EMPIRICAL EVIDENCE FOR A RAWLSIAN APPROACH TO ETHICAL CORPORATE GOVERNANCE

Daniel C. EVANS[1],
Michael V. HARRINGTON[1],
David R. FIRTH[1]

Abstract: *Previous work proposed a theory of corporate governance attempting to unravel the competing interests of legitimate stakeholders. Through an approach adapted from John Rawls, individuals place themselves behind Rawls' "veil of ignorance" and assume an "original position" wherein they do not know to which stakeholder group they will belong. As corporate governance decisions are made, the relative weight or power of each stakeholder group can be determined to create a ranking of stakeholder power for various decisions. This paper, which presents empirical evidence supporting this theory, provides results indicating that individuals can set aside self-interest and view governance decisions through the lens of various stakeholders. Further, rankings of potentially conflicting stakeholder interests were established in which the weighting of stakeholder power changed depending on the governance decision. Conclusions drawn include that Rawls' approach was useful in disentangling conflicting stakeholder interests and stakeholder power changes with the governance issue considered.*

Keywords: stakeholder theory, corporate governance, John Rawls, veil of ignorance, original position

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[1] College of Business, University of Montana, Missoula, MT, dan.evans@mso.umt.edu, Michael.Harrington@mso.umt.edu, David.Firth@mso.umt.edu

1. Introduction

1.1 Introduction of the Problem

Organizations have a variety of internal and external parties that can influence the organization and thus require organizational attention. These parties are referred to as stakeholders by Mitchell et al. (1997) and Phillips (1997). Phillips (2003) defined stakeholders as "any individual or group of individuals that are the legitimate object of managerial or organizational attention." Two of the concerns of stakeholder theory are the type of attention given to each stakeholder group and the amount of attention. An important question posed by Freeman (1984) is do "…all stakeholders have an equally legitimate claim on the resources of the corporation?" (p. 45). Although Freeman (1984) did not answer this question of the relative power or influence that various stakeholder groups should have, that question is addressed here. This research will demonstrate empirically that differing degrees of power or influence granted to various stakeholder groups will be determined by the governance issue under consideration (see Hendry, 2001).

Evans and Evans (2014) proposed a model for untangling the competing interests of equally legitimate stakeholders when facing different issues in corporate governance. Although the stakeholders of an organization are united in their interest in the overall success of the organization (see Phillips, 1997, p. 52), they can also have conflicting interests when facing specific issues of governance (Neville & Mengue, 2006). For example, employees want higher pay and benefits, as well as workplace policies and procedures structured in a manner that benefits them as employees (Khan et al., 2017, p. 59), but these expenditures are costs that reduce stockholders' returns. As Freeman (1994) points out, rational behavior to one stakeholder group can appear irrational to another group of stakeholders. He proposed an "obligation of fairness" (p. 30) that includes mutual benefit and justice as part of the governance process.

The concept of "fairness" in the context of corporate governance and competing stakeholder interests has been addressed by many, including Rawls (1964), Phillips (2003), Gilbert and Rasche (2008), Jensen and

Sandström (2013), and Jones and Felps (2013). However, fairness can become a contentious argument, as employees argue for a fair wage while stockholders argue for a fair return on their investment. Fairness, like stakeholder legitimacy, can be in the self-serving eye of the beholder. Fairness also can represent a duty held by the firm toward specific goals, such as creating a sustainable business model that conforms with environmental goals held across international borders (Dragomir, 2021, p. 36).

Rawls (1971) used the idea of fairness to define justice. This variant of a social contract (see Cragg, 2000) defined the terms of association within members of a society and among the various groups within a society. However, Rawls recognized the limits of justice as fairness as a foundation for ethical reasoning since it too could devolve into self-serving arguments from the limited perspectives of individuals and stakeholder groups. To address this problem and encourage empathy among individuals and groups, he used a thought experiment that involved stepping behind a "veil of ignorance" and assuming an "original position" of not knowing what position within society one would eventually occupy. If an individual is unaware to which strata of society one would belong or with which stakeholder group one would be aligned, fairness can be evaluated absent the usual self-serving perspective. Rawls' framework is used here to unsnarl the conflicting interests of stakeholders facing governance decisions by requiring individuals to rank the power of stakeholder groups in ignorance of the individuals' actual stakeholder allegiance.

