Stakeholder Risk Management in Ethical Decision Making – an Organic Model

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Abstract

Stakeholder management has for the last three decades been concerned either with strategic business management or business ethics, values and quality. Many models have been developed, but recently the literature asks for more dynamic models instead of the staticism that characterizes some models. This paper offers an ‘Organic Stakeholder Model’ based on decision making theory, risk assessment and adaption to a rapidly changing world combined with appropriate stakeholder theory for ethical purposes in decision making processes in businesses. The ‘Organic Stakeholder Model’ is based on empirical evidence from hybrid organizations as Publicly Owned Enterprises (POEs) mixed of private corporations and political administration. The model offers a new way of combining risk management with ethical decision making processes by the inclusion of multiple stakeholders. Not only does the model apply to these kinds of hybrid organizations, but it is easily adopted and tested for other private business models too. The findings and the conceptualization of the model enhances business ethics in decision making by managing and balancing stakeholder concerns with the same concerns as the traditional risk management models does – for the sake of the wider social responsibilities of the businesses and its stakeholders.

Keywords: Stakeholder Management, Organic Systems, Business Ethics, Decision Making and ‘Time’/'Cost' variables.

Introduction

Stakeholder theory has been arguing for the betterness of the world and the applicability of business ethics, moral values and qualities for more than three decades since the coined terms of R. Edward Freeman in 1984, Strategic Management: A Stakeholder Approach (Freeman 1984). A vast literature of many theoretical and
empirical analyzes have been done and conceptualizing theories supporting the very first theory of Freeman for researchers to understand what stakeholder theory is all about and normatively what it has to be concerned about in practice of managers in all kinds of businesses and administrations of organizations. This paper is designed to contribute to this literature in designing a model meeting the needs of stakeholder management theories to adapt to a more organic view of stakeholder management and to overcome the staticity of stakeholder models (Fassin 2010) in order to meet the complexities and irrationalities of the world and business arenas we deal with in organizations when dealing with multiple stakeholders. First, the paper reviews very shortly the most relevant stakeholder theory and -models supporting the proposed model, and thereafter presents ideas of the literature of organic versus mechanistic structures in organization (Burns and Stalker 1961) as well as the ideas of risk management and decision making in complex organizations with multiple actors and stakeholders (March 1994) – more precisely the ‘Garbage Can’ model of decision making (Cohen, March and Olsen 1972). From these theoretical insights from Burns and Stalker’s especially ‘organic’ structures (Burns and Stalker 1961) combined with Cohen et al.’s ‘Garbage Can’ model of decision making (Cohen et al. 1972) and March ideas of organizational theory (March 1994) combined I derive my ‘Organic Stakeholder Model’ assessed with March’s risk management – in this context stakeholder risks assessment – and not the classical – risk management seen from the perspective of the business itself and how businesses can elaborate their stakeholder relationships and stakeholder management, but seen from the stakeholder perspective. This implicates, that the model initially reverses the objectives for stakeholder management in the traditional way, and instead takes the view of ‘the other’ – as George Herbert Mead put it (Cook 1993) – and tries to view risk management from the viewpoint of the stakeholders in order to accomplish decision making, that reduces risks for stakeholders and eventually for the business itself. Risks are sometimes seen by rational decision makers as something that we should “do-away” with (March 1994) which sometimes is impossible – then, when reversing the viewpoint of ‘for whom’ and ‘what’ are businesses operating, by seeing risk management as ‘for stakeholders’ and implicitly ‘for us’ the management of risks reveals more knowledge about uncertainties just by stretching the network of knowers by including stakeholders in the process of decision making. As March points out – it is
impossible to know everything relevant prior to decision making, and irrationalities are
certain kinds of unmanageable entities as well as knowledge-consumption that is
cognitively limited by the participants in the known setting – so when trying to reduce
risks that we know of either by experiences of our self or of others, we still have a range
of unknowable risks, that we experience only by the outcomes of decision making –
meaning retrospectively (March 1994, Weick 1995). So what do managers do? They
enhance knowledgeability, they bring in more and more knowledge in order to
‘rationally’ reduce risks and uncertainties till the point where cognitive limits of
information capabilities reaches a point where known knowledge is no longer used,
experiences are forgotten and rational choices can become irrational in the aftermath of
sensemaking of the outcome of the decision making (March 1994). We only know if we
made a good decision after we have implemented it – as Weick says: “How do I know
what I think till I see what I say?” (Weick 1979). No risk model has yet proven to be “safe”
enough. We can only learn and learn by others in order to be able by our limited
rationality to 'estimate' rational choices without lulling ourselves into the idea of risk-
avoidance and risk-elimination, March points out (March 1994). And this involves risk-
taking.

Choosing this deliberate view of the stakeholder involves the environment or society in
risk management of business decision making. I will show from the empirical evidence,
which comes after the theoretical review, that this 'ethical turn' can create a business
case with mutual benefits that promotes and assists the decision maker even more than
classical risk management seen from a self-fulfillment perspective eventually. It cannot
eliminate risks and it cannot “do-away” with uncertainties. But it will build a consensus
of prioritizing risks in a broader view and eventually reduce the risk-taking of both
businesses and stakeholders. From here I draw analytically conceptual points to build
the 'Organic Stakeholder Model’ and show how stakeholder risk management for ethical
decision making can deliver a business case out of business ethics or corporate social
responsibilities, which mutually consists of certain amounts of philanthropy and
altruism combined with mutual benefits for both the environment and businesses – a
socalled durable model (Aras and Crowther 2009). The methodology of the research and
the becoming of the model are described in the next.
Methodology

The ‘Organic Stakeholder Model’ is inducted by participant-observations done in hybrid organizations of Danish water companies from 2004 – 2011, where I was working first as a practitioner from 2004 - 2010 and afterwards conducted ongoing and retrospective research in my prior projects and ongoing case-studies I observed (as an outsider) in respectively a large and medium-sized water company. The projects in which stakeholder involvement was intense and multi-perspective contained following construction projects:

<table>
<thead>
<tr>
<th>Project name and locality</th>
<th>Project description</th>
<th>Project type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Stormwater pipe basin in Odense Habour</td>
<td>3 km pipeline basin of 11,000 m³ water installed under a protected and 300 years old cultural heritage forest to reduce contaminations through discharges to scarce water bodies</td>
<td>Mega-project with multiple stakeholders</td>
</tr>
<tr>
<td>2) Stormwater pipe basin in Dalum/Odense</td>
<td>1,5 km pipeline basin of 4,000 m³ water installed under a protected forest to reduce contaminations through discharges to a protected river</td>
<td>Mega-project with multiple stakeholders</td>
</tr>
<tr>
<td>3) Stormwater basin in Sanderum/Odense</td>
<td>A natural stormwater basin installed in an urban area where repeatedly overflow of stormwater destroyed 9 houses under extreme rain events. 7 out of 9 houses were bought and removed for the optimal replacement of the stormwater basin</td>
<td>Controversial project. Happy ending of a seemingly unsolvable problem by untraditional but legal methods</td>
</tr>
<tr>
<td>4) Energy/additives reduction in WWTPs in Svendborg</td>
<td>Implementation of a new IT-system of online-measuring in 3 wastewater treatment plants (WWTP) for energy- and additive reduction and total rearrangements of control-systems to operate the WWTPs</td>
<td>Change-project. The adaption of a new operation style.</td>
</tr>
<tr>
<td>5) Energy reduction of distribution of freshwater in Svendborg</td>
<td>Experimental project of reducing pressures in freshwater pipelines and pumping stations for better and more consistent water delivery and energy-efficient outcome</td>
<td>Experimental project with a surprising outcome.</td>
</tr>
<tr>
<td>6) Construction of a new 500 m² building in Svendborg</td>
<td>A traditionally construction of a building but inclusion of a total substitution of fossil energy for “green energy” – a project that had strong evidence of sustainability but also the traditionally building failures resulting in a stakeholder riot before problems were solved.</td>
<td>Controversial project. A success with many failures and stakeholder riots during the process.</td>
</tr>
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| Table 1 |
The above projects in Table 1 are described in detail in the chapter of empirical evidence as are the concepts and categories for the projects (mega-projects, controversial, experimental and change).

