



Research Article

Stakeholder Considerations and Action Orientation among Managers in the Military

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Abstract- Regimented experience in the military is believed to train internal managers in the military to focus their attention on internal hierarchical orders with relatively lesser attention given to considerations of outside stakeholders. Data from 102 managers working in U.S. military were used to empirically test the impact of stakeholder considerations on action orientation. Findings show military managers' perceptions of stakeholders' impact their intentions to act. The study also found the perceived strength of the stakeholder attributes had a direct relationship to both intention to take action and timeliness of intended response. The paper concludes with implications for future research.

Keywords- Stakeholders; Military managers; Decision making; Action orientation; timeliness.

1. Introduction

The military does much more than fight the wars. Peacekeeping, warfighting training, drug interdiction, Olympic Games protection, forest fire fighting, fighting international piracy, hurricane aftermath management, international humanitarian crises management, Special Forces' assignments, etc. The military is known for its laser sharp focus on executing orders coming down the hierarchy. Military leaders simply get the job done. Military leaders focus on orders given, develop trust, direct effort, clarify objectives, inspire confidence, build teams, set the example, keep hope alive, and rationalize sacrifice (Ulmer, 1998). Wong et al. (2003) provide an extensive review of military leadership and emphasize that the military is undergoing substantial change with increased attention to external stakeholders. However, there is a dearth of empirical research that shows the shift toward consideration of external stakeholders among lower level managers in the military. Our study aims to fill this gap by investigating the impact of stakeholder considerations on action orientation among managers in the military.

2. Literature Review

How managers manage, particularly how and why they make decisions, has been a major focus of formal academic studies and commercial leadership and management texts since the inception of management science as a field of study (Avolio et.al, 2009). Despite this flood of guidance and more nuanced descriptions of leadership, many questions still remain, and academicians and business leaders continue to seek definitive answers.

Freeman (1984, p. 46) introduced the stakeholder concept as one method of exploring the issue of management decision making. Defining a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives," he proposed that successful firms were those that regularly considered their stakeholders during the strategic management process. Stimulated by Freeman's propositions, a new field of study emerged, one that strives to understand management in terms of the stakeholders. Initially, many researchers

concentrated on efforts to classify stakeholders into categories in order to develop an understanding of how the various categories influenced a firm (Friedman and Miles, 2006). Some researchers examined a stakeholder's power to influence firms in which that stakeholder had an interest. Others argued in favor of examining stakeholders in terms of how they are perceived as a foundation for their influence on firms (Mitchell, Agle, & Wood, 1997, pp. 856-868).

Mitchell, et al. (1997) proposed the degree to which managers give priority to competing stakeholder claims, which they called stakeholder salience (p. 854), is not a question of either perceived power or legitimacy acting alone. Instead, they argued that stakeholder salience is perceived by managers in terms of three stakeholder attributes: power, legitimacy, and urgency (pp. 853-868). Agle, Mitchell, and Sonensfeld (1999), working from the propositions made by Mitchell, et al. (1997), studied the primary proposition of Mitchell and his colleagues and found that stakeholder salience was "positively related to the cumulative number of stakeholder attributes – power, legitimacy, and urgency – perceived by managers to be present" (p. 873).

The study done by Agle, et al. (1999), examined the model Mitchell and his colleagues (1997) put forth at the CEO level, but did not examine managerial behavior at other levels. Although the study supported the salience propositions put forth by Mitchell, et al. (1997), and re-confirmed Freeman's (1984) concept that a traditional stakeholder-management structure existed, the researchers also noted "the strong possibility that there are other variables...that new theory must identify and relate" (Agle, et al., 1999, p. 521). In summary, past studies showed that stakeholder considerations impacted CEO level decision making but their effect on lower level managers was not investigated in the past.

