


Dialogue, Debate, and Discussion

Stakeholder Relationships and Organizational Resilience

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Organizational resilience is defined as a firm's ability to effectively absorb, develop a situation-specific response to, and ultimately create new ways of doing business and thrive as a consequence of adversity (Sutcliffe & Vogus, 2003). Prior studies suggest that resilient organizations are often associated with two seemingly opposing properties: *reliability* comprises a set of capabilities that enable a firm to return to normal quickly after disruptive events (Weick, 1993), whereas *flexibility* entails a stock of diverse and adjustable resources that facilitate innovative solutions to enable the firm not only to bounce back but also to bound forward and thrive after disruptions (DeJardine, Bansal, & Yang, 2019). However, reliable and flexible responses may involve different and often opposing sets of knowledge and capabilities. For instance, reliability requires fast and accurate perceptions, and improvisational behaviors, whereas flexibility requires envisioning of new uncertainties, explorational learning, and creative transforming (Li, 2020; Välikangas & Lewin, 2020). Given the challenge of balancing reliability and flexibility, we are curious about what factors drive resilient organizations to achieve reliability and flexibility in response to adversity.

In this commentary, we propose that good stakeholder relationships set a solid stage for fostering an organization's reliability and flexibility, which ultimately builds organizational resilience. Stakeholders refer to groups and individuals who can affect, or are affected by, the strategic outcomes of a firm. Firms that manage for stakeholders have the potential to develop good stakeholder relationships, that is, trusting and reciprocal relationships between the firm and its various stakeholders, including employees, customers, suppliers, and the community at large (Harrison, Bosse, & Phillips, 2010). Such good stakeholder relationships encourage the sharing of visions, values, information, and material resources between the firm and its various stakeholders, which fosters the interdependency between the firm and its broader social and natural systems (DeJardine et al.,

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2019). We argue that such interdependency helps firms respond faster and more flexibly, thus finally improving their reliability and flexibility.

STAKEHOLDER RELATIONSHIPS IMPROVE ORGANIZATIONAL RELIABILITY IN ADVERSITY

Resilience is a consequence of more frequent, timely, and accurate information-sharing and problem-solving activities that involve engagement with multiple stakeholders. Collective cognition enables firms to rapidly notice and make sense of current situations and deploy knowledge and resources to resolve problems. Without a shared interpretive scheme of adversity, firms may face increasing vulnerability to subsequent adversity (Weick, 1993). The trust and shared understanding expressed to stakeholders in firms' purpose, core values, vision, and language set the stage for constructing collective cognition. The reason Cainiao Logistics (菜鸟物流) in Alibaba arrived at a shared collection cognition with partners in a very short time and responded quickly to the COVID-19 pandemic is that the company has established trust and reciprocal relationships with logistic partners through building an intelligent logistics platform in China over the past years. As Zhang Yong, the CEO of Alibaba (阿里巴巴), said, 'we only need two hours to align 32 logistic partners and get collective cognition that we will fully support the fight against COVID-19'.

Further, when adversity strikes, stakeholders within and outside organizations may experience negative emotional reactions, including anxiety or desperation. Firms are likely to enhance resilience to adversity by cultivating emotional capital, such as optimism and hope, to express and discuss emotions appropriately (Williams, Gruber, Sutcliffe, Shepherd, & Zhao, 2017). Cases of resilient organizations demonstrate that good stakeholder relationships could inspire positive emotions among stakeholders by cultivating an organization-wide culture of 'ethics of care'. Trust and connection allow stakeholders to be more open and vulnerable with one another, thus setting the stage for expressing emotions, responding to each other's needs, and forming feelings of 'suffering together with another' (患难与共). Moreover, the sharing of emotions regarding ambiguous and complex adversity enables stakeholders to feel strongly supported by each other, which helps them embrace challenges and redefine adversity as an opportunity to learn, grow, and contribute to society. For instance, employees in Alibaba who designed the healthy QR code (健康码) said that 'we support each other and work very hard like only sleeping two hours each day because we want to contribute to society'.

Lastly, to minimize losses and persist with organizational practices, firms need to generate a range of viable solutions to respond quickly to adversity in the face of huge uncertainty. Specifically, effective responses to adversity often involve bricolage and local improvising behavior that is driven by the resources at hand (Williams et al., 2017). Cases of resilient organizations suggest that fostering

good stakeholder relations facilitates the combining of scattered information and resources required for such improvisational action. Internal stakeholders such as employees constitute valuable contingency resources for organizations to resort to in times of adversity. For example, while many branches of Hometown Chicken (老乡鸡), a local restaurant brand, were basically shut down in the heat of the COVID-19 pandemic, some of its employees, especially those loyal middle-level managers who were promoted from entry-level staff, volunteered for salary cuts to reduce the company's financial pressure. Similarly, Cabin Barbecue (木屋烧烤), another restaurant brand, not only received voluntary requests for pay cuts from middle-managers in Guangzhou, but also had employees from the IT division who spontaneously developed a program for take-out service within five days, which greatly helped the company with sales increases during the pandemic. In addition, external stakeholders, such as loyal consumers and long-term suppliers, were willing to tackle adversity together with firms by providing necessary and even unexpected support and resources. For example, Hema (盒马), Alibaba's new retail store, solved the problem of employee shortages as a result of increased online orders during the pandemic through innovative employee sharing with its suppliers, competitors, and other partners.

