

## **STAKEHOLDERS IN U.S. HIGHER EDUCATION: AN ANALYSIS THROUGH TWO THEORIES OF STAKEHOLDERS**

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### **Abstract**

Who the stakeholders are and how to identify them has long been a hot issue in the field of management and organization. Among various theories, we have selected Joanne Burrows' multiple lens approach and Ronald K. Mitchell, Bradley R. Agle, and Donna J. Wood's stakeholder identification and salience theory. After examining various stakeholder groups, we analyzed governments, parents and students, board of trustees, presidents and administrators, faculty and staff, and communities and donors using Mitchell, Agle, and Wood's stakeholder identification and salience theory.

**Key words:** Higher education, stakeholder

### **Introduction**

Higher education institutions are vital components for the development of nations. Higher education institutions, whose primary goal of existence is to generate and disseminate knowledge, are concerned with the development of almost every aspect of life. Stakeholders somehow affect knowledge generation and dissemination, thus, university constituencies, who are the stakeholders, are important to be identified as they are affected by the outcome of university activities.

Who and what counts in an organization have attracted attention of organization scholarship for a couple of decades. Scholars of business management, especially, have developed the concept of a stakeholder, which refers to groups or individuals that are influenced by the success or failure of an organization (Freeman, Harrison, Wicks, and Colle, 2010). The purpose of this paper is to review the literature of stakeholders to gain an understanding of who counts in universities and a lens to look at higher education in U.S. In the stakeholders section, the literature on various theories of stakeholders will be briefly reviewed. Then, Mitchell, Agle and Wood's (1997) theory of stakeholder identification and salience along with Burrow's (1999) stakeholder identification frame work, which is a multiple lenses schema, will be reviewed. Various stakeholders, such as federal and state government, parents and students, board of trustees, presidents and administrative leadership, faculty and staff, community, and donors are also closely examined.

### **1. Theories of Stakeholders and Stakeholders Classification**

The higher education literature is filled with lists of stakeholders, which do not really provide a framework to identify who the stakeholders are and how to recognize them (Burrows, 1999). Mitchell, Agle, and Wood (1997) approach the concept of "stakeholders" from a managerial and business perspective and state that the current literature fails to satisfy the needs to identify the stakeholders of an organization. Persons, groups, public, private and government organizations, institutions, societies, and natural environment can be stakeholders of an organization.

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Mitchell, Agle, and Wood (1997) focus on the relationship between the organization and the stakeholders. According to Wicks et al. (1994) stakeholders have relationship that adds value and meaning to the organization. There is a power relation between organizations stakeholders. In situations where stakeholders are dominant, the organization depends on the stakeholders and stakeholders have power over the organization. The third rationale for the inquiry of the concept of stakeholder is to focus on the power relations between the organization and stakeholders. The difference between this rationale and the second one is that in this situation the organization is dominant and the stakeholders are dependent on the organizations. The next reason for stakeholder research is to be able to identify stakeholders and their potential to influence operation of the organization, which usually refers to the mutual dependence of the organization and the stakeholders. The fifth rationale for the stakeholder inquiry is that the organization and the stakeholders are in a contractual relationship. In this relationship, the stakeholders have a claim on the organizations and they have something at risk. The stakeholders can benefit from or are harmed by the operations of the organizations and, thus, have a moral claim on the organization.

Among the various identifications and definitions of stakeholders, Freeman's 1984 definition is the most cited in the literature (Mitchell, Agle, & Wood, 1997). Freeman (1984) defines stakeholders as "a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives" (p. 46). However, it should be noted that no single definition is universally accepted (Mitchell, Agle, & Wood, 1997).

Mitchell, Agle, and Wood (1997) argue that the key concepts that are present in major theories of organization that attempt to identify stakeholders are power and legitimacy. However, power and legitimacy are considered to be rival concepts of stakeholders. The key conceptual approaches in major theories of stakeholders are agency, behavioral, institutional, population ecology, resource dependence, and transaction cost. How important power is for the organization is very well captured in agency, resource dependence, and transaction cost theories.

