourage a shift toward a focus on achieving *cooperative advantage* as we contend this more accurately depicts how a company can go about implementing a value creating strategy. The expression cooperative advantage has been stated in the management literature (Lei et al., 1997; Ketelhöhn, 1993; Skrabec, 1999; Strand, 2009) but it is not widely adopted. By cooperative advantage, we mean when a company implements a value creating strategy based on cooperating with stakeholders that results in superior value creation. Seeking to achieve a cooperative advantage is consistent with concepts like Dyer & Singh's (1998) relational view of the firm; Sloan's (2009) collaborative style of stakeholder engagement; Dahan et al.'s (2010) corporate-NGO collaboration for new value creation; Mena et al.'s (2010) concept of empowerment, dialogue and constructive engagement to promote human rights; and Porter & Kramer's (2011) notion of creating shared value - all of which are all consistent with the stakeholder concept long advocated by Rhenman and his Scandinavian colleagues.

We contend inspiration for this shift from a focus on competitive advantage toward cooperative advantage can be prosperously drawn from Scandinavia and we feel the evidence we have presented suggests a research grounds worthy of further considerations. In particular, we call for robust cross-regional studies to compare Scandinavian companies with companies from other regions of the world. For example, we propose that useful Scandinavian-U.S. research comparisons could be carried out as the U.S. business context has been characterized as having a "romance" with competition in commerce (Rosenau, 2003). We contend the Scandinavian business context could be characterized as exhibiting a willingness and ability to embrace cooperation - hence our endorsement of the expression "Scandinavian cooperative advantage."



In his address at a recent Nordic Chapter of the Global Compact Meeting, Deputy Director General of the Danish Business Authority, Victor Kjær (2012) remarked:

When I am speaking with others from around the world, I am frequently surprised regarding what I take for granted regarding stakeholder dialogue and cooperation here in the Nordic countries. Others ask me “Can you really just cooperate on different challenges between government, business, and other stakeholders?” I have come to see that cooperation and stakeholder dialogue is just something I am used to in the Nordic countries.

Recently, the strategic management scholar Michael Porter signaled a significant rhetorical shift toward cooperative language in his article with colleague Mark Kramer *Creating Shared Value* (Porter & Kramer, 2011). Within this article, Porter & Kramer highlight that cooperation between companies and their stakeholders is increasingly recognized as necessary for the social and environmental sustainability of the world and the long-term profitability of companies. Scandinavian companies like those described in this article have demonstrated strong and balanced economic, social, and environmental performances (Gjølberg, 2009; Morsing et al., 2007) where we contend that Porter and others in the field of strategic management consider the potential of a “Scandinavian cooperative advantage.”

## CONCLUSION

In this article we have clarified the historical narrative presented in *Strategic Management: A Stakeholder Approach* (Freeman, 1984) to show that a much larger role was played by Scandinavian thinkers in the development of the stakeholder concept than is currently acknowledged. Most notably we highlight the contributions of the Scandinavian scholar Eric Rhenman who, among other things, contributed the first publication and description of the

expression ‘stakeholder’ in management literature assessable to scholars throughout the world and introduced the first stakeholder map to the management literature. With its overlapping ellipses, Rhenman’s stakeholder map (see Figure 2 and Figure 3) accentuates the fundamental tenet of stakeholder theory for a company to embrace the jointness of interests with its stakeholders.

We utilized this occasion to consider relationships with current practices of Scandinavian companies and through this exercise we contend evidence suggests relationships worthy of further consideration. Cooperation between companies and their stakeholders is increasingly recognized as necessary for the environmental and social sustainability of the world where we contend inspiration for such cooperation may be prosperously drawn from Scandinavia. As such, we endorsed the expression “Scandinavian cooperative advantage” and call upon the field of strategic management to encourage this shift in focus toward *cooperative advantage* as we contend this more accurately depicts how a company can go about implementing a value creating strategy than with the existing dominant focus on achieving a competitive advantage.

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<sup>i</sup> Some may agree with this broadening and others may disagree, and still others may argue that Scandinavia is more about an identity construction than it is about a neatly defined geographical region. This is a matter open for discussion where we do not intend to debate the conception of Scandinavia within this article but rather collect expressions of Scandinavia and Nordic as they used. We acknowledge the ambiguities but do not attempt to resolve them.

<sup>ii</sup> Often also described as the neoclassical economics view of the firm or “shareholder capitalism” as presented in Freeman et al. (2010: xv). Shareholder theory is also described as the mainstream view most often taught in business schools and dominating discourse in business communities (Freeman et al., 2010; Margolis & Walsh, 2003: 271; Wang et al., 2011; Audebrand, 2010).

<sup>iii</sup> Freeman et al. (2010: 45-46) draw from Giles Slinger’s recount of the history of the word ‘stakeholder’ who tracked down a recount of a meeting at Stanford Research Institute in late 1962 in which the expression ‘stakeholder’ was purported to have been first uttered and subsequently included in the group’s strategic plan report in 1963. Since the publication of Freeman et al. (2010), Mansell (forthcoming) also explores the origins of stakeholder expression. He points to ~1530 when the verb ‘to stake’ was first employed in regards to the wager of

money and where 1708 represents the earliest recorded use of the term stakeholder (or 'Stake Holder') at which time it referred to an individual who held a stake in a wager. Mansell states that by 1784 the stakeholder expression had broadened to refer to an individual who had a stake in a concern- and not just in the sense of gambling. Mansell cites that 1941 represents the first instance in which the expression 'stakeholder' was used in reference to an organization within a *Journal of Political Economy* in which Bosland (1941: 520) deployed the expression 'stakeholder.' Bosland states the expression stakeholder only once within it and does not offer a definition. The article is not highly cited (12 citations per Google Scholar at the time of this article) but nevertheless this represents yet another facet of the stakeholder story worth documenting here.