1.2. Hypotheses

The theoretical progression presented here is from competing stakeholder interests (Freeman, 1994), to stakeholder theory and legitimacy (Phillips, 2003; Cragg, 2002), to Rawls' thought experiment applied to stakeholder interests (Evans & Evans, 2014). To gather empirical evidence when faced with critical issues of corporate governance, participants were asked to assume Rawls' veil of ignorance

and rank stakeholder power. (see Roloff, 2008). This is not an attempt to rank the overall legitimacy of stakeholder groups, but rather a ranking of equally legitimate stakeholders (see Santana, 2012) on different governance issues (see Klein et al., 2019; Negulescu & Doval, 2023). It is predicted that participants in the research will rank stakeholder groups differently in a meaningful and defensible way depending on the governance issue.

Specifically, it is hypothesized that given twelve different governance issues, participants will rank six stakeholder groups' power differently for each issue with statistically significant differences within the rankings. It is hypothesized that the rankings of stakeholder power will be different for each governance issue, reflecting the changing dynamic of stakeholder power with the governance issue under consideration.

2. Survey Methodology

2.1 Survey Participants

The participants in this study were 136 MBA students at an AACSB accredited college of business. The participants were working professionals, and there were similar numbers of males and females. As working professionals, most participants were of non-traditional student age; these participants collectively qualify as a valid sample for this research since most belong to one or more of the six stakeholder groups identified in the instrument below.

2.2 Survey Instrument

The survey instrument identified twelve distinct business issues that are often the topic of governance decisions. These issues were: (1) CEO compensation, (2) product safety, (3) employee safety, (4) environmental impact of the enterprise, (5) employee compensation, (6) work policies and procedures, (7) stock dividends, (8) taxes, (9) product and service offerings, (10) termination of the enterprise, (11) stock ownership by employees, and (12) sustainability and climate change. These issues are

broadly defined since the purpose of this study is not the actual decisions regarding these issues, but who should have power in making the decisions.

The survey also identified six stakeholder groups: (1) Stockholders, (2) Management, (3) Employees, (4) Government, (5) the Community, and (6) Consumers. These are all considered legitimate stakeholders (see Freeman, 1994; Phillips, 2003; and Santana, 2012) and represent both internal and external stakeholders (see Sirgy, 2002).

2.3 Research Procedures

The survey was administered in a learning management system (LMS) used in an MBA class in business ethics. No credit was awarded directly for completing the survey, but students did receive credit for a subsequent discussion of the stakeholder ranking to ensure their engagement in the process. All responses were anonymous, although the LMS did record who had completed the survey.

The general instructions were as follows (see Evans et al. 2021): "Think about stakeholder power regarding issues and decisions facing modern businesses. For this questionnaire, you do not know to which stakeholder group you will belong. You do not know if you will be a stockholder, an employee, a member of the management team, a consumer of their goods and services, a member of the community in which they operate (either as an individual or as a member of an advocacy group), or a government official levying a tax or regulating the business. For each of the decisions outlined below, rate the power each stakeholder group should have, the weight they should have in the decision, assuming you are ignorant of which stakeholder group you represent. Groups that should have equal weight, high or low, should be rated equally. Your answers will be anonymous, but you will receive credit for completing the survey." These instructions operationalize Rawls' 1971 thought experiment using an original position behind a veil of ignorance as proposed for stakeholder analysis by Evans and Evans (2014).

3. Results

The data analysis involved calculating the mean of the 136 rankings for each of the six stakeholder groups on each of the 12 governance issues. One-way analysis of variance (ANOVA) was performed on each set of rankings for each governance issue to test whether participants ranked the stakeholders distinctly on each governance issue. Paired t-tests were used to test for significant separation among each successive pair of stakeholders. Once the stakeholder average power ratings were ranked from high to low, any single pair would create a directional hypothesis, so single-tail tests were employed. The twelve tables displaying the rankings within the governance issues demonstrate that the participants ranked the stakeholder power differently depending on the governance issue under consideration.