Agency theory suggests that administrators/managers should control the behavior of their agents in order to fulfill the objectives of the organization. This can be achieved with incentives and monitoring. Resource dependence theory suggest that stakeholders posses resources, and thus have power over the organization. Transaction cost theory suggests that stakeholders who are not internal to the organization and who participate in a very small competitive set can "increase transaction costs to levels that justify their absorption into the firm, where the costs of hierarchy are lower than the transaction costs of market failure" (Mitchell, Agle, & Wood, p. 863, 1997). These theories suggest that power relations between administrators and stakeholders are very important elements of stakeholder theory. However, focusing solely on power does not help us identify stakeholders. Both institutional and population ecology theories connect organizational legitimacy to the existence of the organization. According to these theories, legitimate stakeholders are those who really count. However, too much emphasis on legitimacy may lead to ignoring power relations. Urgency is the last attribute that influences the leaders' perception of stakeholders. Urgency is defined by the authors as "the degree to which stakeholder claims call for immediate attention " (p. 867). Even though urgency is a construct that is not explicitly articulated in stakeholder theories, it is present implicitly. According to behavioral theory, urgency is the unmet objectives.

## **2. Higher Education Stakeholder Categories**

According to Birnbaum (1988), “Learning how colleges and universities work requires seeing them as organizations, as systems and inventions.” (p. 2). Another way of learning how colleges and universities work requires the knowledge of stakeholders. Knowing who stakeholders are and the reasons they are stakeholders can greatly assist higher education administrators in understanding and operating their job and the institution.

The purpose of this section is to identify higher education stakeholder categories and various groups in the categories. Burrows (1991) notes that using categories instead of groups expands our logic of how we look at future stakeholders. Burrows (1991) includes the following list of stakeholders of higher education institutions: Governing entities, administration, employees, clienteles, suppliers, competitors, donors, communities, government regulators, non-governmental regulators, financial intermediaries, and joint venture partners.

According to Burrows (1991), governing entities include state and federal government; sponsoring religious organization; governing boards and State Higher Education Executive Officers (SHEEO); examples of federal and state government would include federal financial aid and state awarded aid. Examples of sponsoring religious organizations would include denominational organizations who are associated with institutions; governing boards would include a university’s board of trustees; administration includes university presidents/chancellors and senior administrators such as vice presidents; employees include faculty, instructors, a wide variety of administrative staff such as business managers, grant managers, academic coordinators and financial aid directors. Supportive staff such as clerical and technical employees are also included in this area; clienteles include students, parents/spouses, tuition reimbursement providers, service partners, employers, field placement sites, etc.; suppliers include high schools, alumni, other colleges & universities, food purveyors, insurance companies, utilities, contracted services; donors include individuals including trustees, friends, parents, alumni, employees, industry, and foundations; communities include neighbours, school systems, social services, chamber of commerce, and special interest groups; government regulators include SHEEO’s; state and federal financial aid; fund for the improvement of postsecondary education (FIPSE); federal research support; internal revenue service (IRS); Social Security; Department of Education and Patent Office; non-governmental regulators include foundation institutional and programmatic accrediting bodies, and church sponsors; joint venture partners include consortia, corporate co-sponsors of research, and education services.

Scrutinizing every single stakeholder in the exhaustive lists is beyond the scope of this paper. Thus, among the lists of stakeholders, we try to be selective in focusing on the most representative of the key ones related to higher education. The key players/stakeholders in higher education that we have chosen to elaborate on in this paper include federal and state governments, parents and students, board of trustees, presidents and administrative leadership, faculty and staff, and the community.

### **2.1. Government Stakeholders in Higher Education**

Government organizations have had a strong hold on U.S. educational institutions in the past and continue to have strong influences on schools today. Understanding the government’s influence on higher education begins with understanding the history between the two institutions. There are many historical events that show the government’s role in the development of United States higher education. The first important event was in 1862 when the U.S. issued a grant known as the Morrill Land Grant Act, which gave primary land to

states and territories to establish colleges (<http://www.loc.gov/rr/program/bib/ourdocs/Morrill.html>). These, soon, turned into leading U.S. universities.

In 1944 the government created the G. I. Bill. This bill was created to encourage all U.S. soldiers to return to school after World War II (Adam, 2001). With new mass enrollments, universities were now looking at different demographics and new ways of teaching.

