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How do managers respond when confronted with the demands of activist stakeholders over whom they exercise no direct control? What strategies do managers adopt, and why? Which of these are most effective, and under what conditions? Increasingly, businesses today face difficult challenges at the intersection of evolving managerial practice, changing public expectations, and newly emergent techniques of stakeholder influence. The landscape of such contested terrain has changed dramatically in recent years. New communications technologies—including blogging, texting, podcasting, and video posting—enable activists concerned about business behavior to mobilize supporters around the world in real time. Societal expectations for corporate social and environmental responsibility have never been higher. Many firms conduct their work on a global stage, where damage to reputation in one location can quickly reverberate around the world.

Consider the following recent examples of such complex firm-stakeholder disputes:

- Bechtel, the construction and engineering firm, faced a bitter dispute over its holdings in Cochabamba, the third-largest city in Bolivia. Through a consortium, the firm had purchased the city's water utility from the Bolivian government and had begun modernizing the badly dilapidated system. To help finance these improvements, Bechtel raised water rates—stunning local households, farmers, and small businesses that were suddenly expected to pay up to a quarter of their income for basic water

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service. A broad coalition opposed to the rate hikes quickly formed, and people took to the streets by the thousands, blocking major roads into the city. The army moved in and declared a state of siege. A non-governmental organization in Cochabamba called The Democracy Center, founded just two years earlier, began producing an award-winning blog alerting people around the world to the events in Cochabamba and urged supporters to e-mail Bechtel's CEO directly to demand the company's withdrawal.[1]

- Unocal found itself at odds with human rights activists over its actions in a joint venture to construct a natural gas pipeline in Burma. Unocal, a global energy company, had entered into a joint venture with the French company Total and the military government of Burma to build a natural gas pipeline across that country's southern panhandle. Human rights organizations charged that the government used brute force to clear the pipeline area, relocating villages and terrorizing the civilian population, and forcibly conscripted local people to clear land and build roads for the project. Although Unocal did not engage in these acts directly, the company's critics felt that as the government's partner, it shared moral responsibility. At state and local levels, activists lobbied for an end to contracts with firms doing business in Burma. Dissident shareholder resolutions gathered support from large public pension funds, and a group of human rights activists filed a lawsuit against Unocal in U.S. courts on behalf of displaced villagers.[2]
- The Japanese conglomerate Mitsubishi, in a joint venture with the Mexican government, undertook to construct the largest salt mining operation in the world along the shores of a lagoon on the coast of Baja California. The Mexican government saw the project as a source of jobs and tax revenue in an economically depressed region. However, a coalition of more than 50 environmental organizations strenuously opposed the plan, charging the project would endanger the Pacific gray whales that migrated annually to the lagoon to give birth and nurse their young. Opponents took out full-page ads in major newspapers, enlisted the support of politicians and scientists, and called for a boycott of Mitsubishi. More than a million people sent e-mails or signed petitions to the company to "save the whales." Although Mitsubishi was convinced that the whales would continue to thrive near the proposed salt works, it found its plans blocked at every turn.[3]

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Disputes like these are often unexpected, and deeply distressing to the managers involved. They may be particularly challenging to deal with because interactions with activists may fall well outside the boundaries of legal mandates and standard operating procedures. Yet, such conflicts must be constructively addressed for the success, and sometimes even survival, of the firm.

This article uses an inductive process of building theory from cases to develop a typology of managerial strategies in complex disputes with activist stakeholders. I will argue that management strategies are of four types, the "4Ws." Management may choose to *wage a fight, withdraw, wait,* or *work it out*. The case analysis reveals that the choice of strategy is likely to vary according to three factors: the firm's *dependence* on stakeholders for critical resources, the firm's *power* in the particular situation, and the *urgency* of the contested issue. Managers' ability to meet their objectives in such disputes is, in large part, a function of their ability to assess these three conditions accurately.

Business Disputes with Nonmarket Stakeholders

The term "stakeholder" refers to persons and organizations that affect, or are affected by, a corporation's actions—that is, all those that have a stake in what a firm does.[4] In the stakeholder model of the firm, business organizations are seen as enmeshed in a network involving many participants, each of which shares to some degree in both the risks and rewards of the firm's activities.[5] My concern here is managerial responses to *nonmarket* or, as they are sometimes called, *secondary* or *societal* stakeholders. Market stakeholders (also called *primary* or *economic* stakeholders) are individuals and groups that engage in direct, economic exchanges of goods and services, labor, and capital with the firm; they include customers, suppliers, employees, shareholders, and creditors. Nonmarket stakeholders, by contrast, are those that, although they do not engage in direct, economic exchange with the firm, are nonetheless affected by or can affect its actions. These include the public, local communities, social and environmental activists, religious bodies, and non-governmental organizations.[6]

Firms' responses to market and nonmarket stakeholders differ in important ways. Interactions with market stakeholders are typically tightly constrained by institutional and societal rules and norms. For example, securities laws govern the dealings of publicly held firms with their shareholders, mandating when and how financial information must be reported and granting shareholders the legal right to vote on many important matters that come before the firm. With respect to employees, firms are required to comply with wage and hour laws and safety and health regulations, to avoid discrimination in hiring and firing, and to negotiate with duly elected labor representatives. Interactions with customers are governed by laws on fair lending, advertising, and product safety; and interactions with suppliers by commercial contracts and trade policy.

By contrast, firms have considerably more freedom of action in how—if at all—they respond to demands by stakeholders with whom they conduct no economic transactions. Because they occur outside the marketplace, these interactions are less likely to be governed by law, regulations, or established behavioral norms. People sympathetic to gray whales, rioting householders, and human rights litigators may be surprisingly important to a firm's success or failure—but clear rules mandating how to engage with them are rarely in effect. The issues in dispute may be diffuse and poorly defined, and the people concerned about them may or may not be well organized or even reachable. Managers in these situations, such as those at Bechtel, Unocal, and Mitsubishi, have few roadmaps to guide their actions.