The research methodology used in the above case studies was made as qualitative studies of participant observations, interviews and document studies during and ex post the realization of the projects. My role as participant observer was in all cases except from case 5) to be one out of several decision makers, which gave me the opportunity to observe while negotiating with other managers such as top managers, project managers, employees and various outside-organization stakeholders such as regulators, authorities, neighbours, unions, property owners, land owners, NGOs, shopkeepers, advocates, schools, road users, workers, citizens and many more. The cases no. 1) – 2) had multiple (> 100) stakeholders while stakeholders in case 3), 4) and 5) were limited but very intense, but in case 6) I had the experience to be a project manager among several (> 50) and nearby stakeholders of the organization of the water company, who ordered the building sitting in the same office of those stakeholders, since they were my colleagues and chiefs executives. This project were the first project, I had as project manager, where the majority of stakeholders constantly (meaning every day) claimed legitimacy for their claim during the whole construction period in contrast to the other projects, where stakeholders were more absent and only present from time to time in times of relevance. Case 5) had some of the same features since all stakeholders were the employees and the operation manager – all my colleagues, though they were physically present in another building than the one, I was working from. Here, my role was substituted with the operation manager, who during the project of installation of a new IT-system had to rearrange all operations at the 3 wastewater treatment plants while he was surrounded with a majority of stakeholders – his employees.

The observations and documentation of all projects contains a vast amount of documents consisting of written emails, reports, minutes, press material, books and videos and written notes, - in some of the cases thousands of pages - while interviews have been few and limited to only case 4) and 5), where I made in-depth interviews with the operation manager and project managers in charge of these projects. On the basis of
this the assumptions of conceptualization the ‘Organic Stakeholder Model’ will be proposed.

The qualitative work of mine takes its departure in a constructivist paradigm on the basis of symbolic interactionism from a viewpoint of how humans make sense of decision making and understands the meaning of it retrospectively ex post situationalization (Weick 1995). This perspective is more elaborated in the chapter of theory and combines very well with the chosen perspectives of both ‘organic structures’ (Burns and Stalker 1961) as well as the theory of limited rationality and the ‘garbage can’ model of decision making (Cohen et al 1972) and risk-management (March 1994).

Before continuing to the theoretical review and conceptualization, I will dedicate a small amount of the story to the contextual setting of the hybrid organizations of Danish water companies.

**Organization setting**

The organizational setting of the hybrid organizations of Danish water companies is mixed of the settings of private companies and public administrations. In this term ‘hybrid’ should be understood in the organizational structure, which is explained next. The structure of the hybrid organizations has deep connections to the privatization of public service administration, that has taken place more or less world wide. In this respect, the structure of hybrid organization of publicly owned enterprises (POEs) looks a lot like we know the structures from state owned enterprises (Lauesen 2011). The Danish water companies are constructed as a private limited liability and the municipality solely holds all shares in these specific cases. Some state owned enterprises have been privatized fully and been listed on the stock exchanges, and the shares that the state owns varies from company to company. This is not the case in the POEs of the water companies in Denmark. The company shares are not listed but formally owned by the municipality. In many companies the board members and the Chairman are typically held by local politicians pointed out by the City Council (Lauesen 2011). Since the companies core activities has not changed, and the municipality eventually is responsible for the delivery of water and wastewater services, the hybrid of former
public administration perpetuates the companies activities at the same time as the managerial ‘freedom to act’ has changed the decision-making paths. Decisions have been translated into the New Public Management system of ‘limited freedom’ surrounded by a vast amount of new legislational acts and a new regime of regulation according to the Water Sector Law. But inside the law and regulation – which yields both juridically and economic limitations – the managerial ‘freedom-to-act’ is present, and from here the structure is very similar to private businesses. We will see from the chosen cases examples of how this hybrid structure of POEs forms a new kind of ethical decision making – mainly from the way that these organizations are constructed, the limitations of ‘freedom-to-act’ and inside this ‘blackbox’ (Latour and Woolgar 1986), how social, environmental and ethical concerns formally and informally thrives.

**Literature review of stakeholder theory**

Stakeholder theory was originally developed in connection to strategic management, but have increasing become a matter of how to assess business ethics into actions of social matters. The “father” of stakeholder-theory R. E. Freeman (1984) (Crane & Matten 2007) has made modern management emphasize the importance of investing in the relationships with those, who have a stake in the firm. He has inspired stakeholder theorists ever since to either supplement his model (e.g. Donaldson & Preston 1995), develop it (Mitchell et al. (1997); Wartick & Wood (1998); Wood et al. 2008; Fassin 2009) or make new stakeholder concepts and -perspectives (Rowley 1997; Jensen 2002).

Mitchell et al. (1997) as well as Wartick & Wood (1998) brings in the importance of ‘power’ in relation to stakeholders and how much stakeholders matter to the Freemanian stakeholder theory. They perceive that the importance or salience of the stakeholders depends on; Power, Legitimacy and Urgency. Stakeholders are holding three types of powers (Wartick & Wood 1998): Formal (shareholders, directors), economic (employees, customers, suppliers, creditors) and political power (pressure groups, activists, governments and the community)(cited in King 2000). Wartick & Wood recognize that some stakeholders have multiple power bases (King 2000), which is also seen in the case of key stakeholders in POEs (Lauesen 2011).
Fassin (2009) modernizes the Freemanian Stakeholder-models (Freeman 1984; Mitchell et al. 1997, Wartick & Wood 1998) and calls his innovative model a “Stake Model”. He defines three types of stakes: The stakeholder who holds a stake (i.e. stockholder, owner), the stakewatcher who watches the stake (i.e. pressure groups) and the stakekeeper (i.e. regulators) who keeps the stake (Fassin 2009). This stakeholder-approach to CSR has some special benefits compared to the traditional stakeholder-models standing alone: 1) It (still) contains the typology of Mitchell et al. (1997)-definition of the stakeholder (Power, Legitimacy and Urgency as well as three types of power; Formal, Economical and Political power) but in a new mix that accepts stakeholders having different roles and not always as “real stakes”, i.e. regulatory control (Fassin 2009). 2) It acknowledges the Freemanian cognitive power between stakeholders that binds them together (Fassin 2009).

Fassin sketches his model, which is - like Rowley’s (1997) - inspired of social network analysis (SNA), but – unlike Rowley – illustrated not only by ties (relationships) and knots (actors) (Freeman 2006) but also by circles interacting in each other (Fassin 2009). The left side is Fassin’s stakeholder-relation 3D-chart (Figure 1) and the right side is refined for the stakeholders of the firm seen in a 2D version (Figure 2):

This model is illustrated visually with the traditionally SNA-parameters shown directly (actors, ties, connections, closeness, bridges, centrality etc.) and thoroughly adapting
these parameters into a sketching instead of depending only on a traditional SNA-linguistic explanatory frame which claims for a discursive interpretation. This lies implicitly in the visuality of the model (Fassin 2009). Lately Fassin has commented his own model and asked for the necessity of the inclusion of a more dynamic view of stakeholder relationship, since the “(s)takeholder literature has acknowledged the need to complement the extant theory on stakeholder management by more dynamic perspectives” (Fassin 2010, p. 39). Fassin addresses this task by including another category borrowed from Holzer (2008) supplementing his former categorization of stakeholder-types, namely the introduction of Holze’s definition of the stakeseekers who are characterized “by (the) role of ... various forms of activism, from shareholders, NGOs and government, in the stakeholder mobilisation process (and)... how stakewatchers and stakeseekers can profoundly affect stakeholder salience, especially in crises.” (Ibid.). Fassin concludes that the “activist salience increases in crises, when management’s decisions do not sufficiently take into consideration stakeholders interests” (Fassin 2010, p. 48) and that this dynamism is clear by using graphical means to analyze stakeholder influence or -salience. The problem with single, static models are, that they counterstrike their own intentions, which Fassin shows by his various cases. A single model cannot predict dynamism in real life by using a static visual model anyway. The dynamic, that Fassin wants to show – and for that purpose it really needed a dynamic medium such as a flashing and moving medium such as a screen to be able to show it - how the model “moves” and what is meant by the dynamism, that he demands from his model.

In the very same sense, Freeman (2010) have departed from the visualization of stakeholder relationships in their recap of the 1984 book Strategic Management: A Stakeholder Approach, which were revised in 2010. Freeman uses the proper language of the text that he presents, and wants to show in pure wording “who and what really counts” (Freeman 1984, 2010). To understand that complex matters, such as the examples of Fassin’s (2010) as well as in general (Freeman 2010), this paper acknowledges the various concepts addressed in this literature review, but tries to show from another angle how dynamism might be captured in and ‘organic’ way, that has the same limitations as Fassins (2010) model when illustrating in a ‘static’ text, but in the same sense as other theorists, it tries to compensate by claiming that the model offers
no static illustrative model that can encompass all or even similar cases, but it offers a mindset of the concept of ‘ethics’ addressed by Freeman (2010) but attached with two dependent variables, that determines the outcome of ‘ethics’ in decision making by the involvement of various stakeholders – determinant or others less determinant.