Many soldiers then encouraged their children to attend college. Students were now attending universities in masses and again changing the higher educational system. This increase in student attendance in college spurred an increase in legislation and government involvement in college (Theodore & Marchese, 1997).

In the 1970s and 1980s more government regulations and policies were introduced, including the creation of university assessment. By the end of the 1980s, two-thirds of all states had mandated assessment tools for student learning. This trend has continued into today's institutions, where assessment continues to be a driving force between government and school relations (McGuinness, 1999).

Today, federal and state influences on education still remain. The most important role of the federal government continues to be grant and aid funding. Also, another big hold from the federal government comes from FAFSA (Federal Student Financial Aid), which helps students who qualify for financial aid (<http://federalstudentaid.ed.gov/about/index.html>).

The government also works through federal mandated laws, such as FERPA, Title IX, and immigration regulations. FERPA is the Family Educational Rights and Privacy Acts, allowing students the right to view their records, as well as the right to hide their information from unwanted observers. Title IX was another act imposed on schools to allow equal opportunity between sexes. Finally, the USCIS (United States Customs and Immigration Services) continually regulates schools hosting international students and scholars.

Besides federal government, states also have a large say in schools. States have the main responsibility of assessing and regulating their schools. The states offer accrediting guidelines for how state assessments should take place. A school does not necessarily need to have state acceptance to run within the state, but again, the end results is they will not receive outside grants or funding without this money.

States must also provide guidance for schools when federal laws are and new laws are being pushed to change the system. An example of this is the current issue of undocumented students living in the U.S. There are confusing federal guidelines on whether or not these students are eligible to attend post-secondary institutions, and if so, should they pay in or out of state tuition? It is a continuing controversy within the U.S. that states must deal with until the federal government steps in with a final solution.

## **2.2. Parents and Students as Stakeholders**

Students are essential to the development of a college. The success of a student's post-academic career reflects upon the university that educated him/her. For these reasons, students, as well as their parents, are considered key stakeholders in higher education (Sears & Hall, 2000).

Although assessment and student measures are an important part of the university livelihood, student government associations are one of the driving forces for which student voices can be heard. Having a successful student government is necessary for the success of the overall

student population, especially if they have either the authority to make decisions, or the ability to influence decision makers.

The social culture of a student can also shape the dynamics and culture of an educational institution, such as the so-called “Millennial” generation that is just now entering college, bringing new expectations with them. Coinciding with the development of Millennials, are the “Helicopter Parents”. With increasingly advanced technology, parents have become more involved in their adult students’ lives, and, consequently, more involved in the college campus. Large organizations have emerged, such as the College Parents of America, helping parents join together and teaching them how to advocate at their child’s school. Indeed the culture of parent involvement is increasing more and more each year (<http://www.collegeparents.org/cpa/about-cpa.html>).

Although parents are continually having more influence on college campuses, parents have always had a historical role in when influencing their children. Parental relationships also highly influence where a student will attend college—or even if they will go to college at all (MacAllum, Glover, & Queen, 2007). Parents and students helped shape our academic structure.

### **2.3. Board of Trustees (Governing Boards) as Stakeholders**

Governing boards are imperative in the governance of higher education institutions and in the accountability to the society at large (Bowen & Shapiro, 1998). They are responsible for selecting college and university presidents and have the ability to fire them and also have influence of academia life by being able to make such appointments to faculty as well (Bowen & Shapiro, 1998). Governing boards also are responsible for the financial stability of institutions as well as compliance issues with federal and non federal regulator bodies (Bowen & Shapiro, 1998).

### **2.4. Presidents and Administrative Leadership as Stakeholders**

Without proper leadership, universities will not succeed. Presidents as well as upper administrators such as vice presidents must understand the culture of the university as well as lead it. Without proper, strong, ethical guidance, and vision, universities do not excel academically, financially or strategically; therefore, presidents and administrative leaders are regarded as top stakeholders.