What do we know about firms' responses to disputes with nonmarket stakeholders? One important stream in the literature has examined stakeholder *salience*—that is, which stakeholders, among many, stand out as claimants on management attention. Mitchell, Agle, and Wood argue in a seminal article that managers are most likely to attend to *powerful* stakeholders advancing *legitimate* claims (ones consistent with broad social norms) in an *urgent* manner (demanding immediate action by the firm). In this view, managers are likely to give priority to claims by stakeholders that possess all three attributes—ones these researchers term *definitive* stakeholders.[7] This model has stood up well to empirical test. For example, 80 CEOs told researchers that the "big three" market stakeholders—customers, employees, and shareholders—had first claim on their attention. Beyond these, however, they did indeed respond to stakeholder power, legitimacy, and urgency—especially the latter.[8]

Once stakeholders—particularly nonmarket stakeholders—have managers' attention, however, *what do managers actually do?* We know less about this. In an ambitious recent study, Eesley and Lenox examined news reports of more than 600 separate episodes over a 32-year period, in which business firms and stakeholders clashed over environmental issues. They divided these episodes into two groups—ones where the firm yielded to the demands of the stakeholder group, and ones where it did not. They found that firms were more likely to comply with stakeholder demands when confronted with stakeholders with significant financial resources relative to the firm's and whose requests were viewed as legitimate by the public.[9] This study shed light on the circumstances under which management eventually complied, but not on particular strategies they used or on whether or not compliance was perceived as positive or negative by the firm.

In short, the literature provides little guidance on the range of strategies that managers use in disputes with nonmarket stakeholders, why managers pursue one strategy over another, or the circumstances under which various strategies are effective. This article addresses this gap.

Inductive Theory-Building from Teaching Cases

The methodology used is grounded theory-building from field-researched teaching cases. This approach draws on well-established methods of inductive research, but departs from them by using a novel data source: cases developed for pedagogical purposes.

Eisenhardt, in an often-cited paper, proposes a method for using inductive logic to build theories from case studies. Eisenhardt defines a case study as "a research strategy which focuses on understanding the dynamics present within single settings." In her view, such research begins with one or more concepts and research questions, but without *a priori* theory or hypotheses. The researcher then selects cases based on theoretical sampling, seeking "extreme situations and polar types in which the process of interest is transparently observable." Eisenhardt favors the use of multiple data collection methods, multiple investigator teams, and an iterative process of data collection and data analysis. Once field data have been collected, she suggests a process of both within-case and comparative analysis to build hypotheses. The outcome of such investigation, Eisenhardt argues, can be "novel, testable, and empirically valid" concepts, conceptual frameworks, propositions, or mid-range theory.[10]

Using case studies to build theory inductively, in the manner Eisenhardt recommends, has been less common in the literature than one might expect for such a powerful and generative research method. This may reflect the substantial effort and resources required in multiple-site field research by teams. I would suggest that a fertile source of case data for grounded theory-building—but, to date, one that has been largely untouched for this purpose—is the large number of cases developed for classroom use. A teaching case is a factual description of actual events written to meet specific pedagogical objectives. A separate instructor's manual generally provides an analysis of the case situation and an epilogue describing its eventual outcome.[11] Teaching cases were first used in management education at the Harvard Business School in the early 1900s; since then, their use has spread widely, and the case method of instruction is now employed to some degree in more than three-quarters of business school courses worldwide.[12]

Although no data set is above reproach, teaching cases are actually likely to be a particularly useful source of data on the determinants of management strategy in stakeholder disputes. Teaching cases are normally based on field research and direct interviews with managers and other participants. Thus, they can be considered a form of primary, ethnographic data. Case writing conventions adopted by Harvard, Ivey, the North American Case Research Association, and other leading case publishers explicitly *exclude* author analysis. Teaching cases are—or try to be—a dispassionate presentation of facts, which are then subject to student analysis in the classroom. (The theoretical framing of the case, if any, occurs in the accompanying instructor's manual.) Case publishers generally require a signed release from the company prior to publication. Cases therefore can be said to accurately reflect managers' view of the actions they took and the reasons for them; they are therefore a useful source of information about the determinants of managerial strategy. (Because teaching cases usually reflect the perspective of management, however, they are less useful as data on the impact of company actions on stakeholders and society, a point I will take up later.)

In this article, I use a carefully selected sample of teaching cases to generate a typology of management strategies and to derive a set of propositions concerning managerial strategies in disputes with nonmarket stakeholders. Cases were drawn from the collections of the leading publishers and aggregators of teaching cases in business and related disciplines. These are Harvard Business School Publishing; the *Case Research Journal*; Aspen Institute's Caseplace; Pew Case Studies in International Affairs; McGraw-Hill's *Primis*; the European

Case Clearing House (ECCH); and the proceedings of the North American Case Research Association.[13] From these case collections, I identified cases with a publication date of 1998 or later that focused on *a disputed issue involving a for-profit business firm and one or more nonmarket stakeholders.* (I included in the sample several cases that involved disputes between a firm and both market and nonmarket stakeholders; in my analysis, I focus on the firm's interactions with the latter.) Following Eisenhardt's suggestion, I looked for rich, ethnographic accounts that provided thickly detailed description in which the subject of interest—management strategy—was transparently observable.

This procedure yielded a sample of 24 cases, representing a wide range of kinds of firms, industries, regions, stakeholders, and focal issues, as shown in Exhibit A. (In some instances, several teaching cases were written on the same topic; I drew on all available data but counted these only once. In three instances, I counted a single company twice, if it operated in different areas or across time periods in which its strategy underwent a major shift.) These cases provided the data for the analysis; the endnotes provide full references for them. I make no claim that this case data set is comprehensive, or even necessarily representative. My purpose is not to offer proof, but to generate an analytic framework and offer a set of propositions amenable to more rigorous test by others.

Four Managerial Strategies

A close analysis of these cases reveals the four major managerial strategies: *wage a fight, withdraw, wait,* and *work it out.*

Strategy 1: Wage a Fight

In this strategy, management responds to stakeholders in an adversarial manner, opposing activists' demands and proceeding on its chosen path in defiance of their wishes. Tactics managers may use to wage a fight include organizing potential allies, filing lawsuits or requesting injunctions, mobilizing public opinion, seeking the support of political elites or scientific experts, physically intimidating stakeholders, or relying on the police authority of the state. An example from the metal mining industry illustrates this strategy.