The view that stakeholder oriented management and successful corporate performance go hand-in-hand has become commonplace in management literature (Donaldson & Preston, 1995, p. 65; Campbell, 2007). In the years since Freeman's 1984 work, there has been an increase in stakeholder models, theory, and empirical articles; however, even today, stakeholder research is viewed as "still in its infancy" (Winn, 2001, p. 133; Freeman et al., 2010) and a "relatively recent inclusion within mainstream research methods" (Simmons, Iles, & Yolles, 2002, p. 4). There continue to be numerous empirical and theoretical debates (Harrison & Freeman, 1999, p. 479) that have ranged from areas as small as some of the finer points of the

issues, such as the identity and degree of homogeneity of stakeholder groups (Jones, 1995; Berman, Wicks, Kotha, & Jones, 1999; Wang and Qian, 2011; Winn, 2001; Wolfe & Putler, 2002); through major questions about the appropriateness of various theories and research approaches (Cludts, 1999; Jones & Wicks, 1999; Litz, 1996; Rowley, 1997; Ruf, Muralidhar, Brown, Janney, & Paul, 2001; Matten and Crane, 2005); to direct challenges to the idea that stakeholder theory is even a valid theory (Hummels, 1998; Kochan & Rubenstein, 1997; Trevino & Weaver, 1999; Mayer et al., 2009; Resick et al., 2013).

Whether concept, approach, or theory, there seems to be agreement among nearly all researchers that the issue of stakeholders is one that warrants both theoretical discussion and empirical study. Initially, the development of stakeholder research concentrated on stakeholder analysis, mostly attempts to classify stakeholders into categories in order to develop an understanding of how stakeholders influenced firms (Rowley, 1997, p. 887). Some studies examined issues of power and legitimacy (Mitchell, et al., 1997, pp. 856-868). Researchers focused on what were considered the three basic steps of the stakeholder concept, (1) identification of stakeholder groups, (2) determination of stakeholder interests, and (3) evaluation of the type and level of stakeholder power, often referred to as salience of stakeholders which is a proxy measure for stakeholder considerations for decision making (Wolfe & Putler, 2002, p 65). That is, greater the salience of stakeholders, greater is the tendency to act to meet their claims. Significant empirical research on C-level executives in firms exists showing the impact of stakeholder considerations on decision makers (Walumbwa et al., 2008; Avolio et al., 2009; Van Dierendonck, 2011; Northouse, 2012). However, there is a dearth of empirical research on mid-level managers and especially managers in the military. That is the focus of our study.

Mitchell, et al. (1997, pp. 853-854) argued that decision makers assess stakeholder considerations in terms of their power over the business, legitimacy of their claims and urgency of the need to meet their claims. They referred to power, legitimacy, and urgency as stakeholder relationship attributes, and they proposed that stakeholders' importance to corporate managers was based upon the managers' perceptions of (1) the power of the stakeholder to influence a firm, (2) the moral legitimacy of the stakeholder claim, and (3) the urgency of the stakeholder issue (Mitchell et al., 1997; Trevino & Weaver, 1999, p. 223; Brown and Trevino, 2006; Van Wart, 2014). Furthermore, Winn

(2001) has suggested we should drop the a priori assumption of homogeneity among groups, arguing that stakeholders, even when bound by somewhat common interests, are not a single, homogenous entity. Hence there is a definite need to research the stakeholder theories across a wide variety of stakeholder groups. That is also the approach taken in our research methodology which examines 15 distinct stakeholder scenarios.

3. Research Questions and Hypotheses

This study proposed that a critical factor in managerial decision making is the manager's perception of whether or not any stakeholder (individual or group who has a stake in the business) is connected to the core business function(s) of their respective business unit. Specifically, stakeholder attributes (power, legitimacy, and urgency) would determine whether action by the decision maker would be taken to meet the claims of the stakeholder in question. Following hypotheses, stated as null hypotheses, emerge from the above research questions.

H₀₁: Perceived power of the stakeholder does not impact military manager's intention to take action.

H₀₂: Perceived legitimacy of the stakeholder does not impact military manager's intention to take action.

H₀₃: Perceived urgency of the stakeholder claims does not impact military manager's intention to take action.

3.1. Key Concepts in the Study

Stakeholder. This study builds on Freeman's (1984, p.46) definition of stakeholder, "any group or individual who can affect or is affected by the achievement of the organization's objectives", and made no attempt to question or further explore the issue of stakeholder identification. Military owned and operated businesses are not publicly held, therefore the stakeholder category of shareholders was not in play. In that the success of managers in these businesses was in large part based on customer satisfaction, this study focused primarily on the customer stakeholder category. Because of the traditional military, top-down chain-of-command organizational structure, the regulatory or governing stakeholder category was also examined to assess the impact these had on managerial perceptions and response.