<sup>iv</sup> In the notes on the page preceding in Rhenman (1968) is the statement "Translated from the Swedish by Mrs. Nancy Adler." While we cannot offer more than conjecture, given the central importance of the expression 'stakeholder' in the English version of *Industrial Democracy in the Workplace* and Rhenman's clear competency in English, we contend that Rhenman likely translated 'interessent' to 'stakeholder' and did not simply rely upon the translator for this expression. To bolster the merits of this assumption, Rhenman (1968: foreword) indicates that he was closely involved in editing the Swedish version to English within his comments presented in the foreword: *In editing the English version of this report I have tried to avoid reference to Scandinavian conditions. On the other hand my general frame of reference could but be influenced by my experience of the situation in Scandinavia, with its private enterprise, powerful unions, and extensive use of advisory councils. The complete list of references from the original report has been reduced. Some references to works not available in English have been left out.* Rhenman (1968: foreword) pens the date as September, 1967 at the close of the foreword. Thus, we assume that Rhenman was employing the English expression 'stakeholder' by September, 1967. However, exactly when in advance of September, 1967 and exactly how the English expression 'stakeholder' first entered Rhenman's vernacular remain open questions for which we invite further investigation.

<sup>v</sup> See Carlsson (2007) for some additional commentary regarding Rhenman. We extend our gratitude to Carlsson for his contributions.

<sup>vi</sup> Professor James E. Howell is the Theodore J. Kreps Professor of Economics, Emeritus at the Stanford Graduate School of Business (Stanford Faculty Profile, 2012)

<sup>vii</sup> As Freeman et al. (2010: 42n.18) remark with curiosity, the stakeholder concept does not explicitly play a role in this publication.

<sup>viii</sup> Personal correspondence with Rolf H. Carlsson during April 2012.

<sup>ix</sup> Personal correspondence with Rolf H. Carlsson during April 2012.

<sup>x</sup> According to Carlsson, Rhenman had a stay at Carnegie Tech in 1959-1960 during which time he studied under the direction of Herbert Simon. In the foreword of *Industrial Democracy in the Workplace*, Rhenman (1968: foreword) explicitly refers to Simon in his concluding remark by stating "I should like to mention three authors who have particularly influenced me, namely Chester Barnard, Herbert Simon, and Philip Selznick." According to Carlsson, Rhenman also spent 3 months at the University of Cambridge in the U.K. in 1962. Mention of this period is collaborated in the preface of *Conflict and Cooperation in Business Organizations* authored by Rhenman and two of his Scandinavian colleagues Lennart Strömberg and Gunnar Westerlund that was first published in Swedish in 1963 and then English in 1970 (Rhenman et al., 1970). Finally, in direct response to our question about this, Carlsson succinctly states "Eric did not spend time earlier at Stanford". Note: While certainly a minor detail, we can place Rhenman in Oslo Norway during July 1963 through his presentation of a conference paper (Rhenman, 1963). We offer this detail merely because it is the year of the Stanford memo.

<sup>xi</sup> Discussions regarding the difficulty to track down the Stanford memo are presented in Freeman (1984: 31-33; 49n.1; 50n.15) and further elaborated in Freeman et al. (2010: 31n.4, 42n.18, 45-46n.19).

<sup>xii</sup> Translated from Finnish. The original text reads "Näkemyksemme kehittämisessä olemme saaneet vaikutteita erityisesti ruotsalaisen organisaatiotutkijan Eric Rhenmanin tuotannosta."

<sup>xiii</sup> One could argue the similarities between this conflict based view and Porter's Five Forces mode (Porter, 1979; 1980) are somewhat striking.

<sup>xiv</sup> A fundamental difference between the varieties of strategic management drawing from neoclassical economics and stakeholder theory is with respect to the so-called "separation thesis" (Freeman et al., 2010). The neoclassical economists Milton Friedman and Michael Porter promote the adoption of the separation thesis with their prescription that business and ethics should be kept separate. And despite Porter's recent shift from a competitive

strategic posture toward a cooperative strategic posture Porter still demonstrates embracement of the separation thesis as evidenced by his remark that creating shared value “is not about personal values” (Porter & Kramer, 2011: 65). Friedman (1986) contends his beliefs are rooted in Adam Smith (1776) however we contend this is a misinformed interpretation of Smith as in both *Wealth of Nations* (1776) and *Theory of Moral Sentiments* (1759), Smith clearly rejects the notion that ethics and the business affairs are disconnected (see also Vallentin, 2011). Stakeholder theory returns to the tradition of Adam Smith where business and ethics are considered inseparable.

<sup>xv</sup> Also known as the “Swedish Institute for Administrative Research.”

<sup>xvi</sup> Personal correspondence with Rolf H. Carlsson during April 2012.

<sup>xvii</sup> Näsi (1995a; 1995b) does not offer commentary regarding Denmark. This remains an area of interest to the authors.

<sup>xviii</sup> The acronym NGO stands for nongovernmental organization. UNICEF is affiliated with the United Nations and as such is governmental however it is still commonly referred to as an NGO as a matter of convenience.

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