Freeport Indonesia and Environmental and Religious Activists

In the mid-1990s, Freeport Indonesia (part of Freeport McMoRan) operated one of largest copper, gold, and silver mines in the world. The massive open-pit Grasberg Mine, located high on the flanks of a mountain in the Indonesian province of Irian Jaya, processed 110,000 tons of ore a day. Enormous earth-moving equipment stripped away rock and dug out metal-bearing ore, which was pulverized, treated with chemicals, and transported by pipeline to the coast. From there, concentrated ores were shipped overseas to smelters around the world.

As Freeport's Indonesian operations expanded, they came under intense criticism from many quarters. Local environmental activists—later joined by the International Rivers Network—charged that the company had harmed glaciers,

EXHIBIT A. Cases

Company	Region	Industry
Bechtel	Latin America (Bolivia)	construction
BHP Billiton	Asia (Papua New Guinea)	metal mining
BHP Billiton	Latin America (Peru)	metal mining
Catamount Energy	North America (U.S.)	electric utility
Citigroup	North America (U.S.)	banking
Coca Cola	Latin America (Colombia)	beverages
De Beers	Africa	diamonds
DeCODE Genetics	Europe (Iceland)	pharmaceuticals
Endesa Chile	Latin America (Chile)	electric utility
Energy Management Inc.	North America (U.S.)	electric utility
Freeport McMoRan	Asia (Indonesia)	metal mining
IKEA	South Asia (India)	furnishings
KFC (Yum Brands)	North America (U.S.)	food
MacMillan Bloedel	North America (Canada)	forest products
Mitsubishi	North America (Mexico)	chemicals
Monsanto	Europe	agriculture
Nike (1990s)	Asia (China)	footwear
Nike (2000s)	Asia (China)	footwear
Royal Dutch/Shell (1990s)	Africa (Nigeria)	petroleum
Royal Dutch/Shell (2000s)	Africa (Nigeria)	petroleum
Talisman Energy	Africa (Sudan)	petroleum
Unocal	Asia (Burma)	natural gas
Ventria Bioscience	North America (U.S.)	biotechnology
WalMart	North America (U.S.)	retail

Stakeholder(s)	Focal Issue(s)
community, labor, human rights coalition	water rights
human rights activists, environmental NGOs	environmental impacts of metal mining
human rights activists, indigenous people	alleged expropriation of land, environmental abuses
community coalition	location of wind turbines in scenic area
environmental NGO	lending practices in forest products industry
human rights activists	suppression of unions; payments to paramilitary forces
human rights activists	controversy over conflict diamonds
community; medical practitioners	privacy of state health care system medical records
environmental NGOs, indigenous people	location of hydroelectric dam
community coalition	location of off-shore wind turbines
environmental NGOs, indigenous people, religious activists	environmental and social impacts of metal mining
human rights activists	child labor in rug manufacturing
animal rights activists	humane treatment of food animals
environmental NGOs, community	environmental impact of logging
environmental NGOs	location of salt works
environmental NGOs, food safety activists	opposition to genetically modified crops
human rights activists	labor practices in overseas contract factories
human rights activists	labor practices in overseas contract factories
community, religious, environmental activists	alleged human rights, environmental abuses
community, religious, environmental activists	alleged human rights, environmental abuses
religious, human rights activists	demand to divest from Sudan operations
human rights activists	alleged human rights abuses in Burma
farmers, consumer, and environmental NGOs	opposition to genetically modified crops
community activists	opposition to new store location

degraded rainforests, and clogged rivers and estuaries with mine tailings. Indigenous groups living in the area staged violent protests and filed lawsuits over alleged human rights and environmental abuses. A group of religious shareholders, led by the Mennonite Church of Seattle, offered several proxy resolutions, calling on the company to adopt more responsible practices.[14] Of particular concern to the company, activists pressured the Overseas Private Investment Corporation and the World Bank to cancel their insurance policies for the mine, citing environmental and safety hazards.

Freeport hit back hard against its critics. The company worked closely with the government of Indonesia, then headed by General Suharto, to provide security for its operations, paying $35 million to support a special military task force stationed near the mine. It defended itself vigorously in court. The company dispatched lobbyists to persuade its insurers not to cancel their policies. It argued with the Securities and Exchange Commission in an attempt to block the Mennonites' proxy resolutions. All the while, Freeport was digging more and more copper, gold, and silver out of the Grasberg Mine. The company's revenue doubled to $1.7 billion annually between 1992 and 1995, reflecting stepped-up production at Grasberg as well as a rise in precious metal prices. A case researcher summed up his observations by saying that Freeport showed "an uncanny ability to run a profitable mining operation in the face of political and social unrest."[15]

Freeport McMoRan subsequently changed its strategy—a point to which I will return later. However, in the mid-1990s its strategy in its disputes with stakeholders was clearly to wage a fight.

Strategy 2: Withdraw

Here, management decides to withdraw from the terrain of the dispute, in order to pursue its objectives in a different arena or location. In this option, management decides to change direction to remove itself from the stakeholder conflict, either by pursuing a different course of action or by—literally—moving to a different place where it faces less opposition. "Withdraw" can also include capitulation—giving up and simply accepting defeat. A case from the biotechnology industry illustrates this strategy.

Ventria Bioscience, Environmentalists, Food Safety Activists, and Rice Farmers

Ventria Bioscience, a California-based biotechnology start-up, was founded in 1993 by an academic biologist who had developed an innovative technique for "growing" pharmaceutical proteins in the grains of genetically engineered rice. Over its first decade, the company conducted research, obtained patents, and completed field trials of two promising medicines designed to treat childhood diarrhea. It built a board of directors, hired an experienced CEO, and attracted investment from angel investors and two venture capital funds. In 2004, Ventria's next step was to expand the production of its genetically modified rice to commercial scale, which it hoped to do in the Sacramento River valley in central California.

When Ventria sought permits from the state government to expand production, however, it ran into a firestorm of opposition from a diverse array of nonmarket stakeholders. Environmental organizations expressed deep concern about potential accidental crossbreeding of pharmaceutical rice with existing weed species, creating noxious "super weeds." Food safety activists also mobilized to block Ventria, arguing that pharmaceutical rice might become accidentally commingled with food, leading to infections, allergic reactions, or autoimmune disorders. However, the most formidable opposition came from the California rice industry. Many rice farmers and millers, who were politically influential and well organized through their trade associations, were worried about customers' perception of the quality and purity of the state's rice.