Table 1. CEO Compensation

	N	Mean	Std. Deviation
Stockholders	136	5.58	1.308
Management	136	4.60	1.671
Employees	136	3.32	1.499
Government	136	2.52	1.496
Consumers	136	2.28	1.343
Community	136	1.96	1.207
Valid N (listwise)	136		

The data in Table 1 show the rankings of the various stakeholder groups on how much power each stakeholder group should have in deciding the compensation for the CEO and other top executives. A one-way ANOVA illustrated differences among the mean rankings ($F_{(5, 810)}$ = 144.1822, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The separation between stockholders and managers was significantly different ($t_{(135)}$ = 5.515, p < .0001). The separation between management and employees was also significantly different

($t_{(135)}$ = 8.405, p < .0001), as was the difference in the average rankings between employees and government ($t_{(135)}$ = 4.342, p < .0001). The difference in the rankings for government and consumers was marginally significant ($t_{(135)}$ = 1.495, p = .057), and the difference in the rankings between consumers and the community was statistically significant ($t_{(135)}$ = 3.459, p < .001).

Table 2. Product Safety

	N	Mean	Std. Deviation
Management	136	5.32	1.440
Government	136	5.02	1.782
Stockholders	136	4.69	1.537
Consumers	136	4.66	1.688
Employees	136	4.43	1.454
Community	136	4.03	1.747
Valid N (listwise)	136		

The data in Table 2 show the rankings of the various stakeholder groups on how much power each stakeholder group should have in determining product safety. A one-way ANOVA indicated there were differences among the mean rankings ($F_{(5, 810)}$ = 10.5467, P < .001). Paired t-tests were performed to determine whether the differences in the rankings for each successive pair of stakeholders were statistically significant. The difference in the rankings between management and government was marginally significant ($t_{(135)}$ = 1.589, p = .057). The difference in the ranking between government and stockholders was statistically significant ($t_{(135)}$ = 1.664, p < .05). The difference in the rankings for stockholders and consumers was not statistically significant ($t_{(135)}$ = .115, p > .10), nor was the difference in the rankings between consumers and employees. ($t_{(135)}$ = 1.408, p = .081). The difference in the rankings between employees and the community was statistically significant ($t_{(135)}$ = 2.470, p < .01).

Table 3. Employee Safety

	N	Mean	Std. Deviation
Employees	136	5.77	1.409
Management	136	5.76	1.400
Government	136	5.13	1.774
Stockholders	136	4.46	1.605
Community	136	3.27	1.649
Consumers	136	3.07	1.590
Valid N (listwise)	136		

The data in Table 3 show the rankings of the various stakeholder groups on how much power each group of stakeholders should have in determining employee safety. A one-way ANOVA indicated there were overall differences among the mean rankings ($F_{(5, 810)} = 77.9203$, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference between employees and management was not statistically significant ($t_{(135)} = 0.057$, p > .10). The difference between the rankings for management and government was statistically significant ($t_{(135)} = 3.391$, p < .01), as was the difference between government and stockholders ($t_{(135)} = 3.234$, p < .01), stockholders and the community ($t_{(135)} = 5.772$, p < .01), and the community and consumers ($t_{(135)} = 1.943$, p < .05).

Table 4. Environmental Protection

	N	Mean	Std. Deviation
Government	136	5.43	1.720
Community	136	5.25	1.771
Management	136	4.85	1.401
Stockholders	136	4.60	1.546
Consumers	136	4.31	1.608
Employees	136	4.07	1.438
Valid N (listwise)	136		

The data in Table 4 display the rankings of the various stakeholder groups on how much power each group should have in determining environmental protection measures. A one-way ANOVA indicated there were overall differences among the mean rankings ($F_{(5, 810)}$ = 15.1394, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings for the government and the community was not statistically significant ($t_{(135)}$ = 1.264, p > .10). The difference in the rankings between the community and management was statistically significant ($t_{(135)}$ = 1.887, p < .05), as was the difference in the rankings between management and stockholders ($t_{(135)}$ = 2.162, p < .05). The difference in the rankings between stockholders and consumers was not statistically significant ($t_{(135)}$ = 1.546, p > .05), nor was the difference in the rankings between consumers and employees ($t_{(135)}$ = 1.403, p > .05).

