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EDITORIAL

"Shareholder- versus Stakeholder-Orientation in Managerial Decision-Making—Editorial by Guest Editors"

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A recurrent debate in managerial science is directed towards the overall objective of the firm. In short, the debate can be expressed by the words "shareholder-value versus stakeholder-value". Should a firm only seek to create value for the owners or should it care about the balance between the legitimate interests of all stakeholders? This appears to be rather a political or ethical question than an issue of strict economic rationality. In the recent past global challenges like the climate change have led to the cry for sustainability which, in the tradition of the triple bottom-line, can be regarded as the three-dimensional structure of economic, social and ecological objectives (Elkington 1997). And, of course, the debate on shareholder- versus stakeholder-orientation was intensified by the crisis we were going through in 2008/09.

However, managerial decision-making reasonably depends on whether shareholder- or stakeholder-orientation predominates among the firm's objectives. Managerial decision-making is affected by information—information that managers directly consider relevant for decision-making in the shareholders' or the stakeholders' interest and information provided to shareholders and/or stakeholders about the results of managerial decisions. Among the information affecting managerial decision-making accounting numbers play an important role.

These developments provided the reason for this special issue on "Shareholder- versus Stakeholder-Orientation in Managerial Decision-Making". The tenth annual conference of the European Academy of Management was intended to find new insights that "improve managerial practices with respect to the interests of stakeholders and society at large" (EURAM 2010). One of the tracks accepted for

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the EURAM (2010) was directed to "Shareholder- versus Stakeholder-Orientation in Accounting Practices" and the majority of the papers included in this special issue was accepted for the EURAM conference and, especially, for this particular track.

In the first article, we seek to give a condensed "state-of-the-art"-report on accounting-related techniques for shareholder-oriented and stakeholder-oriented management and, based on this review, to derive further research opportunities. From a comparative perspective we identify substantial disparities in the level of development between the accounting techniques associated with the two management paradigms. Above all, the findings indicate that (shareholder) value-based management can build on a clear-cut objective function and elaborated methods. Further research activities appear necessary to refine these techniques and to adopt and evaluate them in practice. In contrast, in stakeholder management the main problem of how to balance and integrate the perspectives of various stakeholders in a value creation network remains open, though some promising techniques for single stakeholders do exist. We argue that one reason for the weak conceptual base for accounting techniques with respect to stakeholder value is the fact that the related behavioral assumptions on managerial decision-making are unclear.

In the second contribution *Rausch* addresses a challenging topic by reconstructing managerial decision-making from the perspective of shareholder theory, stakeholder theories and the related behavioral assumptions in order to derive implications for management accounting. A fundamental problem addressed in shareholder theory is the separation of ownership and management assuming that managers opportunistically decide on their own best interest. Thus, besides the central goal of maximizing the firm's value and the related accounting techniques, mechanisms to mitigate opportunistic behavior are required. *Rausch* figures out that stakeholder approaches substantially differ from shareholder-value approaches with respect to behavioral assumptions, objectives and management style. Thus, considering these differences *Rausch* argues that management accounting techniques also have to meet different requirements and goes more into the detail of a requirements analysis for management accounting techniques for stakeholder management.

The paper by *Rapp, Schellong, Schmidt* and *Wolff* focuses on the shareholder value perspective. The main question addressed in the paper is whether the so-called "value-based management" is associated with higher stock market returns. Value-based management can be defined as a generic term to summarize various techniques as, for example, information systems aimed at value creation and value drivers, performance measurement systems and compensation systems related to firm value (Ittner and Larcker 2001). By a sophisticated empirical analysis the authors show that firms which adopt value-based management systems earn statistically significant and remarkable abnormal stock market returns within 2 years of adoption. Furthermore, the analysis indicates that these abnormal returns are apparently not a transient effect. A conclusion is that value-based management systems increase shareholder value because they may serve as a credible signal to investors that managerial decision-making is directed towards shareholder value.

The article by *Neumann, Roberts* and *Cauvin* investigates the individual behavior of managers depending on the types of information that managers are confronted with. The paper contributes to the topic of this special issue in a very fundamental way: shareholder value is primarily reflected in financial performance measures whereas stakeholder values are represented in (several) non-financial measures. Assuming that even shareholder-oriented firms consider stakeholder interests managers are confronted with multi-facetted, complex sets of (financial and non-financial) measures as, for example, in the balanced scorecard. So, the question arises how the different measures affect decision-making. In an experimental study the authors find that the relevance managers attach to financial and non-financial performance measures is influenced by the order of presentation of these measures and by their relative a priori importance. These insights suggest considering the individual perception of performance measures in managerial decision-making for shareholder- as well as for stakeholder-management.

An interesting question is whether stakeholder orientation is a concept "that is nice to have" in good times whereas it is overruled when times get worse by taking short-term actions that are harmful for long-term stakeholder relations. In their paper on "squeezing or cuddling" *Asel, Posch* and *Speckbacher* present results of an empirical analysis on this issue. Against the background of the 2008/09 crisis the authors investigate whether firms changed their management control systems in the direction of an increased focus on cash generation, reduced autonomy of employees, cost-cutting and shorter reporting cycles. Obviously, actions like these are likely to be a threat for long-term stakeholder-relations. The results indicate that firms significantly adjusted their management control systems towards a financial focus in the course of the crisis to ensure their survival. However, the authors do not find that the short-term finance focus is inconsistent with long-term relations to key stakeholders.

Managerial decision-making might be affected by stakeholder-related information but this information is in turn affected by managerial decisions. A prominent example is represented by corporate social responsibility (CSR) disclosures. The article by *Gamerschlag, Möller and Verbeeten* examines this topic. An interesting question is what drives companies to take the effort of CSR-reporting, i.e. to report on the firm's environmental and social contributions. The authors conduct a content analysis on the CSR reports of German listed companies and find that CSR disclosure is associated with factors like visibility or shareholder structure. According to political cost theory this provides support for the authors' hypothesis that a motive for CSR disclosure might be to avoid political costs. Of course, from the perspective of stakeholder management these findings are somewhat disillusioning: Stakeholder needs are reflected in the firm's information policy not due to veritable conviction but due to an economic rationale.

Thus, given the findings presented in this special issue, we dare to conclude that stakeholder-orientation might be an inspiring idea(l) for dealing with our global challenges but that we need substantial further research in order to understand and consistently affect managerial decision-making in the context of stakeholder-orientation.

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