At first, Ventria executives attempted to negotiate with representatives of the rice industry to develop production protocols that would satisfy their concerns. When this effort failed, the company began looking in earnest for other locations where it could grow its pharmaceutical rice without opposition. In 2006, the company completed a relocation to Kansas, a state that had no rice industry and that had offered Ventria a package of economic incentives. The company planted its rice in Kansas and harvested its first major crop in 2007.[16]

In this instance, company managers decided to engage in what we might consider an orderly retreat from the battlefield, to avoid a conflict rather than engage it directly. At some point in the dispute, they decided to cut their losses and go somewhere else.

Strategy 3: Wait

In this strategy, management bides its time and waits for the conditions of the dispute to shift. Waiting is not the same as simply ignoring stakeholder demands (or not recognizing them in the first place); it is a conscious strategy of using the passage of time to advantage. It is an inherently unstable strategy; either the matter becomes more urgent, or one or the other party gains an advantage. Although strategic waiting is probably a common approach, few examples appear in the case literature, since delay rarely makes for dramatic storytelling. The following case, involving an electric utility in Chile, illustrates the approach of strategic waiting.

Endesa Chile and the Pehuenche Villagers

In the mid-1990s, Endesa Chile, a private electric utility, began planning for the largest-ever hydroelectric project in Chile. Construction of the Ralco Dam on the upper part of the Biobio River would require the relocation of about ninety Pehuenche families in two villages, whose land would be flooded by the reservoir. The Pehuenche were an indigenous group with its own distinctive language and culture that had inhabited the area for centuries.

Although Chilean law gave utilities the right to take land for hydroelectric facilities under the principle of eminent domain, it also specified that indigenous peoples' land could be acquired only if it were replaced by land of similar value, with their agreement. Accordingly, Endesa began a process of consultation with the Pehuenche communities to determine what compensation they would find acceptable. The company bought two parcels of land outside the flood zone and began to build new homes, roads, and basic services for relocated families. By 1998, a majority of Pehuenche families had signed land-exchange agreements and had moved to the new communities. Endesa began construction of the dam.

At the same time, an environmental group, Group Action for the Biobio (GABB), mobilized to oppose the Ralco Dam project. Environmentalists' concerns focused on degradation of the river ecosystem, as well as the loss of what many considered one of the world's best whitewater kayak and float-trip destinations. The group reached out to other NGOs, and environmentalists travelled to Chile from the United States and Europe to join in protests against the dam, which became increasingly confrontational as opponents occupied buildings and burned construction equipment. GABB also sought common cause with the Pehuenche and encouraged them to oppose the project. Five Pehuenche women, who became known as the *nanas*, or "grandmas," asserted that their land was sacred and no amount of money would be sufficient to induce them to move.

Instead of acting forcibly to evict the remaining Pehuenche, Endesa chose to pursue a more restrained strategy. Endesa managers believed that the best approach was to move forward with dam construction, while waiting for the Pehuenche holdouts to change their minds as they observed the benefits enjoyed by their neighbors who had already moved to their new homes. Accordingly, they bided their time and let the situation play out—to their advantage, they hoped.[17]

Strategy 4: Work It Out

The final strategy is to work it out. In this approach, management actively engages with stakeholders in an ongoing process of dialogue to arrive at solutions that are mutually acceptable. Working it out does not mean capitulation; it simply means an active process of seeking common ground, one that often involves the generation of new options. In the literature, this strategy is often referred to as stakeholder engagement.[18] This strategy may be illustrated by an example from the forest products industry.

MacMillan Bloedel and Environmental NGOs and First Nations Communities

In the mid-1990s, MacMillan Bloedel, a leading forest products company in Canada, became involved in a difficult and protracted dispute with several of its nonmarket stakeholders, including environmentalists and First Nations (native) peoples. At issue were the company's logging practices in Clayoquot Sound on the western side of Vancouver Island, located off the coast of British Columbia. At the time, Clayoquot Sound was home to one of the largest remaining stands of old-growth, temperate rainforest in the world. In its efforts to expand its clear-cutting operations there, MacMillan Bloedel confronted vigorous opposition from a range of local and international environmental organizations, which called for a boycott of British Columbia's forest products and mobilized thousands of protesters to block logging roads in what was then the largest act of civil disobedience in Canadian history. First Nations people asserted their legal claims to their traditional territory.

Although the company initially pursued an adversarial strategy—seeking an injunction against protesters and asserting its legal logging rights—it soon changed tack. Over a period of several years, the company engaged in an ongoing dialogue with its adversaries. Ultimately, MacMillan Bloedel and its stakeholders negotiated a series of highly innovative agreements. The company committed to phase out clear-cut logging and to set aside special conservation zones. The company also entered into a commercial joint venture with the First Nations, to be based on traditional aboriginal values and respect for the environment. It promised to practice variable retention logging and to seek third-party certification of its timber, with the intention of seeking markets for its premium-priced products among environmentally aware customers. In a related development, the company signed an agreement with several environmental organizations; the environmentalists agreed to call off all blockades and boycotts in exchange for the company's commitment to sustainable harvesting, respect for aboriginal values, and an acknowledgment of the value of eco-tourism.[19]

In this case, vigorous discussions with a range of nonmarket stakeholders over a several-year period produced changes in management practice that won not only acquiescence, but active support from the company's former adversaries.

Strategic Flexibility

In real life, managers rarely pursue a single one of these strategies exclusively. Indeed, all of the cases in this sample show elements of more than one approach. Often, managers' actions appear to be improvisational, changing over time as circumstances warrant or as favored approaches fail. Ventria Bioscience first tried to negotiate an agreement with the rice industry, but gave up when this failed and went searching for a state where it could plant its pharmaceutical crops without opposition. In this case, the company first tried to work it out, and then later withdrew. Endesa Chile waited for a long time—until it was ready, in 2003, to open the floodgates of the completed Ralco Dam. At that point, it stopped waiting: it brought in high-level mediators, sweetened its offer to the holdouts, and threatened to fill the reservoir with or without an agreement. At the last possible moment, the firm negotiated a settlement with the remaining Pehuenche. In this instance, "wait" morphed into "work it out." Freeport Indonesia, widely criticized for its resistance to its stakeholder adversaries, later hired a vice president for social and community affairs and human rights compliance and undertook extensive reforms at its Grasberg operations. A company that had been fighting with its nonmarket stakeholders later actively engaged with them.[20] My classification of cases is not meant to imply that these firms pursued one strategy exclusively; rather, I have attempted to classify their strategies according to their dominant type at a particular critical point during an active dispute.

