NEW MANAGERIAL PARADIGM: MANAGER–STAKEHOLDER INSTEAD OF MANAGER–EMPLOYEE

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Abstract: *This paper aims to propose a change of the management paradigm by placing in the foreground the relationship between manager and stakeholder instead of the manager–subordinate relationship. The new managerial paradigm comes as a result of the wide-ranging mutations that have taken place in recent decades at the level of societies, economies and organizations around the world, which have forced the change of traditional managerial approaches. The work emphasizes why is necessary and possible to change the management paradigm in the present context, taking into consideration managerial and organizational arguments, that are based on observations, suggestions and recommendations of numerous specialists. Also, there are highlighted the quantitative and the qualitative differences between managerial paradigm focused on stakeholders and classical managerial paradigm of manager–employee, as well as the main advantages of a company stakeholder-based management system.*

Keywords: management, manager, stakeholder, managerial paradigm, knowledge

1. Introduction

In the long history of mankind, management has always and everywhere dealt with relationships and processes between the manager and his or her subordinates. Management practice and theory has been centred on managers and their subordinates. This approach worked well until the last decades, when numerous problems occurred in all types of organizations and a lot of specialists in the field challenged the traditional management paradigm. They made suggestions related to what and how to change management; some of them even asked to reinvent management. Based on many of their observations, suggestions and recommendations, we “dare” to propose a change of the management paradigm. We propose that management deals with the

relationship between manager and relevant organization stakeholders instead of the classical manager-subordinates relationship.

2. Why is it necessary to change the management paradigm?

We argue that this is necessary using two main categories of arguments – managerial and organizational.

It must be mentioned that some of the managerial and organizational arguments have a dual nature, indicating concomitantly the need to focus on the company stakeholders and the possibility of doing so. We place them in that category in which we evaluate that they have the higher impact.

2.1. Managerial arguments

1. Awareness by many managers and researchers regarding the existence of a comprehensive network of stakeholders

- inside and outside companies – who have a major impact on their functionality, performance, and sustainability.
- 2. Traditional management, still predominant in most companies, is based on the absolute primacy of the owners' or shareholders' interests, with the needs and expectations of the other stakeholders being ignored or only sporadically taken into consideration. The company's top managers are sometimes a partial exception to this.
- 3. The potential of a large part of the company's endogenous stakeholders – managers and especially executives – is used for the sustainable development of the organization only to a small extent.
- 4. The traditional managerial relationship, namely manager–subordinate, involving two of the most numerous and important company stakeholders, which is based on hierarchy and on the "strong" authority of the manager, is not performing well enough in the majority of companies. As a consequence, new managerial elements have been developed in companies based on participation, flexibility, collaboration, and strategic agility, but they solve the problem only partially and inadequately.
- 5. The potential of most exogenous stakeholders of the company – clients, suppliers, investors, bankers, consultants, and so on – is frequently ignored or used only to a small extent. Because of this situation, these stakeholders do not contribute to the generation of value added for the company and/ or to the realization of competitive advantage.
- 6. The ascertainment by many reputable specialists of the need to elaborate and to practise a new type of management, radically different from the management predominantly seen in the present: management focused on stakeholders. This idea is very well formulated by the

renowned Professor Eduard Freeman in the foreword to the book "Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement", as: "the need for a new era of management thinking and theory: one based on the idea of stakeholders. We need to rewrite management theory and practice!" [1].

- 7. Conceptualization, based on stakeholder theory, of the firm as a "multi-purpose entity" [2]. This reconceptualization "opens" the door for "de facto" integration of the stakeholders in the company strategy, functioning and performance.

2.2. Organizational Arguments

- 1. Perception and understanding of organizations, of course including companies, as the social constructions. This means that companies are artefacts created by human beings to serve their ends. They follow processes that are shaped by human purposes, and they do not exist independently of human minds and actions. Companies are systems of human actions in which means and ends are guided by the intentions, strategies, and hoped-for incomes. They are in effect created by meaning with a rich tapestry of cultural rules, roles, and intentions [3].
- 2. Companies' contextualization by amplification of the influence of the external environment on their objectives, resources, activities, functionality, performance, and sustainability under conditions of the multiplication and acceleration of the companies' inputs and outputs.
- 3. Intellectual capital plays a decisive role in the survival, functioning, and development of modern companies, especially those based on knowledge.
- 4. The resources of many companies have changed deeply during the last decades through:
 - the appearance of two new categories of resources: information and knowledge;

