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ORIGINAL ARTICLE

Stakeholder theory and the knowledge problem: A Hayekian perspective

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Abstract

This paper explores the potential for stakeholder theory to illuminate what F.A. Hayek called “the knowledge problem”, pertaining to how a society manages to utilize “knowledge not given to anyone in its totality”. According to Hayek, this problem is addressed by the price system, which induces economic actors to harness local and dispersed pieces of knowledge that would not be available to a central planner. The present paper argues that the growing turbulence in the business environment, as pointed out by stakeholder theorists, poses a challenge to the ability of corporate managers to harness local knowledge. Stakeholder theory is shown to imply that, in a turbulent environment, managers’ ability to do so is increasingly dependent on their access to the knowledge held by corporate stakeholders. This argument suggests that the building of stakeholder relationships is a crucial institutional solution to the knowledge problem.

1 | INTRODUCTION

As many readers of the present journal are aware, the development of stakeholder theory has been stimulated by the growing managerial awareness that traditional ideas of profit and shareholder wealth maximization worked well “during a time when there was much less concern with turbulence” (Freeman et al., 2010, p. 3) but require major rethinking in today’s business world. As Jones et al. (2018, p. 381) suggest, the key ingredients of turbulence are environmental dynamism, high knowledge intensity of specific business activities, and significant task and outcome interdependence. The present paper contends that stakeholder theorists’ interest in how managerial decision-making and sense-making more generally are affected by environmental turbulence (cf. Burrell & Morgan, 2019; Emery & Trist, 1965; Jones et al., 2018) indicates that stakeholder theory comprises an epistemic dimension that has not yet been given explicit scrutiny. Central to this dimension is the question of how managers come to acquire, develop, and harness knowledge and how the

nature of this knowledge is affected by environmental turbulence and stakeholder relationships.

The epistemic dimension of stakeholder theory is highlighted by an important strand of scholarship examining the influence of stakeholder relationships on the generation and utilization of managerial knowledge (e.g., Alvarez et al., 2020; Asher et al., 2005; Barney, 2018; Freeman & Phillips, 2002; Godfrey, 2005; Venkataraman, 2019). This scholarship qualifies stakeholder theory to contribute to the research program of what Boettke (2018) designates “epistemic institutionalism,” which explores the influence of institutional arrangements on processes of discovery and learning in modern economies and societies. As Boettke (ibid, p. 12) explains, “discovery and learning is a function of the institutional framework within which economic activity is played out. The knowledge that is necessary to guide and discipline decisions is institutionally contingent—it literally does not exist unless within a certain institutional environment.”

Boettke (ibid) traces epistemic institutionalism back to Hayek’s (1937, p. 50) famous elaboration of “the knowledge problem,” which

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is essentially about explaining how business actors in a market economy acquire and utilize “the knowledge of the basic fact of how the different commodities can be obtained and used, and under what conditions they are actually obtained and used” (ibid).

Hayek related the knowledge problem to “the general question of why the subjective data [of] the different persons correspond to the objective facts.” The prominent role of the knowledge problem in Hayek’s Nobel Prize-winning work is well known (e.g., Boettke, 2018; Caldwell, 2004). Hayek (1945, pp. 519–520) considered “the economic problem of society” to reside not in the optimal allocation of scarce resources but in “the utilization of knowledge not given to anyone in its totality.” In Hayek’s work, the premier institutional solution to the knowledge problem is the price system. On his account, economic actors are impelled by the profit-and-loss calculus to react to price signals in such a way as to draw on their unique “knowledge of the particular circumstances of time and place” (ibid, p. 521) while contributing in a decentralized way to the growth of the overall stock of community knowledge. Today, epistemic institutionalism entails a comparison of epistemic implications and heuristic properties of alternative governance structures, such as markets, hybrids, hierarchies (Barney, 2018; Hodgson, 1998; Nickerson & Zenger, 2004; Williamson, 1996), or even nonprofit organizations (Wandel & Valentinov, 2014).