Determinants of Managerial Strategies

Further analysis of these cases suggests that three factors strongly influence which of these "4W" strategies managers will pursue in responding to stakeholder demands. These factors are *resource dependence, firm power,* and *dispute urgency.* Here, I draw on earlier work in organization theory and stakeholder theory to propose and elaborate on a set of propositions on the determinants of management strategies in disputes with nonmarket stakeholders.

Resource Dependence

Resource dependence theory, as articulated by Pfeffer and Salancik and others, maintains that organizations depend on external actors—including, of course, stakeholders—for resources critical to their survival.[21] Firms are especially dependent on others on whom they rely for resources that are important, scarce, and nonsubstitutable. Control over such resources gives external actors a source of power in their relationship with the firm. In an important contribution, Frooman argues for the relevance of resource dependence theory to understanding the nature of stakeholder leverage.[22] What specific kinds of resources do nonmarket stakeholders control? By definition, they do not have market power; they cannot offer or withhold goods, money, labor, or credit. However, Frooman argues, they often *indirectly* control important, scarce, or nonsubstitutable resources. For example, nonmarket stakeholders may be able to prevail on government regulators or political elites to change their policies, bring a lawsuit based on human rights or environmental law to block a project, or use the media or Internet to damage (or enhance) a company's reputation. They may be able to influence the moral preferences that customers or shareholders bring to their decisions to buy (or not to buy) a product or service or to invest (or not invest) in a company's stock.[23] These actions may have significant economic impact on the firm. Resource dependence may thus be considered a way to conceptualize stakeholder power, relative to the firm.

Firm Power

Power is widely understood as the capacity to control the behavior of others. In his classic essay on class, status, and party, Weber defines power as "the chance of a man or a number of men to realize their own will in a communal action even against the resistance of others."[24] (To Weber, power is not the same as authority, which is power backed by legitimacy.) Organizations, as well as individuals, can and do possess power. In his work on complex organizations, Etzioni extends Weber's work by identifying several bases of organizational power. *Coercive power* rests on "the application or the threat of application, of physical sanctions such as infliction of pain, deformity, or death; generation of frustration through restriction of movement; or controlling through force the satisfaction of needs." In this context, coercive power would include working with the courts, police, military, or paramilitary forces to suppress stakeholder protest. *Utilitarian power* is based on control of material rewards and punishments. In this context, it includes offering financial benefits to (or imposing costs on) a firm's stakeholder critics. Finally, *normative power* is persuasive; it rests on the firm's ability to allocate and manipulate symbols. This might include, for example, the ability to convince others, based on access to expert opinion.[25]

Dispute Urgency

The study by Mitchell and his colleagues, mentioned earlier, defines urgency as the degree to which stakeholders demand immediate action. I am using the term differently: as the sense of urgency experienced by *management* to resolve a particular dispute quickly. A number of factors can escalate the urgency to the firm of resolving a particular dispute. Investors may pressure managers to address stakeholder concerns promptly, particularly if the dispute is preventing a revenue-generating project from moving forward. Angel investors or venture capital firms may be especially impatient to achieve a quick return. In the cases analyzed here, Ventria Bioscience, DeCODE Genetics, and Energy Management Inc. were all privately held startups under pressure from their backers. The shutdown of operations because of a dispute also produces time pressure, particularly if the loss of revenue is significant. Bechtel, BHP Billiton (Peru), MacMillan Bloedel, and Royal Dutch/Shell all faced at least temporary suspension of operations because of stakeholder conflicts. Finally, vagaries of the business cycle or the seasonality of a particular industry may heighten urgency. Both Monsanto and Ventria Bioscience, for example, operated in agriculture, where delays could mean the loss of an entire growing season. All of these factors can build pressure for a speedy resolution.

For the purpose of simplicity, I have classified *resource dependence, firm power,* and *dispute urgency* in these cases as dichotomous variables, that is, as either "high" or "low." In real life, of course, they are present or absent by degrees.

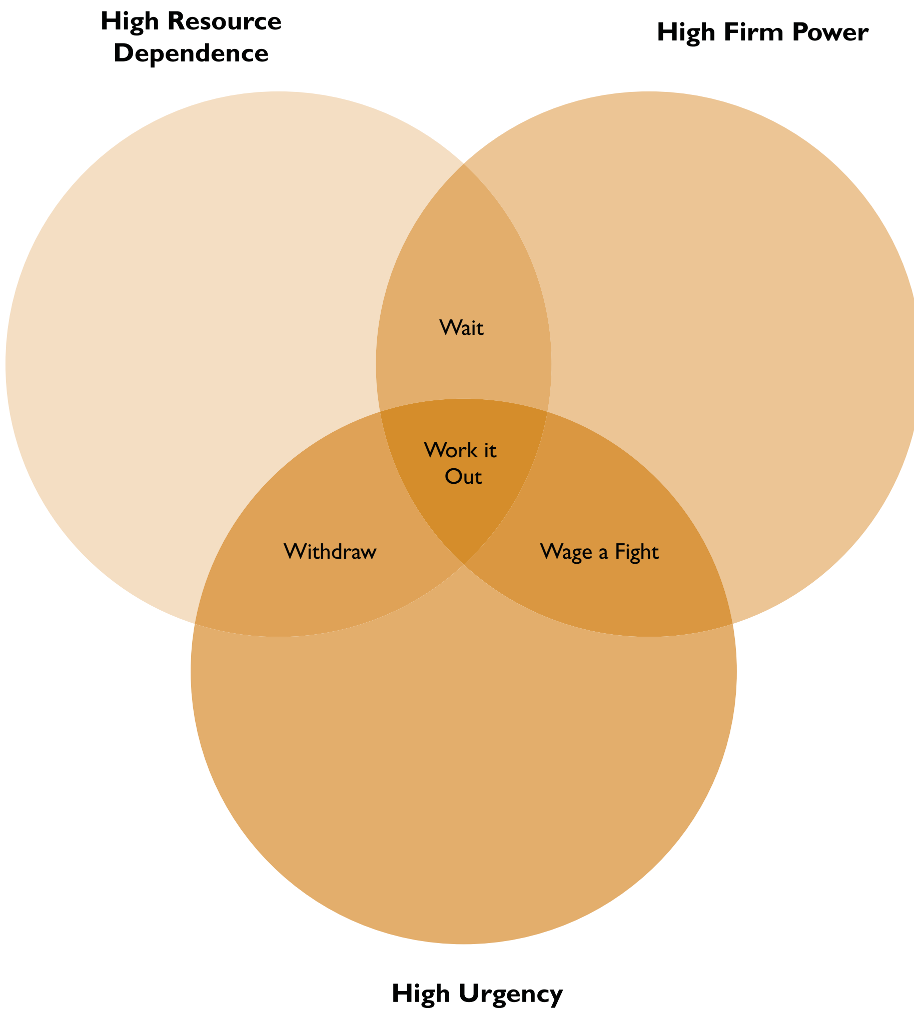
The hypothesized relationship between resource dependence, firm power, and dispute urgency and the 4W strategies is represented graphically in Figure 1 as a triple Venn diagram. Because I am interested in the interactions between and among these three variables, the model specifically addresses the strategies that are likely to be used when high levels of least two of the three determinants are present (that is, where two or more circles in the diagram overlap).