### **2.5. Faculty and Staff as Stakeholders**

According to Bowen and Shapiro (1998) “The single most important force for the maintenance of high quality in academic work lies in the close scrutiny and competitive review of candidates for employment.” (p.33) Birnbaum (1988) posits that “As institutions become larger and more complex, knowledge of legal precedents federal regulations, management information systems, student financial aid procedures, grant and contract administration, and many other areas of specialized expertise is needed to accomplish many administrative staff.” (p. 5). Without faculty, student could not be taught and educated. Without staff, faculty could not be supported; therefore, faculty and staff will continue to remain assets and major stakeholder in institutions of higher learning.

### **2.6. Communities as Stakeholders**

“Throughout history, higher education institutions have had difficulties with neighboring communities at times and have come to learn that if community relations are neglected, the consequences are normally severe and long lasting” (Rowland, p. 657, 1980). Institutions have learned that good relationship and considerable attention must be devoted to

communities in order for universities to achieve their goals and objectives (Rowland, 1980). Nolte (1979) uses the “good neighbor” metaphor to emphasize the importance of altruistic concerns for self-improvement and community action of institutions. Similarly, Marston (1979) focuses on the economic, environmental, and social expectations of communities from institutions. As per Steinberg (1975), community support is a crucial element for the successful functioning of institutions, which can be achieved through good deeds and successful public relations. No institution can function effectively and remain remote from the life of the community in which it operates.

## **2.7. Donors as Stakeholders**

Donors such as foundations have significant effects on program development and operations at higher education institutions and many foundations can affect institutions through their area of support they choose to offer according to Harclerod & Eaton (1999). The five types of foundations are classified as per Harclerod & Eaton (1999) which include: Community Foundations, Family or Personal Foundations, Special Purpose, Foundation, Company Foundations, National Independent Foundations. New academic fields benefit from grants received from these types of foundations (Harclerod & Eaton, 1999). Foundations have been and will continue to be important external forces affecting postsecondary education.

## **3. Theories of Stakeholders**

The literature is abundant with lists of stakeholders and their most important features and attributes. However, there is still confusion as to how to identify the stakeholders and what the administrators should do about them. The two approaches toward stakeholders that we are examining in this paper are Burrows’ (1999) multiple lenses approach and Mitchell, Agle, & Wood’s (1997) theory of stakeholder identification and salience.

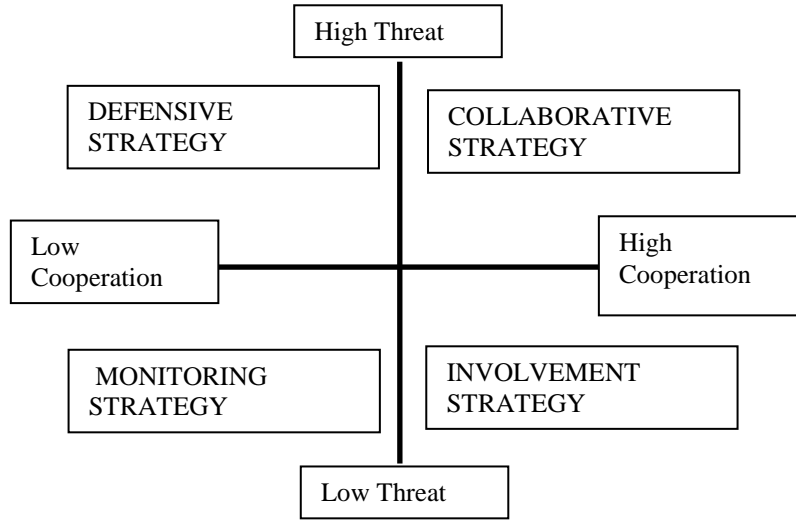
### **3.1. Burrows’ Multiple Lenses Approach**

Burrows (1999) proposes a useful framework to classify stakeholders in higher education institutions. According to her, identifying stakeholders is important, however, it is not enough to understand and prioritize the demands of stakeholders. Thus, she suggests multiple lenses that would serve to distinguish stakeholders (Burrows, 1999). The four lenses are based on location (external and internal stakeholders), involvement status (active and passive stakeholders), potential for cooperation and threat, and the stakeholders' stakes and influences on the institution. The external and internal stakeholder category is the most commonly used schema, however, it does not always help with the groups of stakeholders in academic institutions. For example, students can be viewed as external stakeholders from enrollment perspective. However, they can be viewed as internal stakeholders as they have impact on the scholarly work done in the university. Active stakeholders are those individuals or groups who are actively engaged in the institution. On the other hand, passive stakeholders of higher education institutions are those who do not have any legal, financial, or moral relations with the institution, but they have been affected by past actions or can be affected by the future actions of the institution.