Table 5. Employee Compensation

	N	Mean	Std. Deviation
Management	136	5.87	1.198
Stockholders	136	4.93	1.579
Employees	136	4.56	1.429
Government	136	3.62	1.858
Community	136	2.40	1.512
Consumers	136	2.33	1.399
Valid N (listwise)	136		

The data in Table 5 display the rankings of the various stakeholder groups on how much power each group should have in determining employee compensation. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)}$ = 121.2677, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings for management and stockholders was statistically significant ($t_{(135)}$ = 5.962, p < .001), as was

the difference between the rankings for stockholders and employees, ($t_{(135)}$ = 2.155, $p < .05$). The difference between the rankings of employees and government was statistically significant ($t_{(135)}$ = 5.542, $p < .001$), and the difference in the rankings between the government and the community was also statistically significant ($t_{(135)}$ = 7.691, $p < .001$). The difference in rankings between the community and consumers was not statistically significant ($t_{(135)}$ = 0.766, $p > .10$).

Table 6. Work Policies and Procedures

	N	Mean	Std. Deviation
Management	136	6.28	1.165
Employees	136	4.93	1.272
Stockholders	136	3.96	1.603
Government	136	2.90	1.723
Community	136	2.00	1.461
Consumers	136	1.92	1.253
Valid N (listwise)	136		

The data in Table 6 display the rankings of the various stakeholder groups on how much power each group should have in determining work policies and procedures. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)}$ = 199.4795, $P < .001$). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between management and employees was statistically significant ($t_{(135)}$ = 11.040, $p < .001$), as was the difference in the rankings between employees and stockholders ($t_{(135)}$ = 5.499, $p < .001$). In addition, the difference in the rankings between stockholders and government was statistically significant ($t_{(135)}$ = 5.382, $p < .001$), as was the difference in the rankings between the government and the community ($t_{(135)}$ = 6.073, $p < .001$). The difference in the rankings between the community and consumers was not statistically significant ($t_{(135)}$ = 0.992, $p > .10$).

Table 7. Stock Dividends

	N	Mean	Std. Deviation
Stockholders	136	5.47	1.699
Management	136	4.91	1.644
Employees	136	3.32	1.538
Government	136	2.81	1.807
Consumers	136	2.39	1.611
Community	136	2.02	1.369
Valid N (listwise)	136		

The data in Table 7 display the rankings of the various stakeholder groups on how much power each group should have in determining the declaration of stock dividends. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)} = 266.5310$, $P < .001$). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between stockholders and management was statistically significant ($t_{(135)} = 2.953$, $p < .01$), as were the differences between management and employees ($t_{(135)} = 9.740$, $p < .001$), employees and government ($t_{(135)} = 2.748$, $p < .01$), government and consumers ($t_{(135)} = 2.857$, $p < .01$), and consumers and the community ($t_{(135)} = 3.599$, $p < .001$).

Table 8. Taxes

	N	Mean	Std. Deviation
Government	136	5.57	1.741
Community	136	4.08	2.004
Management	136	3.32	2.006
Stockholders	136	3.30	2.005
Consumers	136	2.47	1.664
Employees	136	2.26	1.431
Valid N (listwise)	136		

The data in Table 8 display the rankings of the various stakeholder groups on how much power each group should have in determining

taxes. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)} = 266.5310$, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between the government and the community was statistically significant ($t_{(135)} = 6.945$, p < .001), as was the difference in the rankings between the community and management ($t_{(135)} = 2.959$, p < .01). The difference in the rankings between management and stockholders was not statistically significant ($t_{(135)} = 0.106$, p > .05). The difference in the rankings between stockholders and consumers was statistically significant ($t_{(135)} = 4.252$, p < .001), as was the difference in the rankings between consumers and employees ($t_{(135)} = 1.632$, p < .05).

Table 9. Product and Service Offerings

	N	Mean	Std. Deviation
Management	136	5.85	1.264
Stockholders	136	4.54	1.686
Consumers	136	4.19	1.840
Employees	136	3.71	1.526
Community	136	2.79	1.606
Government	136	2.53	1.587
Valid N (listwise)	136		

The data in Table 9 display the rankings of the various stakeholder groups on how much power each group should have in determining product and service offerings. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)} = 69.1283$, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between management and stockholders was statistically significant ($t_{(135)} = 8.036$, p < .001), as were the differences in the rankings between stockholders and consumers ($t_{(135)} = 1.678$, p < .05), consumers and employees ($t_{(135)} = 2.548$, p < .01), employees and the community ($t_{(135)} = 5.857$, p < .01), and the community and the government ($t_{(135)} = 1.792$, p < .05).