Figure 1 may be summarized in a series of propositions, which I label W1 through W4, following the typology of strategies.

> *Proposition W1: Firms are most likely to wage a fight where management has low resource dependence, high power, and faces an urgent issue.*

Freeport Indonesia fits the W1 pattern. Its dependence on its critics was low. Although vocal, the activist stakeholders were unable to affect sales of the company's copper, gold, and silver, which were sold mainly to other businesses rather than to individuals. For this reason, the company was not particularly concerned about its reputation. The company was easily able to defeat activist shareholders in proxy voting. The company held considerable coercive power through its relationship to the military government in Indonesia, as well as

FIGURE 1. Determinants of Managerial Strategies in Disputes with Nonmarket Stakeholders



utilitarian power through its ability to offer jobs, tax revenue, and other benefits to the local community. Nonetheless, it considered it urgent to deal with its adversaries—particularly because of the threat to its risk insurance—and did so assertively. Other cases in this sample that fit this profile include Royal Dutch/Shell, which mobilized multiple sources of power to overwhelm critics of its community and environmental impacts in Nigeria in the 1990s,[26] and Unocal, which pushed ahead with its joint venture in Burma despite vigorous opposition.[27]

> *Proposition W2: Firms are most likely to withdraw where management has high resource dependence, low power, and faces an urgent issue.*

Ventria Biosciences fits the W2 pattern. The company was highly dependent on the powerful rice industry, which opposed Ventria's plans and was in a strong position to influence whether or not the company received regulatory approval. The rice industry was backed by environmentalist and food-safety activist allies. Ventria itself, a tiny 20-person startup, had few sources of power relative to its critics. Ventria's venture capital backers were impatient to move forward, and because of the nature of the agricultural growing season every delay threatened the loss of another full year. Another case in the sample that fits the W2 pattern is DeCODE Genetics, an Icelandic biotechnology firm. The company's plan was that Iceland's extensive medical and genealogic records could be combined with DNA data from donated blood samples to identify genes linked with particular diseases that ran in families. Yet, DeCODE Genetics ran into intense controversy over potential violation of medical privacy, as well as over the use of government health service data to enrich a private firm and its investors. Eventually, DeCODE abandoned its national database approach and pursued voluntary partnerships with doctors who specialized in particular diseases. In the face of high dependence, low power, and urgency, the company simply withdrew from one arena and entered another.

Proposition W3: Firms are most likely to wait where management has high dependence and high power, but the dispute is not urgent.

In the Endesa case, an example of W3, the company was dependent on the Pehuenche community in order to meet its core interest of opening the Ralco Dam, because Chilean law required the company to compensate them to their satisfaction before taking their land by eminent domain. This gave the Pehuenche villagers effective veto power over the project. The villagers' alliance with environmentalists from around the global gave this group power out of proportion to their numbers, through public protest, legal action, and negative publicity. Endesa, as a politically well-connected utility, had considerable power it could have wielded. Yet, for a period of about six years, the matter was of low urgency to the company, because it was able to proceed with dam construction; it needed the cooperation of the Pehuenche only when it came time to flood the reservoir. This gave managers the option of waiting to see if the remaining villagers would change their minds (which, eventually, they did). Endesa is the only case in this sample that completely fits this pattern.

Proposition W4: Firms are most likely to work it out where management is powerful, but faces an urgent issue and stakeholders on whom they depend for critical resources.

MacMillan Bloedel fits the W4 pattern. The company faced an urgent problem when its logging operations were shut down by protests and lawsuits in the last 1990s; it was effectively unable to make money until the conflict was resolved. Its stakeholder adversaries controlled important resources, through their ability to influence global consumer behavior and land use regulations. At the same time, the company itself possessed considerable power, through its access to the courts and its legally enforceable logging contracts. The combination of high dependence, high power, and urgency propelled the company into a series of innovative negotiations with its adversaries. In effect, working it out is most likely where power meets power, and the issue is of great urgency. Another case that fits this pattern includes Royal Dutch/Shell in the 2000s. Faced with mounting opposition from environmentalist, religious, and human rights activists and a serious threat to its reputation, Shell undertook an extensive dialogue with stakeholders and significantly altered its practices.[28]

Exhibit B, columns 2 through 4, shows the classification of cases in the sample according to dependence, power, and urgency.

Strategic Alignment in Responding to Nonmarket Stakeholders

Managers do not routinely pursue strategies that meet their objectives in these disputes; indeed, they often fail to do so. In my analysis, I have sought to understand managers' objectives as they define them—whether that means bringing a hydroelectric dam on line, harvesting a crop, obtaining risk insurance for their mining operations or, more nebulously, retaining the confidence of shareholders and the loyalty of customers. Exhibit B reports my classification of these cases, according to whether or not management was able to meet its particular objectives (column 7). I would argue that managers are more likely to meet their objectives when they pursue a strategy that is well aligned with the particular patterns of dependence, power, and urgency in the situation; conversely, they are less likely to do so when their strategy is misaligned. Alignment (that is, whether or not the strategy "fits" the pattern of dependence, power, and urgency) is reported in column 6.