What is intriguing in the context of stakeholder theory is the comparison of epistemic implications of the price system, as understood by Hayek, and the emergent forms of stakeholder engagement, which are widely recognized to promote the generation of novel knowledge (Freeman et al., 2010; Jones, 1995; Jones & Harrison, 2019; Jones et al., 2018; Post et al., 2002; Sachs & Rühli, 2011). The existence of the epistemic implications of stakeholder engagement can be traced to Freeman et al.’s (2017) definition of communication and learning as its crucial dimensions. This definition is further reinforced by Alvarez and Sachs’ (2021) recent argument that stakeholder engagement is enabled by common language and communication processes allowing stakeholders to facilitate each other’s creative thinking. At the same time, to crystallize the epistemic implications of stakeholder engagement more precisely, it is necessary to revisit the debate between stakeholder theory and the resource-based view of the firm (Barney, 2018; Freeman et al., 2021; Jones et al., 2018). Whereas the resource-based view adopts the firm-centric level of analysis, this analytic focus needs to be conceptually overcome to allow for the possibility of knowledge dynamics within the emergent forms of stakeholder engagement, such as stakeholder networks.

The rest of the paper is organized as follows. The next section will revisit a debate at the intersection of the resource-based view and stakeholder theory and identify a gap that can be filled by re-conceptualizing the Hayekian knowledge problem. The following section will justify the relevance of the Hayekian analysis of the knowledge problem in the context of stakeholder theory and pay attention to some of the latter theory’s currently perceived tensions, which can be addressed by incorporating Hayekian insights. This is followed by a discussion of the ways in which various aspects of the

knowledge problem are highlighted by some of the recent seminal contributions to stakeholder theory. On this basis, it is possible to clarify how stakeholder theory can take into account the knowledge generation processes occurring beyond the firm-centric level of the resource-based view, thus suggesting that stakeholder engagement indeed constitutes a novel solution to the Hayekian knowledge problem.

2 | SETTING THE STAGE: STAKEHOLDER THEORY AND THE RESOURCE-BASED VIEW OF THE FIRM

Within the wide-ranging scholarship on stakeholder theory, the key debate foregrounding the role of knowledge has been concerned with exploring the relationship between stakeholder theory and the resource-based view of the firm (Barney, 2018; Freeman et al., 2021; Jones et al., 2018). According to the resource-based view, knowledge presents one of the crucial resources harnessed by managers seeking to secure the sustainable competitive advantage of their firms (Barney, 1991, 2018; Wernerfelt, 1984). Stakeholder theorists have long recognized that moral stakeholder relationships may facilitate firms’ sustainable competitive advantage in a number of ways, such as by economizing transaction costs (Jones, 1995), improving reciprocal coordination, attracting high-quality stakeholders, strengthening moral motivation (Jones et al., 2018), providing protected space for creativity and innovation (Alvarez & Sachs, 2021), and forestalling negative stakeholder actions (Jones & Harrison, 2019; Valentinov et al., 2019). While these ways are context-dependent (Bridoux & Stoelhorst, 2014) and potentially costly (Jones et al., 2018), each implies that a firm develops a unique base of knowledge that is cocreated by stakeholders (Post et al., 2002; Sachs & Rühli, 2011). Thus, from a stakeholder theory perspective, a seminal contribution of the resource-based view is insight into the relation between knowledge and value creation; namely, value creation for stakeholders draws on the firm’s knowledge, which the firm’s stakeholders help cocreate.