Potential for cooperation and threat is the third lens through which the stakeholders can be viewed. There are four classifications in this lens: "low cooperation/high threat, high threat/high cooperation, low cooperation/low threat, and high cooperation/low threat" (Burrows, 1999, p. 2). Each group requires different strategy to deal with. The last lens focuses on what type of stakes and influence the stakeholder has in the institution. There are several types of stakes that stakeholders have: ownership, economic dependence, social, scholarship, moral, and personal. There are three types of interests that stakeholders use in

order to promote their interest in institutions of higher education: formal, economic, and political.

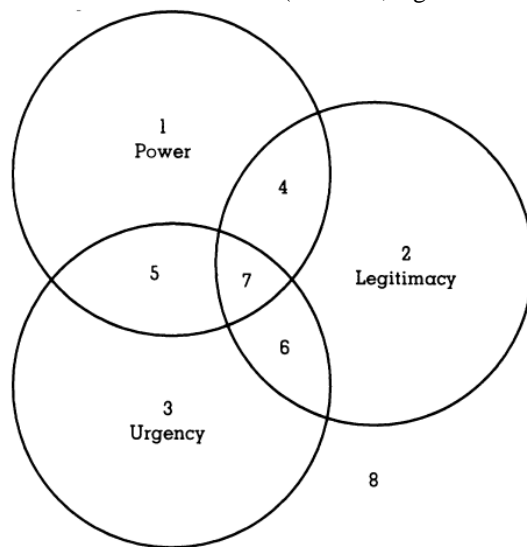
**Figure 1:** Cooperation and Threat Strategies (Burrows, 1999, p.9)



### 3.2. Theory of Stakeholder Identification and Salience

Mitchell, Agle, & Wood (1997) propose a theory of stakeholder identification and salience, which includes the concepts of power, legitimacy, and urgency. Power is "a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done" (p. 869). Legitimacy refers to the actions of an organization that are desirable and appropriate according to the norms, beliefs and values of the society. Urgency is the concept that refers to stakeholders' call for immediate attention. The construct salience refers to the claims of the stakeholders and to what extent the leaders prioritize them. All three concepts of power, legitimacy, and urgency are socially constructed phenomena.

**Figure 2:** Qualitative Classes of Stakeholders (Mitchell, Agle & Wood, 1997, p. 872)



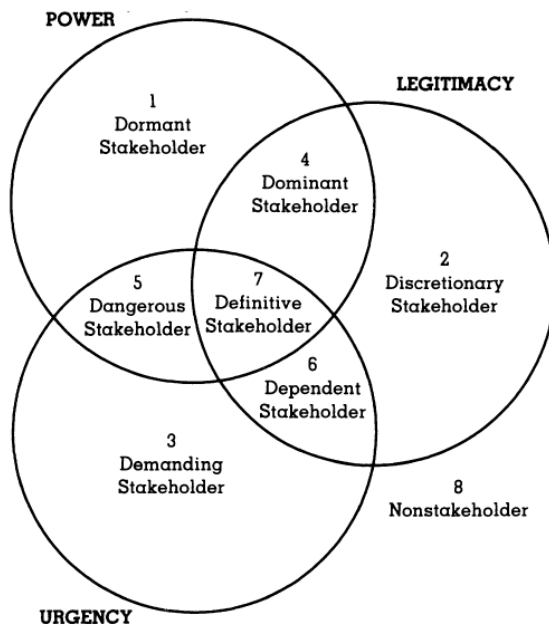
### 3.2.1. Stakeholder Types

In Mitchell, Agle and Wood's (1997) theory, there are seven types of stakeholders defined according to the attributes they possess. Three of these seven types possess one attribute, other three have two of the attributes, and one has all three of the attributes mentioned in the above section. Latent stakeholders only have one of the attributes. These types are: dormant stakeholder, who has power but not legitimacy or urgency; discretionary stakeholder has legitimacy but not power or urgency; demanding stakeholder has urgency but not power or legitimacy. Expectant stakeholders are those who have two of the attributes. Dominant stakeholder has both power and legitimacy, but not urgency; dependent stakeholder has both legitimacy and urgency but not power; dangerous stakeholder has both power and urgency, but not legitimacy. Definitive stakeholders have all three attributes. Expectant stakeholders can become a definitive stakeholder if they get the missing attribute.