Two cases in the sample, Energy Management Inc. and Coca-Cola, illustrate strategies that were poorly aligned with conditions management faced—and that proved ineffective.

Energy Management Inc. and the Alliance to Protect Nantucket Sound

In 2001, Energy Management Inc. (EMI), a small, privately held startup, announced its intention to build a wind farm in Nantucket Sound, about six miles off the shore of Cape Cod, Massachusetts. The project, called Cape Wind, almost immediately generated intense opposition from a wide range of individuals and groups, who coalesced as the Alliance to Protect Nantucket Sound. Opponents of the wind farm included socially prominent residents of Cape Cod and nearby islands, business organizations, commercial fishing groups, boating clubs, local airports, and some environmental groups. These individuals and groups were concerned that the proposed wind farm would spoil the view, reduce tourism, threaten migratory birds, and risk the safety of commercial fishing boats, passenger ferries, and commuter and private aircraft. Opponents raised millions of dollars, lobbied, and filed lawsuits to block the development. EMI forged ahead in the face of concerted opposition, contesting the lawsuits, mobilizing supporters of renewable energy, and funding its own research to

EXHIBIT B. Classification of Cases

Case	Depen-dence	Power	Urgency	Strategy	Align-ment	Meets Objectives
Bechtel	HIGH	LOW	HIGH	FIGHT	NO	NO
BHP Billiton (Papua)	HIGH	HIGH	HIGH	W/DRAW	NO	NO
BHP Billiton (Peru)	HIGH	HIGH	HIGH	WK/OUT	YES	YES
Catamount Energy	HIGH	LOW	HIGH	W/DRAW	YES	YES
Citigroup	HIGH	HIGH	HIGH	WK/OUT	YES	YES
Coca Cola	HIGH	HIGH	HIGH	FIGHT	NO	NO
De Beers	HIGH	HIGH	HIGH	WK/OUT	YES	YES
DeCODE Genetics	HIGH	LOW	HIGH	W/DRAW	YES	YES
Endesa Chile	HIGH	HIGH	LOW	WAIT	YES	YES
Energy Management	HIGH	LOW	HIGH	FIGHT	NO	NO
Freeport	LOW	HIGH	HIGH	FIGHT	YES	YES
IKEA	LOW	HIGH	HIGH	WK/OUT	NO	YES
KFC (Yum Brands)	HIGH	HIGH	HIGH	WAIT	NO	NO
MacMillan Bloedel	HIGH	HIGH	HIGH	WK/OUT	YES	YES
Mitsubishi	HIGH	LOW	HIGH	FIGHT	NO	NO
Monsanto	HIGH	LOW	HIGH	FIGHT	NO	NO
Nike (1990s)	HIGH	HIGH	HIGH	FIGHT	NO	NO
Nike (2000s)	HIGH	HIGH	HIGH	WK/OUT	YES	YES
Shell (1990s)	HIGH	HIGH	HIGH	FIGHT	NO	NO
Shell (2000s)	HIGH	HIGH	HIGH	W/OUT	YES	YES
Talisman Energy	HIGH	LOW	HIGH	W/DRAW	YES	YES
Unocal	LOW	HIGH	HIGH	FIGHT	YES	YES
Ventria Bioscience	HIGH	LOW	HIGH	W/DRAW	YES	YES
WalMart	HIGH	HIGH	LOW	FIGHT	NO	NO

counter the objections of opponents. In 2008, the company was running out of money, and the project remained stalled.[29]

Arguably, this is a situation where the company urgently needed to move forward, but faced well-organized opponents on whose goodwill it depended and commanded few sources of power. The company waged a fight, when a withdrawal strategy might have been more appropriate.

The contrast with another firm—Catamount Energy, which sought to erect wind turbines on a mountaintop in Vermont—is instructive. This firm, faced with opposition from a similar coalition of local residents, the tourism industry, and outdoor recreationists, simply moved its wind project to Texas, where it was met with enthusiasm. Here, a well-aligned withdrawal strategy worked.[30]

Coca-Cola in Colombia

In the mid-2000s, Coca-Cola confronted a campaign by activists dismayed by what they viewed as the company's complicity in the violent suppression of labor organizing in Colombia. The "Campaign to Stop Killer Coke," led by veteran activist Ray Rogers, alleged that paramilitary security forces hired by managers of one of Coca-Cola's bottling plants in Colombia had murdered several union leaders in order to intimidate their supporters. The Killer Coke campaign, backed mostly by students, established a web site (killercoke.org), called on colleges to ban sales of the beverage, organized opposition at shareholder meetings, and joined lawsuits against the company. The campaign's stated goals were to compel Coca-Cola to investigate violence at its bottling plants, respect labor rights, and compensate victims. In response, management took the position that Rogers was "trying to use the [Coca-Cola] brand to advance a political agenda that has nothing to do with the company." The company aggressively took on its critics—denying wrongdoing, forcibly ejecting activists from its shareholder meetings, defending itself in court and in the press, and establishing a counter web site (cokefacts.org). This did not solve the company's problem. The University of Michigan, Rutgers, NYU, and several other universities banned Coke products from campus, and activists pushed for a national boycott of the product. TIAA-CREF removed Coca-Cola stock from the holdings of its Social Choice fund, and the value of the brand declined.[31]

Coca-Cola, perhaps underestimating the campaign's potential damage to its reputation, especially among young adults and social investors, had waged a fight where working it out might have been more effective.

Nike, which also faced a campaign by student activists focused on the labor practices of its overseas contractors, provides a valuable contrast. At first, Nike maintained that what happened in the factories of its suppliers was simply not its responsibility. Later, however, it gradually changed its approach, introducing a code of conduct, hiring third-party auditors, creating a new office of corporate responsibility, and participating in a cross-sector consortium called the Fair Labor Association. While Nike continued to attract some criticism, it made good progress in restoring its reputation. Here, a well-aligned effort to work it out yielded benefits to the firm.[32]

Columns 7 and 8 in Exhibit B show the relationship between alignment and outcomes in these cases. Figure 2 expresses this relationship in a two-by-two table and provides a test of statistical significance. These cases suggest a strong association between alignment and the effectiveness of management strategy; firms that correctly assess their dependence and power in a particular

FIGURE 2. Strategic Alignment and Ability to Meet Objectives

	Meets Objectives	Does Not Meet Objectives
Strategy Aligned	13	0
Strategy Misaligned	1	10

situation, and its urgency, and select an appropriately aligned strategy are more likely to meet their objectives in the dispute.