However, as Freeman et al. (2021) rightly note, the resource-based view exhibits several shortcomings that stakeholder theory can help redress. Namely, until now, the resource-based view eschewed normativity, restricted the idea of sustainability “only to a limited number of firms” (ibid, p. 5), adopted a reductionist view of people as human resources, and prioritized competition over cooperation (ibid). Each of these shortcomings arises from the resource-based view’s paradigmatic emphasis on the ontological level of the individual firm as the possessor of sustainable competitive advantage. Stakeholder theory, in contrast, draws attention to value creation for all stakeholders without being limited by the imperative of seeking the competitive advantage of the focal firm. Sachs and Rühli (2011, p. 43) explicitly state that “a comprehensive understanding of value creation is contradictory to a one-sided and narrow focus on a firm’s competitive advantages and financial success”. By contributing richer conceptual understandings of normativity, sustainability, people, and cooperation, as suggested by Freeman et al. (2021),

stakeholder theory implies that the generation of knowledge involved in value creation occurs at emergent levels that are irreducible to the reference level of an individual firm. Sachs and Rühli (2011, p. 160) characterize this level as that of stakeholder networks and warn of the risks of overly firm-centric interpretations of stakeholder theory, a concern shared by a broad range of contributors to stakeholder theory (Bevan et al., 2019, p. 132; Calton & Payne, 2003; Fassin, 2008; Stormer, 2003; Rowley, 1997).

At the same time, current scholarship in stakeholder theory seems to lack efforts at shifting the theorization of knowledge generation beyond the firm-centric level of the resource-based view. There exists awareness that stakeholder interaction patterns congeal into more or less distinct institutional forms, such as networks (Sachs & Rühli, 2011) or the relational models of communal sharing, authority ranking, equality matching, or even market pricing (Bridoux & Stoelhorst, 2016). There likewise exist a number of economic justifications as to why some of these institutional forms help a firm develop superior knowledge and capabilities underpinning its sustainable competitive advantage (Bridoux & Stoelhorst, 2016; Jones, 1995; Jones & Harrison, 2019; Jones et al., 2018; Post et al., 2002; Sachs & Rühli, 2011). However, what is ostensibly missing is a conceptualization of how emerging superior knowledge and capabilities genuinely enable value creation for all stakeholders without being subordinated by, and limited to, the idea of advancing the focal firm's competitive advantage. This gap can be filled by drawing inspiration from Hayek's (1937, p. 50) classic analysis of the knowledge problem and from his more general perspective on epistemic institutionalism.

3 | THE HAYEKIAN KNOWLEDGE PROBLEM AND THE TENSIONS OF STAKEHOLDER THEORY

The relationship between the Hayekian knowledge problem and stakeholder theory can be presumably characterized in terms of two propositions. The first proposition is that the stakeholder theory context radicalizes the knowledge problem in such a way that the price system can no longer be considered its premier institutional solution. The second proposition is that following through on the logic of the Hayekian analysis of the knowledge problem in the stakeholder theory context highlights another institutional solution, namely, building and maintaining stakeholder relationships. The first of these propositions presents a logical implication of Freeman's (1984, p. 27) justification of stakeholder theory in terms of the growing turbulence of the business environment (cf. Freeman et al., 2010, p. 3; Jones et al., 2018). Hayek would have possibly agreed that the business environment may well be turbulent. However, his vision of the price system as the solution to the knowledge problem seems to fall in line with what Freeman et al. (2010, p. xv) critically refer to as "the mainstream view of shareholder capitalism." Similar to Hayek, stakeholder theory shows an awareness of the knowledge problem, as evidenced by the literature highlighting the role of stakeholder

relationships in the generation and utilization of managerial knowledge (Alvarez et al., 2020; Asher et al., 2005; Barney, 2018; Freeman & Phillips, 2002; Godfrey, 2005; Venkataraman, 2019). However, the knowledge problem underpinning stakeholder theory evidently calls for stakeholder capitalism rather than shareholder capitalism (Freeman et al., 2010, p. xv). Obviously, stakeholder capitalism encompasses a broad variety of institutional forms of stakeholder collaboration that includes but is by no means limited to the basic reference case of the price system (cf. Bridoux & Stoelhorst, 2016).