**Theory of ’Organic structures’ and ’Garbage Can’ decision-making.**

This theorybuilding for the ‘Organic Stakeholder Model’ involves ideas from Burns and Stalker’s definitions of ‘organic structures’ in organizations (Burns and Stalker 1961) – a structure I will argue from the empirical evidence is present when dealing with stakeholders more than traditional ‘mechanic structures’, which many stakeholder models assume. I will argue, that decision making in organizations are tied to stakeholder relationships in these types of hybrid organizations, and that these ideas can and will be used in many kinds of organizations – purposefully or unconsciously. In this respect I draw my ideas from Cohen, March and Olsen (1972) of their ‘Garbage Can Model’ of decision making, and also the elaboration of these ideas as expressed by March in ‘A Primer on Decision Making’ (March 1994), where he elaborates these ideas into organizational management in general. The basic of combining these ideas is not foreign for either of the theorists, since the glue of observations all have done is based on the way that Weick later on described as ‘sensemaking’ (Weick 1995), which March also refers to and Burns and Stalker (1961) used unconsciously in their observations and interviews with actors in companies. I will shortly review the main features on the three theories before describing my ‘Organic Stakeholder Model’, which is substantiated with these theoretical ideas.

**’Organic structures’ (Burns and Stalkers (1961) definitions)**

Tom Burns and G. M. Stalker (1961) did a study of 20 different industrial organizations finding themselves in an environment of continually change in both market situation and technical information and thereby struggling with tasks that constantly were new and unfamiliar, and how these organizations tried to stabilize this fuzzyness into operational and practiceable conditions (p. vii). They categorized and compared managerial systems as either ‘mechanistic’ or ‘organic’. With ‘management’ is
understood “directing, coordinating and controlling the operations of a working community” (p. 13). ‘Mechanistic’ systems were found in traditional bureaucracies defined by the functions, methods, responsibilities and powers in a highly structured organization with clear boundaries such as vertical hierarchies, clear duties and procedures to proceede the task necessary (Ibid., Weber year). ‘Organic’ systems were found in organizations and defined by interactions happening in both lateral and vertical levels in the organizational structure rather than vertical command systems as in the traditional bureaucracy (Burns and Stalker 1961, p. 5). ‘Organic’ systems are as well as the bureaucracy ’stratified’, but not hierarchical in the same way (p. 122). Their conclusions were, that ‘organic’ systems adapt better to unstable conditions (p. 11) because “problems and requirements for action arise which cannot be broken down and distributed among specialist roles within a clearly defined hierarchy” (p. 8). "The individuals have to perform their special tasks in the light of their knowledge of the tasks of the firm as a whole” (Ibid.) and knowledge to adapt to the changing conditions have to be sought and negotiated in all levels of the company in order for the company to survive in a competitive and rapidly changing environment (p. 11). Change is understood both related to the use of technology and the performance and interaction among individuals in the organizations. And in order to make changes both in choices of adaptive and most efficient technology for the tasks as well as the change in human interactions with each other and with the technology, the amount of knowledge and how this is found, decided applicable, implemented and stored as memory in these organizations is no longer hierarchical determinant, but multilayered inside and outside the organizations. Burns and Stalker found that no single set of principle could be said to be of ‘good organization’ or ‘ideal type’ of management system or administrative practice generally, but that ‘mechanistic’ systems are well adapted under stable conditions, where ‘organic’ systems were best suited for the adaption to rapid environmental changes (p. viii + 11).

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

'Garbage Can Model' of decision making (Cohen, March and Olsen (1972) model)
The 'organic' management system, as Burns and Stalker (1961) describes it as the most adaptive management system for changing environments, leads us to examine how decisions are made under conditions that continually are changing in the way of everyday practice. For this purpose the 'Garbage Can Model' explained by Michael D. Cohen, James G. March and Johan P. Olsen (1972) is very relevant. Cohen et al. describes organizations characterized by problematic preferences, unclear technology and fluid participation as 'organized anarchies' and found by computer simulations of 324 examples on how decisions are made in these fluxes of uncertainties with a metaphor like the 'garbage can'. These definitions will be presented in the next to understand exactly what is meant by the categories and the model of 'garbage can' and how these ideas can be linked to the 'organic' system of management explained earlier.
The 'organized anarchy' is not a definition, that Cohen et al. characterizes a whole institution or organization with, but any organization can be characterized as such "in part – or part of the time" (p. 1). The process occurs precisely when the preconditions of more normal rational models are not met (p. 16).

Cohen et al. defines the first premise 'problematic preferences' as general for the 'anarchistic' organization operating in changing environments, because no preferences are stable enough at any span of time from decision making to implementation or action upon the preferences. They argue that “(t)he organization operates on the basis of a variety of inconsistent and ill-defined preferences. It can be described better as a loose collection of ideas than as a coherent structure; it discovers preferences through action more than it acts on the basis of preferences” (p. 1). The
second premise ‘unclear technology’ is understood in a way that members of the organization exposed to changes does not fully understand the (new) technology it uses, and therefore it operates “on simple trial-and-error procedures, the residue of learning from past experience, and pragmatic inventions of necessity” (Ibid.). Because how should individuals be able to consume the rapid changes of environment and technology when time is a limitation to knowledge and experience gathering, we could ask ourselves? If we acknowledge that knowledge-building takes time, and maybe technology has to change more rapidly than the consumption of knowledge about it – which we know from some IT-systems, where we did not get to use it very well before the system was changed to another novel system – the trial-and-error seems rapid enough to make us understand what we are to do about it if the risk of new changes are overhanging. The third premise is ‘fluid participation’, which Cohen et al. defines as participants and their involvement and effort vary over time which makes the boundaries of the organization uncertain and changing, which also means, that decision makers and audience may change as rapidly as everybody else (p. 1).

To premises, that also characterizes the 'anarchistic organization' is ‘goal ambiguity’ meaning “the manner in which organizations make choices without consistent, shared goals” and ‘actor attention’ meaning “how occasional members become active and how attention is directed toward, or away from, a decision” which Cohen et al. finds in every complex organization (p. 1-2). The classical citation of the results of the decision making process in 'organizational anarchies' speaks for itself, and this quote is one of the most used in decision making theory ever since its presentation (masser af referencer):

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

The above changes the focus of meaning of choices and how this changes over time (p. 2). This emphasis of ‘timing’ and ‘time-pattern’ and linked with ‘energy’, which I understand as how much ‘quality’ and ‘value’ for ‘whom’ and ‘what’, as Cohen et al. suggest will become crucial in decision making (Ibid.). The definition of the ‘garbage can’ is a metaphor for and linked to the ‘opportunities of choices' in which different problems and solutions are mixed un-structured, found relevant and non-relevant, in the timing of
their appearance in the setting of time during the process, and loosely coupled by the attention of participants acting fluidly and non-coherent during the whole process of decision making (Ibid.). This makes organizational decision making dependent on a "relatively complicated interplay among the generation of problems in an organization, the deployment of personnel, the production of solutions, and the opportunities for choice." (p. 2). Cohen et al. defines the way decision making is done under these premises in four streams: A stream of 1) choices, 2) problems, 3) solutions and 4) energy allocated. All streams depends more or less on 'entry time' (calendar time), 'decision structure' (who is allocate to make decisions), 'energy requirement' (how difficult is it, how many ressources must we activate, what implications or harm is there) and 'access structure' (a list of choices to which the problem can be assessed). These streams are tested in the computer simulation of 324 examples, which leads Cohen et al. following findings of decision making processes in 'organized anarchies' in three ways:

1) Resolution: Some choices solve some problems after an amount of time of working with them.

2) Oversight: If new choices become available for problems, that may be connected to other choices, and this new choice limits the time and energy to solve the problem, it is chosen.

3) Flight: A more attractive choice come along after some time working with the problem and other choices, then the problem leaves the other choices and attaches to the new one because of the appearant attractiveness of outcome.