Decision Making. Common among the accepted definitions of decision making is the concept of making a choice. In the course of this study, managers were requested to make several choices based on short scenarios, including choosing whether or not they

intended to act and how soon they would act to the situation depicted in the scenario.

Manager. In the context of this study, a manager was defined as the lowest person within the structure of a business who had the authority to implement the budget, to commit financial and other resources, and to set operating policy for his or her level within the specific unit. These managers were referred to as operating level managers or activity managers, with the business units they manage referred to as activities (AFI 34-262, 1999; Army Regulation 215-1, 1988; Bureau of Naval Personnel Instruction 1710.11C, 2001; & Marine Core Order (MCO) P1710.27A, 1995), or as store managers working with business units called stores (Defense Commissary Agency (DeCA) Policy Letter 500-3, 2001). While the size of the business units at this level varied slightly, the roles and responsibilities of the managers were relatively homogenous, increasing the potential for generalizing the findings of the study.

Power. Within the context of this study, power was defined as the perception of an individual or group's ability to influence a business, either positively or negatively. Power was measured from two perspectives, (1) the general perception of the ability to influence the success of the business, and (2) the managers' perceptions of the specific ability of the stakeholder to help or hurt the business.

Legitimacy. This attribute assessed perceptions of the presence and degree of any moral or legal claim on the attention of the managers. The research instrument was intentionally tailored to ask specifically about the presence or degree of these two facets without using the term "legitimacy" anywhere in the survey or the survey instructions. This was done to avoid confusion between the concepts of legitimacy as intended in this study and that of legitimate power, a topic taught in nearly all supervisory and management training programs.

Urgency. This study accepted Mitchell and colleagues' (1997, p. 867) definition of urgency as "the degree to which stakeholder claims call for immediate attention." This attribute was assessed by asking managers to identify the priority they would place on taking action.

4. Sample Selection and Data Collection

Managers in military Morale, Welfare, and Recreation (MWR) and in Defense Commissary Agency (DeCA) business units were surveyed. These managers, including U.S. military members and U.S.

civilian employees, managed business units that supported one of the largest overseas military complexes in the Department of Defense. An introductory letter explaining the purpose of the study, informed consent information, and a survey instrument designed for the study were provided to each manager (N=274) via the internal distribution system of the participating agencies. For the purposes of this study a manager was defined as the lowest person within the structure of a business unit who had the authority to determine budget, to commit financial and other resources, and to set policy for his or her level within the specific unit. Those individuals above that level who exercised broader authority and supervised these subordinate managers were specifically excluded from this study. Lower-level supervisors without the authority to determine budget, commit resources, or set policy for the business unit were also excluded from this study. The selected managers all were employed in MWR and DeCA business units that supported one of the largest overseas military complexes in the Department of Defense. The selected site hosted 9 major military installations and more than two dozen smaller camps, training sites, and other land areas restricted for use by the U.S. military in an area of 485 square miles, an area roughly the same size as Los Angeles (OPG, 2003; Purvis, 2001). The organizations were very interested in participating in this study, and agreed to encourage participation by their managers. This encouragement was deemed to be a major factor in the 37% response rate (102 completed responses out of 274 surveyed), an excellent return rate for a survey (Trochim, 2004).

4.1. Research Instrument

In the survey, managers were presented with a list of 15 scenarios, all of which applied to some part of the mission of the organizations involved, but may or may not have been related to the core business functions of the individual manager's respective business unit. Managers were instructed to view each of the scenarios from the perspective of their specific position within the organization, not from the perspective of the organization as a whole. For each scenario statement, managers were asked to answer the following questions along a 5-point Likert scale ranging from low to high.

- a) To what degree does this group influence your business?
- b) To what degree can this group hurt or help your business?
- c) To what degree does this group have any legal claim for your attention?

- d) To what degree does this group have any moral claim for your attention?
- e) In terms of priorities, how important is it for you to take action?
- f) In terms of timeliness of action, how soon will you respond to the above situation? The time ranged from "Never" to "today" with 7 days demarcation in the Likert scale.