Table 10. Bankruptcy, Sale, or Closure of the Enterprise

	N	Mean	Std. Deviation
Stockholders	136	6.22	1.292
Management	136	5.36	1.428
Employees	136	3.79	1.565
Government	136	3.16	1.752
Community	136	2.20	1.376
Consumers	136	1.99	1.288
Valid N (listwise)	136		

The data in Table 10 display the rankings of the various stakeholder groups on how much power each group should have in terminating the enterprise. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)}$ = 183.4445, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in rankings between stockholders and management was statistically significant ($t_{(135)}$ = 6.913, p < .001), as were the differences in the rankings between management and employees ($t_{(135)}$ = 11.280, p < .001), employees and government ($t_{(135)}$ = 3.322, p < .01), the government and the community ($t_{(135)}$ = 6.742, p < .001), and the community and consumers ($t_{(135)}$ = 2.103, p < .05).

Table 11. Employee Stock Ownership

	N	Mean	Std. Deviation
Stockholders	136	5.69	1.406
Management	136	5.20	1.354
Employees	136	4.75	1.586
Government	136	2.65	1.644
Community	136	2.06	1.275
Consumers	136	1.99	1.250
Valid N (listwise)	136		

The data in Table 11 display the rankings of the various stakeholder groups on how much power each group should have in determining

stock ownership by employees. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)}$ = 187.5636, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between stockholders and management was statistically significant ($t_{(135)}$ = 3.367, p < .001), as were the differences in the rankings between management and employees ($t_{(135)}$ = 3.831, p < .001), employees and government ($t_{(135)}$ = 11.224, p < .001), and the government and the community ($t_{(135)}$ = 4.520, p < .001). The difference in the rankings between the community and consumers was not statistically significant ($t_{(135)}$ = 0.878, p > .10).

Table 12. Sustainability and Climate Change

	N	Mean	Std. Deviation
Management	136	5.41	1.432
Stockholders	136	5.37	1.515
Employees	136	4.41	1.523
Government	136	4.38	2.019
Community	136	4.37	1.771
Consumers	136	4.01	1.660
Valid N (listwise)	136		

The data in Table 12 display the rankings of the various stakeholder groups on how much power each group should have regarding sustainability and climate change. A one-way ANOVA showed there were overall differences among the mean rankings ($F_{(5, 810)}$ = 16.8175, P < .001). Paired t-tests were performed to determine whether the differences in the rankings of each successive pair of stakeholders were statistically significant. The difference in the rankings between management and stockholders was not statistically significant ($t_{(135)}$ = 0.320, p > .10). The difference in the rankings between stockholders and employees was statistically significant ($t_{(135)}$ = 6.585, p < .001). The difference in the rankings between employees and government was not statistically significant ($t_{(135)}$ = 0.145, p > .10), nor was the difference in the rankings between the government and the community ($t_{(135)}$ = 0.104,

p > .10). The difference in the rankings between the community and consumers was statistically significant ($t_{(135)} = 3.390$, p < .001).

4. Discussion

The results of this empirical study clearly indicate that participants were able to employ Rawls' veil of ignorance to distinctly rank the six stakeholder groups on each of the twelve governance issues. The general disparities in overall rankings demonstrate that the power of each legitimate stakeholder group can vary depending on the governance issue. Not all stakeholder voices are equal for every governance issue. Additionally, within each governance issue, the stakeholder rankings were distinct as demonstrated by the significant ANOVA tests and the significant paired t-tests. Participants meaningfully and rationally created a defensible ordering of stakeholder power for each governance issue. In some instances, the participants gave equal power to two stakeholder groups, as one would expect. For employee safety (Table 3), the employees and management were ranked almost identically. Similarly, for environmental issues (Table 4), the government and the community were ranked closely as being the most responsible.

Given that the participants were representative of the larger population, the actual rankings are indicative of a more normative theory of stakeholder power. For example, the issue of CEO compensation (Table 1) was left to the internal stakeholders, with stockholders clearly having the most power. The external stakeholders – the government, consumers, and the community – were granted much less voice. This is as it should be; a property owner decides how much to pay for landscaping that property, not the property owner's neighbors (see Evans et al., 2021). The owners of a company are empowered to determine how much to pay for top talent. However, when the issue turned to employee safety (Table 3), employees and management were granted more input. These differences demonstrate rational and defensible ranking of stakeholder power.