Cohen et al. then finds an interesting connection from their simulations. 'Resolution' is not the most common decision making style, though many problems are sought to be solved in this manner from the beginning. 'Oversight' and 'Flight' are more common in the process in general (p. 9). The process is also found very sensitive to variations in energy-load. If energy-load is heavy, then problem activity and decision making activity are increased, and the decision making gets more difficult, which leads to the choice characterized from 'oversight' and 'flight' and much time is spent while problems are not solved thouroughly or eliminated entirely (Ibid.). Decision makers and problems tends to track each other through different choices, that does not eliminate the problem or solve it eventually. Attention is paid to the importance of problems and the timing of their entrance in such ways, that early problems are resolved more likely than late
problems. The queue of problems are typically made on the basis of importance. But in this respect, the importance of choices are not following the same feature:

“Important choices are less likely to resolve problems than unimportant choices. Important choices are made by oversight and flight. Unimportant choices are made by resolution. These differences are observed under both of the choice entry sequences but are sharpest where important choices enter relatively early.” (Cohen et al. 1972 p. 11)

The findings of Cohen et al. showing that problems are not typically resolved by ‘resolution’, which could solve the problem and “neutralize” it. In ‘organized anarchies’ they found much more evidence for choices made by ‘oversight’ and ‘flight’, which were more ‘important’ than the choices of ‘resolution’, which were unimportant. Theses characteristic of ‘organized anarchies’ opposed to more ‘rational choices’ linked to the ‘resolutionary’ choices made parallel in many organizations and many projects seems to support Burns and Stalkers ideas of better adaptability of ‘organic’ management systems to changes in all levels of and by all issues found i modern, complex organizations having multiple stakeholder relationships facing multiple demands and claims to solve problems in organizations structures, that on the one hand may be both hierarchical (‘mechanistic’) and open, while decision makers can be stratified across all levels in the hierarchy (‘organic’).

Burns and Stalker investigated industries and Cohen et al. investigated universities and public, politically administrations primarily. This combination of Burns and Stalkers ‘organic’ system of management as a symbol of ‘rational choices’ with the ‘garbage can’ model as a symbol of ‘anarchistic choices’ suits the hybrid organizations of Danish water companies who are structurally and organizationally mixed of the same types of both industrial and public administration, which makes the ‘Organic Stakeholder Model’ combine decision making from both ‘rational’ (organicly adaptive to changes) and ‘anarchistic’ features.

**The ‘Organic Stakeholder Model’ (OSM)**

As we saw from the literature study of stakeholder theory, many models are limited in at ‘static’ way of defining what R. Edward Freeman asked in the very first place “who and what really counts” (Freeman 1984, 2010). While stakeholder theory in Freemans
version has an in-built ethical turn to face values of qualities as an outcome for the stakeholder relationship, I have explored throughout my empirical setting how ethics are considered in the face-to-face meeting among decision makers and their stakeholders and how decisions are made primarily of ethical considerations combined with intended rationality of ‘who and what really matters’. The 'static'-ness of stakeholder models whether they are visually made in diagrams or orally explained textually is in the first place linked to what we understand by a 'model'.

My understanding of a 'model' is that this term encapsulates a certain view of a complex phenomena knowing that this is not the fully explanation to everything contained in that complexity. We have seen how Mitchell et al. (1997) and Wartick and Wood (1998) offers a model of consistency in the academic literature saying that stakeholders can be characterized by their relevance in terms for power, legitimacy and urgency. This model has been referred to intensely, but it has the same possibilities and limitations as other models or ‘views’ on the same phenomena. A model has a tendency to leave everything else out of the picture. Which the model, I will present also does, but in relation to the ‘power, legitimacy and urgency’-model it does not act as a parsimony to that specific model nor to any other stakeholder models. It presents a view that can be combined with the other models presented in the literature review, because it poses the interest in other matters of the same phenomena regarded. The 'Organic Stakeholder Model' wants to view the micro-processes of decision making and how this creates a pattern similar to 'organic' systems of management while dealing with as well 'rational' as 'irrational' or 'anarchistic' decision making processes.

The model is purposefully left very simple. This idea may conflict with the complexities, it actually offers a viewpoint to, but to embrace complexity in organizations, in projects or issues and in decision making based on the realization, that decision makers has the cognitive limitations of comprehending large amounts of information, which is typically present in complex situations of decision making with the allocation of multiple actors, multiple decision makers and multiple stakeholders, very few indicators are necessary to explain how this 'limited rationality' (March 1994) operates in practice, and therefore in my model I want to show how 'ethics' in decision making is possible when linked to stakeholder theory by two dependent variables:
'Time' is in the model understood in two ways:

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

'Costs' are in this model also understood twofold:

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

Now one may think that these two categories assume that of 'rational choice' where both phenomena has to be as minimum as possible – au contraire. The model shows how 'time' and 'costs' are tidily connected to the values and qualities of 'ethics' as well as it incorporates the features of 'power' and 'legitimacy' and 'urgency' as well as many other features in the multi-complexities of human interaction, means and ends, products and outcome et cetera. In this respect 'time' and 'costs' can be both limited and expanded in the mixture of 'garbage can'-processes and 'organic' systems for adaption to environmental change and fluidity. While the 'rational' ideal of every complex issue were – for the decision maker – that 'time' and 'cost' limitations were eroded away as dependent variables so that problems had all the 'time' and unlimited 'costs' to be solved inside. This is the contraire obligation in most situations of life. In organizations – any kind of assemblage of humans in a structured or loose coupled group with defined or loose coupled tasks and merits – almost every issue, problem or project has a limited 'time' and 'costs' allocated for the task at stake. And the decisions to be made inside these boundaries are often to be made on unclear preferences, fluid participation (Cohen et al. 1972), changing environments (Burns and Stalker 1961), limited or irrational use of knowledge (March 1994), limited allocated ressources et cetera and 'rational' thinking decision makers as many humans want to perceive themselves and the ideal decisions they want to make in 'irrational' circumstances characterized with different layers of 'powers' (and legitimacies, which I also consider as a variant
of ‘power’) inflicting the choices. In the next definitions contained within the ‘Organic Stakeholder Model’ it is showed how ‘time’ and ‘costs’ as dependent variables expresses ‘ethics’ in decision making processes.

‘Stakeholders’ has in this model an overall perpetuative role as the problem or risk holder and the decision influencers (Freeman 1984, 2010). For this role I do not distinguish between primary or secondary stakeholders, nor do I distinguish between their levels of influence by categorizing them into schemata of ‘power’, ‘legitimacy’ and ‘urgency’, - the importance of stakeholders - because other models have concentrated on this specific categorization. By ‘problem’ or ‘risk’ holder I see stakeholders as the various individuals that are affected by a problem or holds a risk connected to the organization, which holds an ‘energy’ to them that has exceeded the equilibrium of concern such that attention is now paid to these problems or risks in order to make certain actors act and change the situation, so that the problem can be solved and equilibrium reattained.

And by ‘decision influencers’ I see stakeholders – not as egalitarian actors having similar influence, but as influencers, that manage to impact decisions in the process of decision making with more or less weight according to the problem and risks they hold.

‘Problems’ are in this model defined as uncertainties, issues or impacts, that has reached an amount of energy attached to them that cannot be ignored at the time being because of the threat against survival eventually. If an organization reaches a point where production costs exceeds the revenue of the sale, the organization have to make changes to adapt to the market situation in order to survive eventually, or close as in Burns and Stalkers (1961) investigation. Or if an organization do not change the actions in a specific way, penalties will be made, and eventually the organization will not survive after a certain amount of time. Some problems are not as essential for the survival or death of the organization – most problems are small problems that take place as a normal task in the organization, and who could take place at any time of importance. But if we assumed that no problems were solved at all in an organization, a point of no return would be reached eventually and the question of survival and death be present. Problems are normally solved according to their importance whether the actions taken is part of an ’anarchistic’ model such as the ‘garbage can’ model or any other kinds of
organizations. This is due to Cohen et al.’s and March’s specifications (Cohen et al. 1972, March 1994) of the ‘energy’ it takes to solve problems, where some problems have little ‘energy’ attached to them and are easy and quick to solve, while others have a heavy load of ‘energy’ attached to them and takes more time, resources and costs to be solved. But essential to problems are, that no problems arise for no reason and by no one or no thing. The ‘rational’ reason may not be present at the moment of the problem appears, and that is why ‘knowledge’ is important for actors to understand the problem and to solve it. ‘Irrational’ problems can also arise as well as ‘irrational’ choices, where the knowledge and rationality is very limited, but in the case where means and ends are related to ‘power’ comes into play, which is emphasized in other stakeholder models than this, ‘irrational’ choices to one decision maker can be the ‘rational’ choice of a superior. In this model ‘problems’ are always attached to a receiver or a sender – here I attache them to the stakeholders. Problems are sent from somewhere and someone, who either has a problem or will receive another problem if the specific problem is not solved. The stakeholders that are interested in decision making have a stake in the problem in one way or the other (Freeman 1984, 2010), either they are employees working for the company to earn money to pay for their living or they can have many reasons to have a stake in the actual problem or issue. If a potential stakeholder does not have a stake in the problem, he or she will not use their ‘energy’ in either decision making or claims, demands or pay attention to the problem. A problem or issue can also be attached to ‘stakeholders’ that do not have a voice themselves. For instance the natural environment, the climate, the animals, the poor, the disabled etc. – there are many problems and issues that do not have a voice or is not heard by the voice they have, and therefore these ‘stakeholders’ normally have a spokesperson or spokesperson organizations to represent them. Some stakeholder models regards ”the environment” or ”the climate” etc. as ‘stakeholders’ themselves although the lack of direct voice (Woodward 2002) but the evidence of undesired changes as a ‘voice’, but in this model all these voice-less entities are assumed to have a spokesperson in the shape of a human being or an organization to represent it. Other models regard “the environment” and “the climate” as ‘issues’ themselves (Freeman 2010), but this model does in this instance distinguish between the entity itself represented by a spokesperson and the problems attached to it.
'Risks' are defined in the model as *the amount of uncertainties and unknown impacts one is willing to accept when taking a decision and making a choice*. This amount can be divided into types with intersection:

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

![Figure 3 RISK-types](image)

The first type can be rationally estimated using calculations or measures of consequences of harm and probabilities, but still it does not "do-away" with all kinds of risks (March 1994). The rational way of dealing with risk is mapping all possible knowledge from all possible and imagined interactions into a mathematical schemata and estimate the level of the *known* risks and estimation actions that can reduce these risks (see Figure 3). There is still an amount of unknowable risk also when actors rationally make choices in order to reduce risks. This 'residual'-risk overlaps the known/imagined and estimated risks with the unknown risks. The unknown risks is not uncountable and un-cognitively possible to estimate, because everything we know or can imagine is put in the first and manageable category. The unknown is cognitively inattainably, but still this is risks that we are aware that can happen, but we do not know them before we experience them for the first time. In this part of the risk-model together with the residual risks – the risk that we could not eliminate after estimating the known risks and taking actions to reduce their probability, we can also call "risk-taking" (March 1994). Whenever a decision is made and implemented and made actionable and put into action, the residual risks and the unknown risks can occur as a consequence of the decisions, we have made. Only after seeing the consequences of our decisions and actions allocated to these, we can experience and make sense out of what happened (Weick 1995).
'Ethics' are in this model attached to the consequences of the outcome of the decisions made. It is also in this model attached to the unspecified and individual understanding of terms as 'behaviour', 'quality' and 'value'. Ethics in this sense are not defined a priori to the outcome, since the notion of 'ethics' as well as 'behaviour', 'quality' and 'value' is all attached to the impacts of the outcome. When taking 'ethical' decisions different norms, values, moral considerations come into play, and these definitions are not possible to make exhaustively a priori. Some ethical implications are stated regulatively in the legislation, others are connected to customs, perceived or written norms, religious or cultural behavioural moral considerations etc. and it would take an entire thesis to explain what 'ethics' means in specific contextual frameworks. Therefore, the notion of 'ethics' in this model is relevant to stay open to the specific contextual, cultural and religious norms, values and morals present at the specific times and settings. Is 'ethics' a 'rational' thing? As long as ethics are part of an agreement stated as a written text – be that of legislation, religious books, normative scripts approved by an authority of any kind etc. I will see it as 'rational' in the way, that enough people have voluntary agreed, that these ethics are worth considering. But when this said, there are lots of discussions among academia, professionals and practicians about what is the "right" ethics to use. Some norms of behaviour is considered ethical in some parts of the world while considered unethical in other parts of the world, for example religious matters of ethics. This paper does not take any action in these discurses, but regards 'ethics' as a notion connected to an agreed and "rightful" 'behaviour', 'qualities' and 'values' solely understood in the present context of matter.

'Decisions' are in this model defined as *choices that are made to stabilize certain amounts of uncertainties, and that are difficult or takes a certain amount of energy to reverse – or are irreversibly eventually*. For example when a decision is made to buy a new set of trains for the nation, following decisions of producing them and the outcome of the actually product cannot be reversed, only destructed, reused etc. The outcome of the materiality cannot enter the same conditions as it were prior to the production of the new set of trains. If the nation refuses to receive the ordered trainsets because of unsatisfaction with the outcome, the trains cannot dissappear or be reversed to steelbars, organic oil-products (which plastic is made of) etc. It will always be something
else. Resold, destructed, re-used etc. Some decisions can be reversed if no outcome or impact has been executed yet at the time of changed decision. These reversabilities can be made in order of energy necessary to reverse the decision. Sometimes it takes little energy such as different parties meeting at a specific place and agreement of reversing the decision can be made quickly with little amount of energy, other times the reversability takes more energy to “undo” or the outcome may be changed as well but in a way that the impact has no relevant or indifferent weight to the already made outcome.

‘Outcome’ is defined by the impact of the change that the decision and actions attached to have created. An outcome is always attached to at change which is attached to actions made for providing the change based on a decision made by someone. Only after the outcome has become reality, people can understand what change has happened based on what actions linked to what decisions and see what impact it has done. As Weick has put it – “How can I know what I think until I see what I say?” (Weick 1979), meaning that we can only understand the consequences of our actions (based on our deliberate decisions or our unconsciousness) which leads to the next step in the model and the last, the ‘sensemaking’, which is seen retrospectively upon an action taken after a decision has been made consciously or unconsciously.

‘Sensemaking’ is in this model derived directly of Karl E. Weick’s work (1995). In this respect it is the last definition in the model leading to the ongoing organic ‘cycle’ of the stakeholder model, where actions and outcomes (consequences) are interpreted by stakeholders and decision makers leading to new decisions, maybe new problems as seen in the ‘garbage can’ model, or solutions, that had various characteristica, that either turns our attention into other problems to solve or continues the process in the same or derived directions as the one, we were in before. Weick (1995) says that ‘sensemaking’ can only be retrospectively, and hereby he means, that – as Soeren Kirkegaard articulated back in 1843 – life can only be interpreted retrospectively, but must be lived forwardly (Thielst 1994) – that we interpret the actions we (or others) made in the past, not while we live them out.
This leads us to the expression of the model and to discuss the correlation between the entities explained above and the correlation with 'ethics' and the dependent variables of 'time' and 'costs'.

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

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

![Figure 2 The Organic Stakeholder Model](image)

**Ethics depending on 'Time' and 'Costs'**

The dependent variable of 'time' in the central notion of 'Ethics' is apparent in the way that problems enter the decision making process by stakeholders either inside or outside the organization. The 'sender' or the 'receiver' of the problem or derived problems of decision making are characterized by stakeholders. And from the definition of a problem attached to a stakeholder we saw how 'time' was linked to 'energy' load,
and that problems arise when the ‘energy’-load has reached a point and time, where something has to be done in order to avoid ethical issues like ‘harm’ or in order to ‘survival’ and the avoidance of ‘death’ or the collapse of the organizations or the lives of the stakeholders. The problems may enter the decision makers table long before a disaster is present, even so early that no sign of a potential problem is visible. But if risks of the problem are perceived viable, problems may be attempted to be solve long before they ever occur as real problems. In this relation we see ‘time’ as ‘relational’. Either to prevent a disasterous future from coming to real or to avoid some consequences, that might happen. In ‘relational time’ people use their knowledge from prior experiences either of their own or by the awareness of other similar situations experienced and described by others. So in order to prevent certain problems coming to real in the future, the knowledge and experiences from the past is used deliberately to solve problems imagined or calculated (estimated) before evidence from them appears. Some term this as being pro-active. ‘Time’ has two kinds of features in this model – chronological and relational. Chronological time is used for instance when a timetable is made for a specific problem to be solved and decisions and products have to be created in order to solve the problem. Relational time is when decisions are made from our experiences or knowledge in order to prevent problems to occur, for instance when doing a risk-calculation or –estimation. Then we imagine risks that might occur when valueing different path to go by our decision making. We use sensemaking to interpret our experienced actions and consequences of them, and we value them in terms of ’ethical’ ’qualities’ such as ”good”, “balanced”, “harmful” etc. Risk-management is mainly perceived as valueing risks taken if certain decisions are made prior to decision making. We want to estimate to what level ”harm” to others and ourselves is probable and what courses we have to take to avoid ”harm”. We could imagine business doing these risk-calculations in order to enhance utilitarian goals, but most times managers consider risks both outside and inside their organizations because they are aware of risks affecting stakeholders probably will harm our organization as well. For example harm done to customers from their buying a specific good will lead to certain penalties to the organization sooner or later. Of course some utilitarians or domination speculating managers can dictate harm to others, but these kinds of motives are not considered in this model. The model assumes that managers care about and have ethical
purposes in their decision making, and this model wants to show how this is dependent on ‘time’ as well as ‘costs’ – both situational (chronological time and financial costs) and relational (past, present and future time and social or environmental consequences).