- the components, structure, and functionality of "classical" resources – human, technical-material, and financial – have changed substantially;
 - human resources, which are very closely associated with information and knowledge resources, play a major role in modern organizations, much more so than in classical companies.
5. Companies' activities have changed greatly during the last decades through:
 - the formation of consistent activities focused on the creation, purchasing, use, share, valorization of knowledge; all these operations constitute the content of the new company function – the knowledge function; this function is a transversal company function, different from vertical company functions such as research and development, production, finance-accounting, and personnel;
 - the content and dynamics of classical activities (supply, production, sales, accounting, finance, etc.) have also changed deeply;
 - human resources training, because of its size and major impact within organizations, gradually becomes – especially in large and medium-sized companies – a distinct company function.
 6. Human beings “are more cooperative and less selfish than most people believe. Organizations should help us embrace our collaborative sentiments” [4].
 7. Transition in the national and international economy from competition between companies to competition between networks of company stakeholders. We have competing networks of stakeholders, where one network is in competition with other networks [5]. As a consequence, all relevant company stakeholders should be integrated in networks able to compete successfully in local, regional, national, and international markets and environments.
 8. Manifestation of the new organizational paradox discovered by Gary Hamel: “Organization must become a lot more adaptable, innovative, and inspiring without getting any less focused, disciplined, or performance oriented” [6].
 9. Awareness of the fact that the success of a firm is determined by its ability to establish and maintain relationships within the entire stakeholder network [7].
 10. The need for reinvention of companies taking into consideration the multiple changes and challenges occurring in global, macro, and micro systems. Recently, in a study published in MIT Sloan Management Review, it was outlined that “it's no longer about how companies can thrive, but rather how they must reinvent to survive – because that's the key issue today” [8].

3. Why is it possible to change the management paradigm now, in the current period?

3.1. Managerial Arguments

1. The deep transformation of management practices in numerous companies, corporations, and large companies which are in the pole position, being in a state of quasi-continuous innovation and change.
2. The appearance in many companies of new managerial dimensions – previsional, innovational, flexible, motivational, methodological, informational, formative, participative, systemic and international – although they are still not sufficiently used and valorized by companies.
3. Identifying, taking into consideration, and valorizing to a large extent the huge potential of the new organizational resources – information, knowledge, and intellectual capital – by numerous company managers.
4. Awareness among a large number of

company managers regarding the existence of many categories of stakeholders – clients, suppliers, managers, executives, shareholders, investors or bankers – and their major impact on organizations.

5. Development in numerous companies of specific and effective managerial mechanisms for certain important stakeholder categories, which has proved the possibility, the usefulness and high capacity to produce performance of such managerial mechanisms. The largest used such mechanisms there are the Customer Relationship Management (CRM) and Supply Chain Management (SCM).
6. Development under environmental challenges and requirements for certain stakeholder categories (local communities, company employees, for example) of specific managerial approaches with human and ecological dimensions like Corporate Social Responsibility (CSR).
7. The recent formulation of the thesis that a combination of a focus on management processes with the stakes of companies' stakeholders could represent an alternative solution for obtaining sustainability [9].
8. Remodelling of the organizational and employee culture, placing emphasis on the novelty, creativity, flexibility, participation, and adaptability in many companies.
9. Manifestation – because of the mutations in the company environment, associated with the transition to a knowledge-based economy and society, in both management science and practice – of numerous innovative ideas and approaches, continue amplified and diversified, in order to increase company performance and sustainability.
10. Identification of the need to radically remodel the organizational management by a great number of renowned

management scientists and top managers from prestigious companies and their formulation of appeals and urges in this respect. In this regard, we mention "Moon shots for management", published by Harvard Business Review in 2009 [6], and the strategic document adopted at the Davos Forum in 2017 [10].

In "Moon shots for management" [6], 35 leading professors, consultants, and managers from the USA, Europe, and Canada concluded that "the modern management" (Management 1.0), which dates back to the late nineteenth century, has reached the limits of improvement. They lay out a roadmap for reinventing management, proposing to construct Management 2.0 taking into consideration 25 grand challenges of management.

The strategic document "The compact for responsive and responsible leadership – A roadmap for sustainable long-term growth and opportunity" was elaborated by 100 leading businesses and finally adopted by all participants of the Davos Forum 2017 [10]. According to this document, there is a need for a compact that recalibrates the relationship between public corporations and their major investors and conceives of corporate governance as a collaboration among corporations, shareholders, and other stakeholders working together to achieve long-term value and resist short-termism. Each participating manager as a responsive and responsible leader undersigns and commits to acting within the remit of his or her responsibilities, duties, and influence to promote meaningful engagement between the board, investors, and other stakeholders that builds mutual trust and effective stewardship and promotes the highest possible standards of corporate conduct and to implement policies and practices within the organization that drive transformation towards adherence to long-term strategies and sustainable growth for the benefit of all stakeholders [10].

11. Enhancement of the trend toward

professionalization of managers, who, because of the high knowledge level and the vision focused on change, innovation, and participation, are able to initiate and practise a new type of management in the relationship with the company's stakeholders, valorizing their large potential through a win-win approach.

12. The discovery by Harvard University mathematical biologist Martin Nowak in 2006 that "natural cooperation" is the third fundamental principle of evolution beside mutation and natural selection [11]. This means that management could focus more on the development of cooperation, collaboration, and co-working between the people directly and indirectly involved in the organization's activities.
13. Societal requirements formulated by prestigious specialists based on valuable studies: "we should re-frame capitalism in the terms of stakeholder theory so that we come to see business as creating value for stakeholders" [5].