In terms of validity, the final instrument was developed with the assistance of participants in a Civilian Supervisory Course attended by 23 managers, including 17 Air Force, and two each from the, the Marine Corps, Defense Commissary Agency (DeCA), and Army and Air Force Exchange Service (AAFES). The instrument was presented to the participants as an in-class exercise. This group identified that the original draft 35-scenario survey instrument was far too long. There were also some issues with understanding the instructions and the rating scale. As such, the in-class discussions focused on reducing the number of scenarios to 15, revising the wording of the questions, and making a composite rating scale.

A second group of 15 managers who had not previously been exposed to the survey tested the revised survey. Analysis of the data and post-survey discussions with participants revealed that the consolidated rating scale proposed by the first group caused an unnaturally high degree of interdependence among the attributes and called into question the validity of the instrument. As a result, the rating scales discussed above were developed and used. A list of the individuals who participated in the two pilot studies was provided to the participating agencies and these individuals were excluded from the final survey audience during distribution of the surveys.

5. Data Analysis and Results

The data collected from the final survey instrument were tested for reliability and were determined to be adequate with Chronbach's coefficient ranges of $\alpha = 0.86$ to 0.91 , as shown in Table 3.1. In general terms, anything in excess of $\alpha = 0.80$ is considered to be good, with those in excess of $\alpha = 0.90$ considered to be excellent (George and Mallery, 2001).

The stakeholder attribute of POWER was measured using two questions in each scenario. Question b asked, "To what degree does this group influence your business?" Question c asked, "To what degree can this group hurt or help your business?" To form the attribute of Power, the data was reduced to a single factor using factor analysis (Varimax with Eigenvalue =1). This weighted score was used in each of the 15

scenarios to test the research hypotheses. Following 15 scenarios, shown in Table 1 below, were presented for

Table 1. Description of 15 Scenarios for Data Collection

Scenario	Description of the stakeholder
1	A “secret shoppers” group wants to discuss the findings of their recent visit before submitting their report to the installation commander.
2	A college students’ group has complained about Internet search options
3	A dual-military couples’ support group wants to meet to discuss priority placement policies before next month’s major unit deployment.
4	A group dedicated to preventing drunk driving has requested a meeting to discuss ways to further deglamorize alcohol consumption.
5	A local handicraft group wants you to host a bazaar next quarter.
6	A member of the Joint Service Coordinating Committee wants inputs by the end of the month on reciprocal membership policies.
7	A Public Health official says the Hospital Commander is considering closing your operation for sanitation and health violations and wants to meet with you ASAP.
8	A racing club wants to sponsor an event.
9	A report from the head of the installation newcomers’ briefing indicates that newcomers are concerned about the lack of available information on your operation.
10	The senior installation Commander would like a complete report of your net income after depreciation (NIAD) within the next 72 hours.
11	A spouses’ group wants a briefing on employment opportunities.
12	A temporary duty aircrew wants to make special arrangements for the crew’s next trip
13	Representatives from both single enlisted and single officer groups have complained that you offer no programs for singles
14	Some Bingo players have filed a formal complaint to the base inspector general concerning illegal payoff practices
15	The base athletic council has requested an audience to discuss plans for bottled water for the upcoming Special Olympics.

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Presence of Power and Taking Action

Table 2. Results of Regression Analysis Between Presence of Power^a and Taking Action^b

Scenario	Beta	R ²	Adjusted R ²	F ^c	Significance
01	.621	.385	.379	62.723	.000
02	.667	.446	.440	80.347	.000
03	.608	.370	.363	58.663	.000
04	.686	.471	.466	89.014	.000
05	.749	.561	.556	127.714	.000
06	.648	.420	.415	72.533	.000
07	.724	.524	.519	109.969	.000
08	.647	.418	.412	71.836	.000
09	.446	.199	.191	24.860	.000
10	.630	.397	.391	65.950	.000
11	.563	.317	.310	46.356	.000
12	.634	.402	.396	67.354	.000
13	.594	.353	.347	54.580	.000
14	.958	.918	.917	1115.196	.000
15	.719	.517	.512	107.172	.000

^a The stakeholder attribute of POWER was measured using two questions in each scenario. Question b asked, “To what degree does this group influence your business?” Question c asked, “To what degree can this group hurt or help your business?” To form the attribute of Power, the data was reduced to a single factor using factor analysis (Varimax with Eigenvalue =1) on the normalized versions of questions b and c and the weighted score saved as a new variable. This was then recoded into a present/not present dichotomy using the mean (0.0) as the threshold (Agle and Mitchell, 1997, P. 370). Any response equal to or less than the mean was coded as Not Present (0) and anything above the mean was coded as Present (1).