‘Time’ – or ‘timing’ has a special ‘value’ or ‘quality’ related to ‘ethical’ decision making and stakeholder relationships. A sound and ‘ethical’ relationship with stakeholders calls for a specific need for taking the right decisions according to problems resolutions as specific points of ‘time’. If decisions are made after or to late according to specific consequences of a problem or decisions, the results are that ‘energy’ attached to a specific problem does not end with the elimination of the problem – which I also called “neutralizing”, but that new and additional ‘energy’ will be attached to the problem, and the ‘energy’ necessary to solve the problem ex post is much higher or has more heavy load than problems solved “in time”. For example when France resisted to stop nuclear testing in 1995, a worldwide boycot of French products made counter-pressure to this decision, and afterwards it took a long time before demands for French goods were near the same level as before. Some claims that it has never been the same after this political mistake – especially not in Denmark (Bentzen and Smith 2001). In this specific case we see the clash of a real-time political decision making worldwide stakeholders relate to the past by their memory of the devastating pictures of the victims of the atom bombing in Japan in year and reacting throughout the future based on a decision of self-utilization of a nation, that forgot to imagine the consequences of a worldwide consumer and political boycot of French goods based on an un-ethical perceived decision. Stakeholders make sense retrospectively of actions made in the past, and they react to actions in the present by the meaning, they attach to the actions while deciding in the present and for the future expected consequences of their present actions (Weick 1995).

**Ethics depending on ‘Costs’**

This example leads us to describe the other dependent variable of ‘ethics’ namely ‘costs’ – financial and relational (social and environmental consequences). As we saw in the former variable of ‘time’, the two different notions of costs are often interlinked the same way. Financial costs ordered to solve a given problem also have consequences of relational costs. Problems are solved ideally in order to “do-away” with them or
neutralize them, and some problems cannot do without financial costs attached to them, while other can be solved by posing an apology or explain ones own behaviours to the one, that has been harmed from a certain action (March 1994). The problems regarded in the ‘Organic Stakeholder Model’ are the ones, that have attached both financial costs as well as relational costs to them. When a problem is posed in organization and have to be solved as a kind of ‘project’, they often have a certain amount of ‘energy’ attached to them, which means that in order to solve the problem in order to neutralize the problems and minimize the relational costs, it often needs a financial cost budget to do the proper decision making in order to deliver actions or remedies to solve the problems. The examples investigated in this paper all have these preferences attached to them, but they are solved very differently – from pure ‘rational’ or ‘resolveable’ manners to ‘oversight’ and ‘flight’ manners such as seen in the ‘garbage can’ model (Cohen et al. 1972). Typically for these kinds of problems, multiple stakeholders have an interest in the decision making process and the consequences of the actions posed ex post decision making, and the ‘ethical’ decision making involves inclusion of various stakeholders or debates around what it takes to neutralize the problem in order to satisfy a certain amount of stakeholders eventually. The problem is not a stand-alone in these kinds of projects, many juxtaposed problems arise when making decisions, and all problems have to be dealt with either directly or indirectly according to the risk, they contain.

Often a certain amount of financial costs has been agreed allocated to the resolvement of the problem as well as a certain amount of time available to solve the problem in. But as we will see from the examples, these boundaries might be fixed, but may during the decision making process be negotiated with multiple stakeholders. And sometimes the stakeholders have what Mitchel et al. (1997), Wartick and Wood (1998) and Fassin (2009, 2010) and others adresses as certain and crucial amounts of power, legitimacy and urgency to stretch these boundaries of ‘time’ and ‘costs’. Sometimes determinant stakeholders such as the authorities, regulators or politicians pose demands, that affects the problem either to have allocated more financial costs and time in order to solve it satisfying to these stakeholders. Other times stakeholders have to obey determinant stakeholders and live with decisions, that creates certain relational costs and perhaps financial costs to their interests. For example when a new road is decided in the city council, it is affecting land- and property owners, who are forced to move out of their
houses with financial compensation from the society, if their properties lie in the geophysical area decided for the new road. The powers of these political, legislative or regulative stakeholders are stated by law, and whether property owners like the decisions or not, they have to obey these decisions, which they are compensated for. In these cases the implicated stakeholders often argue about the balance between the relational costs and the received financial costs, because the ‘values’ and ‘qualities’, they have lost might represent a misbalance in the view of the ‘victim’ of this specific political decision. In other cases decisions are more flexible to various stakeholder demands of various ‘energies’ (powers, legitimacies and urgencies) and solutions are sought to balance these energies to satisfy as many stakeholder demands as possible. In the latter situation of a certain amount of flexibility in decision processes, ‘ethics’ may be more fluid and at the same time as certain amounts of ‘ethics’ are stated in the legislation, other amounts of ‘ethics’ might be negotiated in the decision making process by the inclusion of various stakeholders and transparency in motives, means and ends in the decision making process (Pedersen 2006). For example typical kinds of legislations concerned about the ‘interests of the public’ allows public service actors by law to decide and solve problems the ‘best way’ as we saw in the example with planning of a new road. ‘Ethics’ are typically built into the legislation of how implicated stakeholder have to receive financial compensations for the costs, the project applies to them. But the legislation does not indicate how and where the road should be placed and which public concerns the project should consider. In this respect the ‘ethical’ decisions of the planner comes into play. Maybe ‘rational’ reasons to place the road a specific place considers the benefit of the many roadusers, but other times ‘ethics’ of individual consideration comes natural. For example if the roadplanning removes the livelihood of small shopkeepers and no ‘ethical’ alternative place for these shops can be provided, the road planner might consider ‘ethics’ for both the roadusers and the single shopkeepers in a way, that the shops are preserved and the physical place of the road is considered for the adaption of both individual and public interests. The problems of these complex projects such as the construction of roads and other infrastructure is that decisions of allocated costs and time is often decided prior to the final design of the project – especially if the project is politically decided. Financial costs and time schedules may be fixed seemingly, but a vast example of public construction processes proves, that both
budgets and time is typically exceeded in the end (Kreiner 2009) because of unforeseen events, claims, demands etc. that were unknown at the time of decision making, or worse – decisions made on a wrong basis.

**Coherence of the model**

The coherence of the model and especially the term of how ‘ethics’ perpetuates the ‘Organic Stakeholder Model’ is visualized by a basic schemata in which cases can be described in to create the specific and concrete coherence adaptable for each individual case:

![Figure 3 'Ethics' as dependent on 'time' and 'costs']

The above illustration in Figure 5 aims to show how ‘ethics’ can be explained by dependent variables such as 'time' (chronological and relational) and 'costs' (financial and relational (social)). The horizontal black line contains the twofold notion of 'time', while the vertical black line contains the twofold notion of 'costs' in a kind of "coordination" system. The diagram never "meets" as a normal mathematical coordinate system would do, and this is because the model wants to illustrate the flexibility of each axis, and to avoid speculating in 'negative' outcomes historically in the first place. The idea is that in this 'system' two graphs will be shown according to the two terms – an "absolute" blue line in the upper quadrant measuring the concrete chronological 'time' and the financial 'costs' passing by, and a “relative” red line in the lower quadrant illustrating the relative time (the perceived or sensemaking of the past,
the interactions within the *present* and the imagination of the *future* and the relative costs (social and environmental costs measured in perceived ‘values’ of importance).

The letters in circles illustration which determinant decisions were made during the process, and the last letter indicates the outcome of the project illustration when the “absolute” investment of ‘time’ and ‘costs’ meets the “relative” solution of the project, which afterwards can be interpreted and made sense of before the ‘Organic Stakeholder Model’ circle stops or continues. The “coordinate” system is the same in all cases, but the blue and red line varies dynamically with the problem at stake.

The circularity of the OSM (Figure 4) is deliberate, because it illustrates in general terms how this process can be an ongoing feature or how it develops and generates new problems, that follows the same pattern. The “coordinate” system (Figure 5) shall be imagined as part of the ‘Ethical core’ of the OSM.

**Empirical evidence of the OSM**

The six cases from projects executed in two different Danish water companies shows how ‘ethical’ decision making - involving several stakeholders in the decision making as well as listening to voices of weak stakeholders as well – depends on the proper allocation or flexibility of ‘time’ and ‘costs’, and how this eventually becomes a business case for the water companies. The tabel 1 in the appendix 1 shows the different premises of the six cases.

The six cases are all different, but at the same time, they share the same ‘qualities’ and ‘values’ as part of their ‘ethical’ decisions. The cases have all been extremely complex, and the very few determinant decisions were extracted out of hundreds of decisions during each process on the basis of, that these specific and well chosen decisions had crucial impact on the ‘ethics’ and the feasibility and completion of the projects. If ‘ethics’ were drawn out of these projects, there had not been a project – only unsolved problems.