On issues with impacts that extended beyond the boundaries of the organization, such as environmental issues (Table 4), product safety (Table 2), and taxes (Table 8), participants generally gave the greater voice to the external stakeholders. It is the government, the consumers, and the community – as representatives of the people – who should be making such externally impactful decisions. For issues with impacts more internally focused, such as employee safety (Table 3), employee compensation (Table 5), stock dividends (Table 7), and ending the enterprise (Table 10), the most impacted groups – the internal stakeholders – were generally given the larger voice. This point is a major conclusion of the study; power should generally reside with the stakeholder groups most affected by a governance decision. Individuals or groups who are merely curious or interested in a governance decision should not have as much power as those individuals or groups who are directly impacted by the governance decision.

It is worth noting that the data are not unequivocal with respect to this conclusion. For example, external stakeholders such as the state are occasionally granted power on a governance issue that has primarily internal impacts. Similarly, internal stakeholders – generally the stockholders, sometimes are granted power over an issue with mainly external impacts. This crossover could reflect that there are groups in our society that are delegated responsibility to guard the collective trust. Society expects ethical leadership from stockholders and managers and ethical oversight from the state.

Generally emerging from this research is a view of stakeholder power in governance that grants power or voice commensurate with impact. The groups most impacted by a decision have the greater voice in making the decision. Owners, in the form of stockholders, were granted the power to pay their top managers (Table 1). Consumers were given a comparatively greater voice in product and service offerings (Table 9), and the larger community had relatively more power in environmental protection (Table 4). Interested parties not impacted by a governance decision were granted less power by the respondents.

Another finding from this study was that some issues were seen as so broad in their impacts that all of the stakeholder groups were given power on a relatively equal basis. Sustainability and climate change (Table 12) and environmental issues (Table 4) are two good examples. These two governance issues had the closest clustering of the rankings as demonstrated by the smallest F statistics and the fewest significant paired t-tests. These issues were viewed as the responsibility of everyone because everyone is impacted. Additionally, a relatively major role was allocated to management and stockholders for both of these issues, reinforcing the importance that ethical leadership plays in addressing the environment and sustainability and climate change. These broadly impactful issues were not left solely for market forces to solve.

Future research should focus on the actual analytical process individuals engage in when making these judgments. Participants in this study conducted their rankings in isolation from each other. It would be instructive to analyze how these rankings would emerge in a setting of open group dialogue. Such a study would also provide valuable insight into the actual thought processes used to make these rankings and possibly instruct how an open discussion process would influence and alter the stakeholder rankings. Additionally, the population being measured should be more clearly defined and the survey should be distributed to respondents from that population who are an accurate representation of that population. Respondents who are not necessarily students and have operated as professionals for a wide range of time should be studied to see if their responses differ. Demographic factors such as age and years of professional experience should also be taken into consideration, since generational and experiential differences might affect how respondents interpret the scenarios presented to them in the study.

5. Limitations

The respondents in this study were all business students who were working professionals and belonged to the six stakeholder groups

described in section 2.2. However, this does not indicate the population surveyed was necessarily a significant representation of all business professionals. Because the population these respondents were intended to represent is not clearly defined, the size of the population under scrutiny is subsequently unclear as well. Thus, it is impossible to determine whether the sample size was large enough to claim the respondents were a statistically significant representation nor a demographic representation of the population at large. A more precise approach would have been to identify the population to be studied first and *then* select respondents from that population.

6. Conclusion

The most significant conclusion from this research is that equally legitimate stakeholders were granted different levels of power depending on the governance decision under consideration. Most of the literature on stakeholder theory and power as it pertains to corporate governance focuses on stakeholder legitimacy. Once a party or group is legitimized, there is a general assumption that they are owed consideration. This traditional approach makes stakeholder power dichotomous. If a group is not considered a legitimate stakeholder, it has little or no power; if a group is considered a legitimate stakeholder, it has power. What has emerged from the data here, however, is that equally legitimate stakeholders have power that is determined by the governance issue and by how affected the stakeholders are by the governance issue under consideration. This research adds an entirely new dimension to stakeholder theory.

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