The second proposition mentioned above returns to the Hayekian vision of the market economy as the ongoing process of the generation of novel knowledge and the attendant adjustment of individual economic plans. Hayek contrasted his processual view of the economy with the equilibrium-oriented view adopted by neoclassical economists who assume the relevant knowledge of economic actors to be given and largely fixed. In the context of the present paper, there is room to argue that the contrast between stakeholder theory and "the mainstream view of shareholder capitalism" (Freeman et al., 2010, p. xv) at least partly runs along somewhat similar lines. The corporate profit maximization strategies advocated by "the mainstream view" are premised on the free availability of knowledge about opportunities for value creation. From the Hayekian processual point of view, the availability of this knowledge is not free and cannot be taken for granted; it is essential to explain how this knowledge is generated and utilized. Clearly, it is in this area that stakeholder theory provides the requisite insights. From a stakeholder theory perspective, value creation opportunities are continually discovered and constructed through the interactions of stakeholders, each of which contributes her or his unique bits of knowledge, competence, and perspective (Alvarez et al., 2020; Barney, 2018; Venkataraman, 2019). At a more fundamental level, Alvarez and Sachs (2021) note that this process is preceded by the formation of a common language that helps stakeholders self-identify, develop common norms and habits, absorb uncertainty, and unleash creative thinking in an atmosphere of trust and loyalty. As the authors suggest, the market pricing of stakeholder relations (Bridoux & Stoelhorst, 2016) may itself present an evolutionary outcome of the more basic languaging and communication processes underpinning stakeholder self-identification in the very early stages of entrepreneurial endeavors (ibid).

All of this means that stakeholder collaboration and engagement are emergent and processual phenomena rather than equilibrium phenomena (Valentinov & Pérez Valls, 2021). Accordingly, the ongoing value creation for all stakeholders is a process that is inherently disruptive of neoclassical equilibrium; in fact, it is disruptive even of the focal firm's sustainable competitive advantage, as theorized by the resource-based view. The notions of equilibrium and sustainable competitive advantage are simply too static to be able to do justice to the ongoing and unpredictable process of the generation of novel knowledge. Part of this unpredictability is evidently due to what stakeholder theorists consider to be the growing turbulence of the business environment (cf. Freeman et al., 2010, p. 3). The emerging conclusion is that for stakeholder theory, the process of

stakeholder interaction is an epistemic functional equivalent of the Hayekian market process, which in turn becomes functionally equivalent to “the mainstream view of shareholder capitalism” (Freeman et al., 2010, p. xv). Even in its current tentative and provisional form, this conclusion holds the potential to address two persisting tensions of stakeholder theory (cf. Freeman et al., 2020).

One of these tensions is related to how stakeholder theory has to manage trade-offs between the legitimate interests of stakeholders. Freeman et al.'s (2010, p. 28) authoritative statement is that “a stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs”. However, “if trade-offs have to be made, as often happens in the real world, then the executive must figure out how to make the trade-offs, and immediately begin improving the trade-offs for all sides” (ibid). In response, many commentators have critically noted that quite frequently, the practical strategies of “improving the trade-offs for all sides” are far from obvious (cf. Beckmann et al., 2014; Schaltegger et al., 2019). This tension disappears if stakeholder engagement is seen as a Hayekian process of the ongoing generation of novel knowledge. Trade-offs among stakeholder interests are real within the neoclassical conception of static equilibrium, implying a given and fixed state of knowledge of market participants. In contrast, value creation for all stakeholders indicates, perhaps most importantly, the creation of novel knowledge of opportunities for “improving the trade-offs for all sides” (Freeman et al., 2010, p. 28). Thus, understood as a Hayekian process, value creation renders irrelevant any conceptualization of economic trade-offs at equilibrium. Whereas cutting-edge stakeholder scholarship acknowledges that shifting the focus of managerial decision-making away from stakeholder trade-offs and toward the creation of mutual benefit for stakeholders requires “innovative thinking” (Freeman et al., 2021, p. 5), a Hayekian perspective goes even further by suggesting that this thinking is not only required but also actively nurtured and promoted within moral and well-functioning stakeholder relationships.