To analyze how the ‘ethics’ dependent on the variables of ‘time’ and ‘costs’, we will regard six Time/Cost-frameworks of the projects. The interesting part of the analysis is the letters in circles, that denotes the determinant ‘ethical’ decisions, that made the
project able to be solved. The blue line shows the financial costs during the chronological time in absolute terms, and the red line shows the stakeholders definition of social costs in relative value-terms. The evolvement and combination of the blue and red line shows how stakeholder involvement in ethical decision making makes the outcome of the project eventually. If stakeholders were not heard or involved, the problem would have been unsolved or the outcome would have generated new problems. We also see how fixed financial costs and chronological time was not possible for the completeness of the project in many of the cases. Every time the blue line jumps up, a decision is made to extend both financial costs and chronological time in order to meet stakeholder demands and to complete the project in an ethical manner to satisfy the many before the few.

**Odense Port**

Decision (A) recognizes the problem of an open wastewater basin in a suburb called Tarup, that has been present for many years but unsolveable as a Gordian Knot because of lack of possibilities to dig in a densely urbanized area. Now techniques of tunnelling becomes possible and to close this open, un-environfriendly basin is decided. Soon after decision (a) is made, the City Council decides in (b) to develop the port of Odense from an industrial area into a recreative area with the possibility to swim in the Channel of
Odense eventually. This means that a political pressure for the water company to eliminate two wastewater outlets from the port/channel in order to realize these urban plans, and the financial costs and timeschedule rises in decision (c). The project is now developed to a gigantic pipeline basin of 11,000 m3 in a partnering with an entrepreneur, the developer and a consultant, and the details of the initial project showed, that the tracé of the project was impossible to follow around a protected forest. The only possible way to put the pipeline is through the forest. The price is slightly increased in decision (d). When the forest protection agencies (municipal and state authorities) and several environmental protection NGOs hears about this decision, their claims and demands towards the project shows, that the new tracé has devastating social costs to the 300 years old forest, that in this design would have to be cut irreparable in their minds. They decided in (e) not to allow this design, and a nearby collapse in design was present. At this specific chronological time, a quarter of the project was already installed, and a major redesign-phase began. A time-out in decision making was allowed while the design was changed for a new political decision making process. It was possible to make only half of the project around the Port of Odense, but if the design were not re-adjusted in Tarup, this initial part of the project would remain unsolved as in the beginning – the Gordian Knot was still unsolved. After a while, the new design was made possible through a deep tunneling under the forest, and this decision had to increase both financial costs and time spent at the project. The politician decided in (f) that the project could be solved with the new design, that meant that the price for water delivery and wastewater collection for customers must be increased in order to pay for this redesign. The forest protection authorities and NGOs were satisfied, and the social costs were now to be eliminated finally. The outcome (g) was a project, that not only satisfied politicians, authorities and NGOs, but also had a very ‘ethical’ touch on every smaller problem solved for any other impacted stakeholder during the entire process, and made a story of ‘first mover’ in the water sector branch of how to solve complex and seemingly insolveable problems in a densely built urban area.

Dalum

The above project showed the way for this specific water company to solve other projects of the same complexity by the knowledge created in the Odense Port project. All
evidence of good and ‘ethical’ project design for this similar project in another suburb was used to tunnel a basin pipeline under a protected forest with outlet into a protected river. Now, in the very first design, all relevant stakeholders as nature protection authorities, NGOs, land- and houseowners as well as politicians were involved from the beginning. Therefore we see a more smooth and ethical decision making process in this project:

![Figure 7 Dalum](image)

The project is acknowledged in decision (a) with a preliminary design. From this point all stakeholders – both determinant and others – were involved in the decision making process either in the direct design of the pipeline or as hearing parts for this design. When the design was agreed with all relevant stakeholders including the decision making politicians in (b), the final timeschedule and fixed chronological time and financial costs were possible without further negotiations. The stakeholders continued to define and refine the final design according to technical demands, and from (c) all problems were solved to every determinant stakeholder’s satisfactions, and the concretization of the project made a complex project uncomplicated for the desired outcome in (d).

This process were also seen in another project, where creativity in planning and design was necessary and the full involvement of determining stakeholders crucial for the completion of a new project in another suburb of Sanderum.
Sanderum

The problem in this area were due to several happenings of extreme stormrain events molesting 9 houses in Sanderum. The houses were placed in the bottom of a hilly area, and water did assemble in this natural geophysical "hole". The initial phase of project design (a), no less than 15 designs were considered with variable, but expensive costs. The 9 houseowners, the owners union, the natural protection and environmental authorities of the municipality of Odense were all involved in the decision making process, but suddenly an idea of one participant made the 'turn' (b): Why not buy all 9 houses since this is where the stormrain ends and build a large rainwater reservoir in this particular area? This was a very controversial suggestion, but when it was calculated it showed that not only would this suggestion buy the houseowners free of their problems for half the financial costs of the 15 other suggestions, it was also possible to design the reservoir to reduce the risk of new flooding from 1:10 per year to 1:50 per year. The stakeholders needed extended time to agree of this decision, because it was crucial to them how much compensation they got from selling their houses to the water company. Finally the prices was negotiated satisfying and 7 out of 9 houseowners agreed to sell their houses and move out a year after the agreement in order to have time to find a new house or even build a new one another place (c). The final outcome (d) was made in cooperation with the remaining houseowners and the union of owners in the area to make the new water reservoir a natural perle for social purposes as well as technical.
The next case is very different from the three above, but the time/cost dependencies are shown to be just as viable as in the above.

**Ryttermarken**

The merger of a water- and wastewater company in Svendborg with the municipal waste section necessitated a new building for more room for offices, canteen and meeting facilities to complete the merger in decision (a). What seemed to be a traditional construction of a new building turned out to be a struggle of conflicting stakeholder demands, that was sought solved in a "democratic" process. This process continued during the design untill decision (b) was made, but as we can imagine from the development of the red line, the needs of the stakeholders – primarily the employees – initiated several conflicts, even a riot, that had to be solved during the design phase. After this process, that made the financial costs and chronological time expand to meet all the needs arised in the "democratic" design process, the building had the built in idea of 'ethical' energy project of reduction of fossile energy and substituting this with "green" energy from geothermal and solar thermal heating as well as solar cells to produce electricity for the entire property housing the administration and operation facilities of the new water and waste company in Svendborg. Unfortunately the project had several end-problems, that resulted in a new mini-riot, since failures in the construction made air of sewer odor, cold and heat problems occur after the commissioning of the new building. Luckily these problems were solved after a while, but these problems had an
effect a long time after the project had been finished, and it overruled the ethical results of the energy neutral building in the first place in the employees minds.

The last two projects have comparable characters, since they are experimental and have a potential not only to solve a problem, but to create 'ethical' benefits in the long run both financial and of social costs eventually.

**STAR and Lunde**

The projects in the table are the smallest projects of the assembled examples in this paper, but their efficiencies are worth mentioning and how 'ethical' decision making involving stakeholders can result in a business case not only ethically but also financially.
treatment plant (WWTP) as well as in the water delivery can not only solve problems, but also make the social costs turn into a business case of financial gain where the red line crosses the timeline – meaning that social costs now become social gains or benefits for both the climate and the financial bottomline as reduced or in this line as "reversed costs".

**Discussion and implications**

The 'Organic Stakeholder Model' contains in no way and exhaustive explanation of how problems are solved in everyday lives of organizations. As mentioned before it acknowledges the ideas of who are the most determinant stakeholders and who gets more influence than others in the way the *power, legitimacy* and *urgency* (Mitchel et al. 1997, Wartick and Wood 1998) is implicated in this model as well. What it also seeks to contribute with or do away with is, which Fassin mentions, the *staticness* of many stakeholder models trying to systemize stakeholders into rigid categories in unflexible systems. Fassin shows how some categories are sustainable enough though possible to elaborate, which he does in his categorization of different stakeholder-types such as *stakeholders, stakekeepers* and *stakewatchers* and lately his borrowed notion from Holzer of *stakeseekers* (Holzer 2008, Fassin 2009, 2010). These categorizations are also possible to use in combination with the 'Organic Stakeholder Model', since this wants to show how variables such as 'time' and 'costs' are linked to the 'ethics', which Freeman adresses is the most prominent feature of stakeholder theory (Freeman 2010), adressing 'quality' and 'value' and bringing this into play by adressing stakeholder relationships others that stockholders.