A Deviant Case

Exhibit B and Figure 2 point to a notable deviant case in this sample: IKEA, the Swedish home furnishings retailer. This firm pursued a work-it-out strategy despite low dependence on stakeholder critics. Here, I will briefly explore the lessons suggested by this anomaly.

In the mid-1990s, two documentaries were shown on European television that spotlighted the issue of child labor in the rug industry in South Asia. After IKEA was mentioned as one of several importers of hand-woven rugs from that region, activists held protests outside several IKEA stores. The company responded immediately by sending a legal team to Geneva to consult with the International Labor Organization about how to address the issue. It promptly adopted a clause in all supply contracts that stated that any supplier employing children under legal working age would be terminated immediately. The company also reached out to UNICEF and Save the Children, a child-advocacy NGO, for further guidance. After extensive discussions, IKEA decided to fund a community-development project in villages in the carpet belt in northern India, to be administered by UNICEF, providing alternative schools, community loans, and vaccinations as a proactive approach to avoiding the economic necessity for children to work. The company integrated child labor issues into its established supplier auditing programs, set up initially to track environmental compliance, and instituted regular reviews of its rug suppliers.

What is unusual about this case is that the company's very active response to the issue of child labor was so disproportional to the stakeholder criticism it attracted. What could possibly explain the causal arrow running from a couple of television documentaries and a few placard-carrying protestors to IKEA's decision to fund alternative schools in hundreds of villages in India? IKEA, following the beliefs of its founder Ingvar Kamprad, had a longstanding commitment to environmental and social responsibility. It already had a code of conduct for its suppliers (the IKEA Way on Purchasing Products, or IWAY), with an established compliance process. It also had a business area manager for carpets, Marianne Barner (later promoted to a newly created position of children's ombudsman), who happened to be deeply concerned about children's rights and took initiative on behalf of the company. The case writer noted, "[Barner] knew she had to protect not only her business but also the IKEA brand and image. Yet, she viewed her responsibility as broader than this: She felt the company should do something that would make a difference in the lives of children."[33]

IKEA's creative engagement with nonmarket stakeholders concerned about child welfare clearly went beyond what was necessary in order to respond to its critics, who seemingly had little leverage. The company's top managers believed, however, that addressing the issue of child labor was critically important because of its potential impact on its reputation with customers, suppliers, and employees. Thomas Bergmark, head of IKEA's social and environmental affairs department, told the case writer: "[Top management] has always been driven by cost savings. But… I never need to do any calculations to prove to [the founder and CEO] that the IWAY program [which included a ban on child labor] will pay off. They know it will. And at the end of the day, how we act will be reflected in how we are regarded in the market."[34] In the company's view, their proactive response to this issue had significantly enhanced its reputation. In short, IKEA came to the issue of child labor with a strong set of values, an institutional capacity to act, and managers with a personal commitment to finding solutions. This deviant case suggests that these organizational characteristics are also important determinants of strategy.

The Normative Dimension of Strategic Choice

Donaldson and Preston, in a comprehensive literature review, explain that stakeholder theory encompasses three disparate elements: descriptive, instrumental, and normative. *Descriptive* stakeholder theory observes empirically (and therefore helps us explain and predict) how managers interact with stakeholders. For example, scholars have examined the circumstances under which managers are likely to engage in stakeholder dialogue. *Instrumental* stakeholder theory argues that certain kind of stakeholder interactions work better, or less well, than others. For example, a large literature debates whether or not corporate social responsibility produces bottom line benefits for the firm. *Normative* stakeholder theory argues that some kinds of interactions with stakeholders are morally superior to others. Normative theories focus on the rights and obligations of management, as well as the fairness and justice of various courses of action. In Donaldson and Preston's view, the normative element is the "central core" of stakeholder theory.[35]

This article has offered both descriptive and instrumental arguments. I have provided a typology of management strategies in disputes with nonmarket stakeholders, suggesting that managerial action may be characterized as *waging a fight, withdrawing, waiting,* or *working it out.* I have also offered a set of propositions about which strategies managers are likely pursue—and which are likely to be effective—under a range of conditions of resource dependence, power, and dispute urgency. Managers seeking to resolve conflicts with nonmarket stakeholders will find it helpful to understand clearly their own objectives in the dispute, as well of those of their critics. They also need a clear-eyed view of their own sources of power (or lack of them), their dependencies on relevant stakeholders (and the power these dependencies gives these stakeholders relative to the firm), and the time-sensitivity of the issue at hand. This knowledge will provide insights into which strategy is most likely to prove effective.

A limitation of this research is that it does not address the normative question; that is, I have not attempted to suggest what managers *should* or *should not* do. Freeport Indonesia's strategy of paying paramilitary forces to keep down a restive native population might have worked, but was it the just thing to do? Endesa Chile eventually prevailed over the Pehuenche villagers and environmentalists, but would it have been better not to have dammed the Biobio River at all and to have sought other sources of electric power? Unocal made a great deal of money in Burma, but was the cost to local communities, and ultimately the company's reputation, too high? Scholars who have written compellingly about the normative dimension of business-stakeholder relations argue that the highest purpose of the firm is not to maximize returns to shareholders, but rather to *create value for all stakeholders.*[36] In order to address the moral rightness of managers' actions, we would need to know more about the ultimate impact of their strategic choices on the full range of affected stakeholders. Unfortunately, teaching cases—based, as they usually are, on interviews with managers, not stakeholders—are typically a poor source for such information. A more comprehensive theory than the one I have offered here would address not just when mangers are likely to adopt particular strategies in disputes with nonmarket stakeholders, and when these strategies are likely to be effective; it would it would also ask which strategies are just and fair to the stakeholders involved.

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14. Earlier, I defined shareholders as market stakeholders. Here, I make an exception and classify as nonmarket stakeholders religious activists (in this case, Mennonites) who acquire shares in a company for the purpose of advancing a moral agenda through the proxy voting mechanism. Such shareholders are sometimes referred to as social investors.
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