However, another tension of stakeholder theory revolves around the ambivalence surrounding the definition of the boundaries of the firm, as a number of stakeholders are often seen to fall outside the ambit of direct managerial control (Phillips et al., 2019, p. 3). While not everyone finds this ambivalence satisfactory, Phillips et al. (2019, p. 3, emphasis in original) propose to view the issue of firm boundaries not as “the defining challenge to stakeholder theory” but rather as “the defining challenge of stakeholder theory. That is, stakeholder theory invites us to reevaluate both what constitutes a firm boundary and what it means to be inside or outside.” The Hayekian knowledge problem can serve as a point of departure for such a reevaluation because the generation and utilization of knowledge of course occur both within and across firms such that the full dimensionality of these processes may not even be grasped under the firm-centric analytical focus of the resource-based view. Appreciating this full dimensionality clearly requires what Freeman et al. (2020, p. 221) call “a higher consciousness on the part of the leaders of the business, through which they are able to see the interconnectedness and interdependence that those operating with lower level of consciousness simply cannot see.” This

higher consciousness is achieved, in turn, precisely by “hold[ing] open the question of firm boundaries” (ibid, p. 220). Again, this question is sensible within the mainstream economics keyed to the idea of equilibrium, whereas the inherent open-endedness of the processual Hayekian view draws attention to the knowledge dynamics that unfold its full complexity only if the commitment to the importance of the uncontested definition of firm boundaries is dropped.

4 | HAYEKIAN ELEMENTS IN RECENT STAKEHOLDER THEORY SCHOLARSHIP: AN ASSESSMENT

Hayekian insights are clearly discernible in some of the recent stakeholder theory applications and developments. In a longitudinal case study of the entrepreneurial venture of Wakefield Seafoods, Alvarez et al. (2020, p. 287) document the way in which the interactions between entrepreneurs and stakeholders have been instrumental in the creation of entrepreneurial opportunities under conditions of uncertainty and incomplete or missing knowledge. The authors show stakeholder engagement to be directly implicated in the resolution of the knowledge problem involved in the specified conditions. Perhaps of most direct relevance to Hayek's theoretical thought, Venkataraman (2019, p. 164) identified the processual core of stakeholder theory in the view of the firm as an equilibrating mechanism (rather than a governance structure). Among several types of available equilibrating processes, Venkataraman (ibid, p. 167) gives primacy to the entrepreneurial process, which ensures “that the corporation will be managed *as if* for the benefit of all the stakeholders... Firms, which are not so managed, will, over time, be selected out of the business (and, therefore, social) landscape.” Venkataraman (ibid) makes fully clear that the knowledge problem must be at the core of stakeholder theory; however, he leaves undetermined exactly why this problem calls for stakeholder management rather than for the basic institutions of the price system proposed by Hayek.

Some strands of stakeholder theory emphasize the decisive role of stakeholder relationships in the diverse settings of incomplete contracting (cf. Asher et al., 2005). Barney (2018, p. 3,314) draws on the incomplete contracting perspective to argue that the firm's ability “to generate economic profits often requires access to critical resources from several stakeholders, both within and outside the boundaries of the firm.” Maintaining positive relationships with these stakeholders plays a crucial role in sustaining the firm's competitive advantage. On Ketokivi and Mahoney's (2016) reading, transaction cost economics, which builds on the incomplete contracting tradition, presents a variety of “constructive” stakeholder theory exploring the pathways for safeguarding risky stakeholder relationships. Godfrey (2005, p. 786) advances the notion of relational stakeholder wealth, which “cannot be protected through traditional insurance markets and contracts.” Adopting a risk management perspective, Godfrey argues that this wealth requires protection based on the positive moral capital that can be developed by corporations nurturing highly moral relationships with stakeholders.