We need to keep in mind that in Mitchell, Agle and Wood's (1997) theory, the features of the stakeholders attributes add dynamism to the salience of stakeholders:

1. Stakeholder attributes are variable, not steady state.
2. Stakeholder attributes are socially constructed, not objective, reality.
3. Consciousness and willful exercise may or may not be present. (p. 868).

**Figure 3:** Stakeholder Typology: One, two, or three attributes present (Mitchell, Agle, and Wood, 1997, p. 874)



### 3.3. A Closer Look

When we analyze (federal or state) government as stakeholder using Mitchell, Agle, and Wood's (1997) theory, we could see that governments have power and legitimacy. Since governments have two of the attributes, they fall into the space intersecting power and legitimacy circles, making government expectant dominant stakeholders. However, we should also keep the above mentioned dynamic nature of the features of the salience of stakeholders. In the cases where governments make laws, regulations, or policies, they would possess



urgency, too, moving them from dominant stakeholder position and making them definitive stakeholders.

Parents and students have legitimacy and urgency attributes putting them into dependent stakeholder position. They are expectant stakeholders, since they possess two attributes. When parents and students have urgency, they would also move to definitive stakeholder salience for the administrators. For instance, in emergency situations such as mass shootings at universities (which one occurred at the campus where the authors were graduate students), parents and students possess the urgency attribute.

Board of trustees has power and legitimacy, but not urgency. It has moderate salience, which makes it a dominant stakeholder. Presidents and administrators, who have a say in academic, financial, and strategic matters, possess all three features of power, legitimacy, and urgency, which put them into the definitive stakeholder position.

Communities, depending on their social and human capital, could possess one of the two attributes: legitimacy and urgency. Since their salience depends on various factors, communities possess the most dynamic stakeholder attributes. They could be regarded as demanding stakeholder, when they only demand but this demand is not legitimate. When their demands are legitimate but not urgent or have no power, then they are discretionary stakeholders. They could be dependent stakeholders, in cases where they possess legitimacy and urgency but not power.

As stakeholders in communities, donors' salience is dynamic, too. They could only possess legitimacy attribute making them a discretionary stakeholder, or when combined with power, they could become a dominant stakeholder. When the donors' demands carry some kind of urgency, then along with the two above attributes, they become definitive stakeholders.

## **Conclusion**

Who the stakeholders of organizations are is a very complicated issue, especially when it comes to colleges and universities. It is not sufficient enough to categorize stakeholders of higher education institutions as external and internal. There are theories and classification schemata that help identify the stakeholders that really count. Higher education administrators who can identify and understand these stakeholders and others on the university level can greatly enrich their knowledge as well as performance on the job; therefore, having knowledge of stakeholders will always be an important responsibility of higher education administrators.

In this paper, we have reviewed the literature for the major theories stakeholders, examined a taxonomy that provides multiple lenses to look at and analyze stakeholders in higher education settings, and looked closely to various stakeholders that matter for academic institutions and analyzed some of the key stakeholders using Mitchell, Agle and Wood's (1997) theory, which has empirical support for the dynamism of the salience of stakeholders (Magness, 2008). Despite the rigor that the stakeholder identification and salience theory has, it is unfortunate that it has not been embraced by higher education researchers widely. Among the over seven hundred works that cited the work of Mitchell, Agle and Wood's (1997), only one of them (i.e., Benneworth and Jongbloed, 2009) was in the field of higher education. With this paper, we hope that the theory of stakeholders' identification and salience would attract more attention it deserves from researchers as well as practitioners in the field of higher education.

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