STAKEHOLDER RELATIONSHIPS IMPROVE ORGANIZATIONAL FLEXIBILITY IN ADVERSITY

As Grandori (2020) points out, the true challenge of doing well during adversity is that future trends are associated with high uncertainty, which are sometimes unimaginable. Diverse and distinctive information about stakeholder needs can improve the understanding of trends and opportunities in adversity, which stimulate firms' creativity helpful for their adoption of flexible and innovative solutions in response to adversity (DeJardine et al., 2019). Firms with good stakeholder relationships find it easier to gain access to diverse points of view and information because stakeholders are willing to share with trusted firms nuanced information about emerging issues and needs when they believe the firm will act responsibly with regard to their interests (Harrison et al., 2010). For example, firms that are more responsive to customers, not only by complying with the terms of each transaction but also by connecting with customers through sincere communication, are more likely to obtain valuable information about customers and to fine-tune its strategies and tactics to offer what is really important to the customer stakeholder. Dong Mingzhu, the CEO of Gree Electric Appliances (格力电器), reported that they quickly gathered valuable information about COVID-19 from leading virologists, aerosol experts, and medical staff in Wuhan hospitals and developed a new air purifier, with a filter that maintains a temperature of over 56°C (133 °F), as advocated by the National Health Commission of China,^[1] to help hospitals, factories, schools, and other crowded places to clean the air and to avoid cross-infection of viruses. Overall, firms that continuously invest in stakeholder relations are

in a much more favorable position to manage the flow of diverse information, which stimulates firms to identify opportunities and cultivate flexible resources to bounce forward for thriving over time.

Additionally, the large scale, scope, and complexity of adverse events may not only lead to the collapse of firms but also place local communities in adverse situations. Firms with good stakeholder relationships usually pay more attention to community and society needs rather than just fulfilling their own needs, so that they are more likely to engage in community-centric recovery by coordinating with cross-sector partners, including government, suppliers, and non-profit organizations. Through participation in community-centric recovery, firm flexibility can be increased in two ways. First, by focusing on the social and environmental challenges facing communities, firms can develop deeper insights into society and identify overlooked societal needs that set the stage for subsequent innovation. Second, firms could also benefit from the blurring of boundaries in cross-sector partnerships, which would inspire innovative ways of working and novel approaches to solving problems. For example, Alibaba found new social needs through wide participation in China's epidemic prevention by inventing a digital epidemic prevention platform that integrates resident contact tracing, medial services, and governmental affairs management.

THEORETICAL IMPLICATIONS

The lingering COVID-19 crisis has substantively changed the global economy and society so that it may not be likely to return to prior status quo (Välilikangas & Lewin, 2020). All organizations must struggle with managing the crisis while building the future, or they will be out of business for lacking reliability or flexibility. Indeed, reliability and flexibility are mutually interdependent, and both are critical for building organizational resilience. However, maintaining reliability and flexibility can be very challenging; as emphasized earlier, only those firms with good stakeholder relationships can do so.

An effective response to adversity is collective in nature, involving the interaction between the organization and its various stakeholders. Good stakeholder relationships foster organizations to build interdependency with various stakeholders, which set a solid stage for organizations to mobilize resources and information to maintain reliability and flexibility in adversity. First, good stakeholder relationships help organizations quickly form unified cognitions, stimulate positive emotions, and access resources to conduct improvising and bricolage behaviors. Further, good stakeholder relationships help organizations create an open communication environment in which diverse information can be exchanged, which ultimately leads to learning and innovation.

In practice, organizations could mobilize stakeholders to balance reliability and flexibility on temporal and spatial dimensions. For instance, temporal balance means that organizations could focus on maintaining reliability by

mobilizing stakeholders' cognitive and emotional resources and behavioral capabilities to quickly respond to adversity in the early period of crisis; as crisis progresses, organizations can focus on flexibility by accessing stakeholders' diverse information to develop innovative solutions. Furthermore, spatial balance involves organizational response activities that give priority to reliability (flexibility) in certain space but also considering flexibility (reliability) in some other space, such as encouraging certain departments/subunits to collaborate with stakeholders to explore new opportunities and solutions. In sum, organizations should avoid choosing between either reliability or flexibility but try to maintain both with different priorities across temporal and spatial dimensions.

NOTES

We would like to thank Runtian Jing and Fangmei Lu for helpful comments on an earlier draft of this article. We also appreciate the support by the National Natural Science Foundation of China (Grant No. 71802165; 71672146; 72072188; 71772055) and the Humanities and Social Sciences Fund of the Ministry of Education (Grant No. 16YJC630080).

- [1] The National Health Commission of the People's Republic of China issued the seventh version of the COVID-19 treatment scheme, which states that a temperature of 56°C (133 °F) is the temperature that kills the COVID-19 virus. The COVID-19 treatment scheme (the seventh version) can be accessed from <http://www.nhc.gov.cn/ztygj/s7653p/202003/46c9294a7dfe4cef80dc7f5912eb1989.shtml>

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Accepted by: Deputy Editor Peter Ping Li