When this is said, the weaknesses of the 'Organic Stakeholder Model' is that it offers no simple or unified solutions to the art of *how to* work with stakeholders. It recognises what Pedersen found crucial for a good stakeholder relationship, which includes terms as *inclusion, openness, tolerance, empowerment* and *transparency* (Pedersen 2006), but it does not predict that if decision makers use the ideas of the 'Organic Stakeholder Model', that then a specific outcome will be possible. It does not protect against what March showed us from the 'garbage can' model of decision making, that if problems are solved
with 'oversight' and 'flight', then problems are not really solved anyway. It does not take the responsibility of the decision makers out of their hands.

What the 'Organic Stakeholder Model' offers is a way of 'ethical' mindset to decision makers in their considerations of the involvement of multiple stakeholders in the decision making process and how they can benefit from that process if allowed some flexibility in the dependent variables of 'time' and 'costs' and how some problems may be overcomed by these investments eventually. The model is no short-cut to easier decision making processes, but it hopes to contribute with a more 'ethical' decision making process that eventually can develop a business case both financially and socially.

**Conclusion and Perspectives**

The above qualitative study of 6 cases from mega-projects (and problems) to small projects in two Danish water companies shows us how 'ethical' decision making depends on two crucial variables such as 'time' – chronologically and relationally – and 'costs' – financial and social. Whether decision making processes are more 'rational' or 'garbage can'-like, these examples shows, that in order to avoid what March exemplified, that problems solved by 'oversight' and 'flight' did not really solve anything, the above example shows, that indeed the 'garbage can' model of decision making is very true while problematic, and if these complex problems are to be solved, decision makers must invest in elasticity in 'time' and 'costs' to provide 'ethical' decisions and to solve seemingly unsolvable problems. This is what Burns and Stalker showed that 'organic' systems can do more effectively than 'mechanic', and that is why the above is part of the 'Organic Stakeholder Model'. The necessity to include stakeholders in both determinant level (Mitchel et al. 1997, Wartick and Wood 1998) as well as other levels during the process and to value the 'ethics' by flexibility in 'time' and 'costs' in this inclusion and transparency in decision making (Pedersen 2006) can be the way to solve complex problems eventually with the maximum commitment of all relevant stakeholders to the project design (Kreiner 2009). When 'time' and 'cost' are fixed in an unflexible way, the outcome will be framed by this fixation and the result dependent on what is possible inside the rigidness of this framework. But very few complex problems are fixed in 'time' and 'costs'. As we saw, sometimes it is possible by the inclusion of
stakeholders in design of the solution to even reverse the financial costs as in the Sanderum case and the last two cases of energy reduction. In these cases it is possible to see a business case financial as well as social.

References


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Woodward, David G. (2002). Is the natural environment a stakeholder? Of course it is (no matter what the Utilitarians might say)! In, *Critical Perspectives on Accounting*
## Appendix 1: The six cases of problems and ethics in decision making and the inclusion of stakeholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Problem</th>
<th>Stakeholders (determinant)</th>
<th>Stakeholders (others)</th>
<th>Time (years)</th>
<th>Costs (mio. €)</th>
<th>Decisions (determinant)</th>
<th>Risks</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odense Port</td>
<td>Environmental problem: Waste water outlet should be reduced to Odense Port and Channel and an open basin with waste water should be closed. In order to keep water pricing stable the time and costs are fixed.</td>
<td>&gt; 10 The determinant stakeholders were authorities or politicians able to shut down the project.</td>
<td>Many other stakeholders were accommodated or compensated during the process.</td>
<td>&gt; 4 years</td>
<td>27 From: 1) 5.3 2) 21 3) 22 4) 27</td>
<td>7 The most determinate decision were fixed to 2 years.</td>
<td>Only half or none of the solutions were possible if the decisions were not taken.</td>
<td>Environmental problems should be solved. The nature shall be preserved.</td>
</tr>
<tr>
<td>Dalum</td>
<td>Environmental problem: Waste water flooding threatened the area of Dalum and many house-owners. The only way to solve the problem was to tunnel a major pipeline basin with outlet to a river. Experiences from Odense Port were used.</td>
<td>&gt; 10 The determinant stakeholders were authorities or politicians able to change decisions in the project.</td>
<td>Many other stakeholders were accommodated or compensated during the process.</td>
<td>3 years</td>
<td>13 From: 1) 10 2) 13</td>
<td>4 Determinant decisions were made prior to the politically accept this time.</td>
<td>All demands from the &gt; 10 de-terminant stakehold-ers may change the project.</td>
<td>Environmental problems should be solved. The nature shall be preserved.</td>
</tr>
<tr>
<td>Sanderum</td>
<td>Social problem: Rainwater flooding threatened 9 house-owners to leave their houses for good if the reservoir were not enlarged. The problem was that the 9 houses were built in the very bottom of a hilly area, and there fore the rain ended in the ground level of theses houses, which were molest ed twice with tonnes of water inside.</td>
<td>&gt; 50 Most of the determinant stakeholders were the 7/9 house-owners, the municipality authority and the union of house-owners in the area. They decided the outcome on basis of risks.</td>
<td>All the other stakeholders got their problems solved by the actions of the 7/9 house-owners and the building of a large reservoir at the spot where the 7 houses were placed before.</td>
<td>3 years</td>
<td>4.5 Time was essential to this project. The 9 house-owners needed time to commit to the solution.</td>
<td>4 The most prominent decision was if the 7 house-owners were willing to sell their houses to the water company to tear down.</td>
<td>If this specific solution was not chosen, the possible reduce of risk were only 1:10. This solution made it possible to reduce the risk to 1:50 year.</td>
<td>Social costs are to be solved when lives or living are under threat. Creativity payed off and made a better solution than normally.</td>
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<td>Ryttermarken</td>
<td>Room for employees: After a merger more space and a new building was necessary for house the new colleagues. At the same time the director wanted to implement an energy merger from fossile energy to &quot;green&quot; energy to cover the needs of</td>
<td>&gt; 50 The director and 5 board-members of the company decide the premises and the design of the building and the</td>
<td>Mainly these other stake-holders came from the employees of the company, that had to merge with new colleagues and</td>
<td>2 years</td>
<td>1.33 The price went from: 1) 0.4 2) 1.0</td>
<td>2 The director insisted on invol-ving all em-ployees in the decisi-on making process in order to bring</td>
<td>The risks of giving democr-a-tic voices to all was both free-ing and bounding. No one knew</td>
<td>The ethics of the inclusive-ness of all employee-es was a great step, but hard to control.</td>
</tr>
<tr>
<td>Name</td>
<td>Problem</td>
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<td>Lunde</td>
<td>administration and the operation workshops and garages.</td>
<td>energy project. The fire authorities and the nature protection authority were involved</td>
<td>move to other offices than their regular ones. Some neighbours were also involved.</td>
<td>3</td>
<td>1.33 because of more interest and ideas.</td>
<td>all ideas to live. This &quot;democratisation&quot; made con-traverses flourish.</td>
<td>who had the last word, and the director had to take riots seriously.</td>
<td>Eventual-ly the ow-nership to the new building was crea-ted a-mong all.</td>
</tr>
<tr>
<td>STAR</td>
<td>Energy reduction: This project was designed to reduce energy, outlet of CO2 and additives from intelligent use of online-measure-ment in 3 wastewater treatment plants. The estimates were, that after 10 years the project in-vestments were depre-ci-ed and costs earned as saved money on op-e-ration of the plants.</td>
<td>1</td>
<td>The director of the water company had the final word in this experi-mental case, where a con-sultant and process-sup-plier convin-ced him of the potential gain.</td>
<td>&gt; 10</td>
<td>All employees at the waste-water treat-ment plants were involved as well as the operation ma-nager and the project mana-ger. Employee accepted to change opera-tion also.</td>
<td>2</td>
<td>The pro-ject was due to imple-menta-tion of another project synerge-tic to this too.</td>
<td>0.4</td>
</tr>
<tr>
<td>Lunde</td>
<td>Pressure problems: The project had to solve problems in a village, where pressure could not be obtained from a small waterwork. Therefore a re-direction of water from a large waterwork of higher pressure made it possible to disconnect the small waterwork with the total result of reduced energy of 50,000 kWh the first ¾ year.</td>
<td>1</td>
<td>The final word was the director’s, and his visions of energy reduc-tions while better service to the custo-mers where solved in an easy and gainful way.</td>
<td>&gt; 50</td>
<td>No one had anything against getting better service, and every emplo-ye was plea-sed and sur-prised by the energy-reducing effect this operation had</td>
<td>3 month</td>
<td>Very little.</td>
<td>The direc-tor encou-aged his personal to be creative and to ex-periment with their ideas of de-livering better ser-vice and to save energy.</td>
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</tbody>
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