3.2. Organizational Arguments

1. Manifestation in companies of a very strong modernization trend of resources, activities, and functionality, with companies becoming and acting as ecosystems that are able to implement and are open to intensive innovation and change.
2. Transformation of a large percentage of companies into learning organizations, substantially amplifying companies' and their managers' and executives' capacity to innovate and to remodel themselves [12].
3. Transformation of the increasing proportion of companies into knowledge-based organizations, which possess the necessary vision and resources – especially the knowledge and information – to remodel themselves according to the new challenges, necessities, and opportunities [13].

4. Fast digitalization of companies and the business environment, which enhances and accelerates organizations and people's knowledge and information, communication, and consultation with company internal and external stakeholders [14].
5. Amplification of the information and knowledge possessed, shared, and used by the companies and their components and of the other stakeholders [15].
6. Rapid and intensive development of networking, both inside and outside the company, which involves a large number of different stakeholders and has a strong influence on the company functionality and performance.
7. Proliferation at the level of companies of approaches focusing on sustainability and CSR, making organizations more open and proactive for their stakeholders.

4. What does the new managerial paradigm mean?

The new managerial paradigm focused on stakeholders is different from the classical managerial paradigm of manager-subordinate from both the quantitative and the qualitative point of view.

A. Quantitative differences

Classical management is focused on subordinates. This means that the two main components of the management processes and relationships are the manager and the subordinate. When the managers are not the owners, the managerial processes and relationships are conducted under the guidance and control of their representatives using, especially in corporations, corporate governance.

The new managerial paradigm has as components the manager and the company stakeholders. The main categories of company stakeholders – besides managers and shareholders – are the following: company employees (executants), customers, suppliers, investors, bankers, administrative bodies, local communities,

business organizations

Company managers should deal mainly with the most important stakeholders – the relevant ones. It is not possible, because of time and of other resource restrictions, to focus on all company stakeholders. Permanently involving the most important stakeholders in managerial processes and relationships amplifies the company's access to their resources. Increasing the number of direct participants in managerial processes and relationships from two categories to several multiplies the number, frequency, intensity, and complexity of the managerial processes and relationships. Concomitantly, the stakeholders' inputs and participation in the managerial processes increase, with great positive impact on the performance of the company and of the internal and external stakeholders involved.

B. Qualitative differences

Management processes and relationships focused on the company's relevant stakeholders are quite different from the classical ones from several essential points of view:

- They take into consideration the major interests of the company and its relevant internal and external stakeholders and not only the interests of the company owners and top managers;
- They establish and fulfill common objectives for the company and the relevant stakeholders, not only the company objectives;
- They have as components all relevant internal and external stakeholders, not just the company's owners, managers, and executives (employees);
- They are based on the win-win approach for the company and relevant stakeholders, being less hierarchical and more collaborative, motivational, and innovative, centred on the accomplishment of the company's and stakeholders' joint objectives and interests;

- They focus on the company's stakeholders' knowledge and information – the most important resources of the new economy – assuring their intensive, innovative, and productive sharing, enabling open innovation and higher performances;
- They valorize to a high level the potential of relevant internal stakeholders – owners, managers, and executives – by establishing mutual win-win objectives, more humanized decisions, actions, and behaviors, and much more motivation regarding effort, creativity, and performance;
- They valorize the environmental opportunities much better through the greater motivation of the company's relevant internal and external stakeholders and their involvement in its activities;
- They face environmental threats more effectively with the contributions of relevant external and internal stakeholders;
- They generate better and multidimensional performances of the company and its relevant stakeholders in a sustainable way, taking into consideration volatility, uncertainty, complexity and ambiguity of contextual elements [16], which are rapidly increasing in this period of digital transformation.

The quantitative and qualitative characteristics of the new type of management show the deep changes in the content of the management processes and relationships and the increase of their complexity, but concomitantly with the potential for much higher creativity, development, and performances of company relevant stakeholders. In figure 1 we synthesize the advantages generated by management focused on the relevant stakeholders, reflecting its new quantitative and qualitative features. We indicate the

main advantages at the level of the company and at the level of the relevant

stakeholders.

Figure 1: The main advantages of a company stakeholder-based management system

The quantitative and qualitative features of the management paradigm and the main advantages generated represent arguments for a radical change in company management. They indicate that management based on relevant stakeholders is able to produce much better multidimensional and sustainable performances because it is based on a win-win approach involving all main

participants, is deeply motivational for each person and organization involved, and accomplishes intensive sharing of the information, knowledge, and other resources of the company and every relevant stakeholder.

5. Conclusions

The proposed new management paradigm focusing on stakeholders – for which many

elements were provided by hundreds of specialists during the last half century – could represent a variant of the “reinvention of management” which many specialists have asked for (e.g. [6] and [5]).

We expect feedback from our colleagues regarding our proposal, being sure that it could generate controversial options. The

most important element, in our opinion, is to contribute to the increase of management theory and practice capacity to solve the numerous and complex problems faced by all types of organizations in the context of the transition to the knowledge-based economy and society and of the digital revolution.

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