^b Scores based on normalized version of Question g (In terms of timeliness of action, how soon will you respond to the above situation?) Take No Action was defined to be any Z score less than or equal to the mean (0.0); Take Action was defined to be any Z score above the mean.

^c df = 1, 100

Pearson’s R (Beta) in Table 2 ranged from 0.446 to 0.958 with very small differences between R² and Adjusted R² and all findings are significant at $p < .01$. The analysis shows a direct, positive, and significant relationship between the presence of the stakeholder attribute of power and taking action. Thus, H₀₁ is rejected.

Presence of Legitimacy and Taking Action

Table 3. Results of Regression Analysis Between Presence of Legitimacy^a and Taking Action^b

Scenario	Beta	R ²	Adjusted R ²	F ^c	Significance
01	.353	.125	.116	14.221	.000
02	.538	.289	.282	40.713	.000
03	.579	.335	.328	50.318	.000
04	.759	.576	.571	135.699	.000
05	.600	.360	.354	56.355	.000
06	.709	.503	.498	101.250	.000
07	.606	.367	.360	57.895	.000
08	.634	.402	.396	67.312	.000
09	.450	.202	.194	25.387	.000
10	.717	.515	.510	106.014	.000
11	.489	.240	.232	31.496	.000
12	.563	.317	.310	46.356	.000
13	.414	.171	.163	20.678	.000
14	.917	.840	.839	525.735	.000
15	.613	.376	.370	60.285	.000

^a The stakeholder attribute of LEGITIMACY was measured using two questions in each scenario. Question d asked, “To what degree does this group have any legal claim for your attention?” Question e asked, “To what degree does this group have any moral claim for your attention?” To form the attribute of Power, the data was reduced to a single factor using factor analysis (Varimax with Eigenvalue =1) on the normalized versions of questions d and e and the weighted score saved as a new variable. This was then recoded into a present/not present dichotomy using the mean (0.0) as the threshold (Agle and Mitchell, 1997, P. 370). Any response equal to or less than the mean was coded as Not Present (0) and anything above the mean was coded as Present (1).

^b Scores based on normalized version of Question g (In terms of timeliness of action, how soon will you respond to the above situation?) Take No Action was defined to be any Z score less than or equal to the mean

(0.0); Take Action was defined to be any Z score above the mean.

^c df = 1, 100

As shown in Table 3, F values ranged from 14.221 to 525.735 and Pearson’s R (Beta) ranged from 0.353 to 0.917 with very small differences between R² and Adjusted R². All findings are significant at $p < .01$. The analysis shows a direct, positive, and significant relationship between the presence of the stakeholder attribute of legitimacy and taking action. Thus, H₀₂ is rejected.

Presence of Urgency and Taking Action

Table 4. Results of Regression Analysis Between Presence of Urgency^a and Taking Action^b

Scenario	Beta	R ²	Adjusted R ²	F ^c	Significance
01	.680	.462	.457	85.900	.000
02	.698	.488	.482	95.156	.000
03	.813	.662	.658	195.498	.000
04	.719	.517	.512	107.172	.000
05	.714	.510	.505	103.954	.000
06	.788	.621	.617	163.934	.000
07	.853	.727	.725	266.667	.000
08	.688	.474	.468	89.963	.000
09	.681	.463	.458	86.275	.000
10	.706	.499	.494	99.432	.000
11	.481	.231	.223	30.046	.000
12	.550	.303	.296	43.441	.000
13	.621	.386	.380	62.906	.000
14	.979	.958	.958	2294.118	.000
15	.806	.650	.647	189.951	.000

^a The stakeholder attribute of URGENCY was measured using one question in each scenario. Question f asked, “In terms of priorities, how important is it for you to take action?” To form the attribute of Urgency, the normalized data for question f was used and was recoded into a present/not present dichotomy using the mean (0.0) as the threshold (Agle and Mitchell, 1997, P. 370). Any response equal to or less than the mean was coded as Not Present (0) and anything above the mean was coded as Present (1).

^b Scores based on normalized version of Question g (In terms of timeliness of action, how soon will you respond to the above situation?) Take No Action was defined to be any Z score less than or equal to the mean (0.0); Take Action was defined to be any Z score above the mean.

^c df = 1, 100

As shown in Table 4, Pearson’s R (Beta) ranged from 0.481 to 0.979 with very small differences between R² and Adjusted R². F values ranged from 30.046 to 2294.118. All findings were significant, $p < .01$. The analysis shows a positive and significant relationship between the presence of the stakeholder attribute urgency and taking action. Thus, H₀₃ is rejected.

One suggestion for dealing with multicollinearity is to run an ANCOVA (Analysis of Covariance) in which Multiple Regression partial correlation coefficients are calculated holding constant the effects of the other variables. In running this analysis, for each scenario the dependent variable was the dichotomy, Take Action vs. Do Not Take Action. The 3 covariates were the Power, Legitimacy, and Urgency for the respective scenarios. Table 5 below shows a direct, positive, and significant additive relationship between the perceived presence of the stakeholder attributes of power (0.245), legitimacy (0.165), and urgency (0.572) and taking action.

Table 5. t-test on the t-scores from Analysis of Covariance (ANCOVA): Parameter Estimates on the Relationship Between Presence of Attributes of Power, Legitimacy and Urgency and Taking Action

Attributes	Test Value = 0			
	B	t	df	Sig. (2-tailed)
Power	0.245	4.459	14	.001
Legitimacy	0.165	3.689	14	.002
Urgency	0.572	6.581	14	.000

6. Discussion

Our findings for managers in military concur with the proposal by Mitchell, et al. (1997) that there appears to be a direct, positive, and significant relationship between managers’ perceptions of the presence of the stakeholder attributes of power, legitimacy, and urgency managers’ intention to take action.

For future research we suggest replicating the study in a broader audience while still remaining in the MWR and DeCA realm. This would help assess the reliability of the instrument and give a better understanding of the generalizability of the findings. Even with the proposed revisions to the instrument, the remainder of the survey elements would remain the same, so the reliability of those parts and the overall survey could be

assessed. Remaining within the MWR and DeCA realm would assist in assessing reliability and would allow for broader generalization.

In order to gain the cooperation of the participating agencies for this study, it was necessary to preclude all demographic data except for generic identification of the business unit. Future studies should incorporate additional demographic information, thereby allowing for additional analysis and the opportunity to examine other factors that may impact on the issues of response and timeliness of response.

Because Agle, et al. (1999) used a different survey instrument, it would also be interesting to see if using their instrument with the same target audience of operating level managers would produce results similar to those in this study. It would also allow for further exploration of the multicollinearity issues discovered.

Implications

For many of the managers who participated in the study, this was their first introduction to the stakeholder concept. It is probably safe to assume that this lack of awareness among managers is not limited only to this population. There is evidence that the concept of serving all stakeholders has been under attack in the last decade and that many financial advisors actively argued against serving all in favor of focusing on shareholders (Clapp-Smith, 2009). This study may contribute to bringing more attention to stakeholder issues overall and in managerial training programs, human resource management policy development, and operating level management practices and policies.

This study was prompted by the proposals put forth by Mitchell, et al. (1997) and a study by Agle, et al. (1999) that examined those proposals, but it is the first study to examine several additional facets, including using lower level of managers in military, assessing perceptions of connection to business, assessing the impact of the perceived strength of the attributes, and assessing the relationship between the stakeholder attributes and the timeliness of taking action. While imperfect in many ways, the study should contribute to the existing body of knowledge by adding these factors to the stakeholder discussion.

In addition to contributing to the existing body of knowledge, these findings may generate new or additional debate about the stakeholder concept in general and about the narrower concept of stakeholder attributes. Our research on managers in military stimulates future research to validate stakeholder theories in other segments of society.

7. Conclusion

Our empirical research demonstrates that managers in military, despite their regimented experiences in the military, are strategic thinkers who are sensitive to the considerations of stakeholders other than the legitimate internal hierarchies. Rightly, the action orientation of managers in military is shaped by multiple stakeholder considerations.

Acknowledgements

Authors acknowledge research support from School of Advanced Studies, University of Phoenix in publishing this empirical research.

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