At a perhaps even more fundamental level, the knowledge problem has been implicated in Freeman and Phillips' (2002) libertarian defense of stakeholder theory. Given the key libertarian concern of equal respect for everyone's freedom, liberty, and property rights, Freeman and Phillips (*ibid.*, p. 337) argue that "managers who are boundedly rational and acting under real uncertainty, must take the interests of stakeholders into account, else they might misuse shareholders' property to harm others and violate their right to freedom." This seminal argument locates the knowledge problem in the possibility of unintended and inadvertent generation of negative side effects for stakeholders. Forging positive stakeholder relationships not only sensitizes corporate managers to this possibility but also empowers stakeholders to voice their critical concerns in cases of need. Indirectly, this argument underpins Jones and Harrison's (2019) strategy of bringing stakeholder theory to bear on the definition of the proper corporate objective. The authors see this objective in maximizing "the wealth of corporate shareholders without making any other stakeholders worse off" (*ibid.*, p. 82). Obviously, corporate managers may pursue this objective only as long as they are aware of any possible side effects. Creating this awareness is part of the way in which stakeholder theory reframes "the problem of the ethics of capitalism" as well as the problem of managerial mindsets (Freeman et al., 2010, p. 5).

To discern the significance of these knowledge-related arguments for stakeholder theory, it is useful to recall that Hayek's own understanding of the price system was largely motivated by his lifelong commitment to the critique of socialism. Particularly during his years with the London School of Economics, he was appalled to learn from the emerging literature on market socialism that the technical specifications of general equilibrium, optimal allocation, and welfare maximization not only were just as applicable to a socialist economy as they were to a capitalist one, but also could even admit of a better implementation in the former case (Boettke, 2018; Caldwell, 1988). Briefly, his response was to stress that major economic accomplishments, such as the ongoing introduction of innovative low-cost production technologies, could not be assumed to be equally possible in capitalist and socialist societies. In objecting to the implicit assumption of market socialists that "the cost curves were objectively given facts," he explained that "the method which under given conditions is the cheapest is a thing that has to be discovered, and to be discovered anew, sometimes almost from day to day, by the entrepreneur, and that, in spite of the strong inducement, it is by no means regularly the established entrepreneur, the man in charge of the existing plant, who will discover what is the best method. The force which in a competitive society brings about the reduction of price to the lowest cost at which the quantity salable at that cost can be produced is the opportunity for anybody who knows a cheaper method to come in at his own risk and to attract customers by underbidding the other producers. But, if prices are fixed by the authority, this method is excluded" (Hayek, 1940, p. 139; cf. Pan et al., 2020).

As follows from the above quote, Hayek's critique of socialism was anchored in his processual vision of how the market economy effects the ongoing generation of novel knowledge and the adjustment

of individual economic plans. What he saw as a chief obstacle preventing his neoclassical economist colleagues from appreciating the processual nature of the economy was their paradigmatic interest in market equilibrium, an essentially static phenomenon. If this applies, then bringing Hayekian knowledge to bear on stakeholder theory seems to go in a more radical direction than the main thrust of the abovementioned knowledge-related arguments embedding this theory in the incomplete contracting perspective (cf. Asher et al., 2005; Barney, 2018; Godfrey, 2005; Ketokivi & Mahoney, 2016). A central facet of these arguments is the preeminence of contractual problems related to information asymmetry, asset specificity, and other possible determinants of opportunistic behavior. Even though all of these determinants are premised on the bounded rationality of contractual partners and thus undoubtedly fall under the auspices of the knowledge problem, the incomplete contracting approaches assume that the nature of contractual problems, as well as the identities of contractual partners, can be specified in advance. If stakeholder theory was to fully unfold its processual core, these assumptions would need to be dropped. The reason is that the identities and subjectivities of stakeholders cannot be known to corporate managers in advance and thus need to be processually discovered or even coconstructed. By implication, the same is true for the nature of contractual relationships among these stakeholders.

5 | AND YET: WHY HAYEK WAS NOT A STAKEHOLDER THEORIST

Despite the abovementioned limitations, the incomplete contracting perspective adds considerable value by calling attention to the potentially precarious and problematic nature of stakeholder relationships. At the same time, while the risks attendant to these relationships are reflected in stakeholder theory's concerns with turbulence, they do not necessarily translate well into the context of the Hayekian knowledge problem. Hayek was primarily interested in understanding how "the spontaneous interaction of a number of people, each possessing only bits of knowledge, brings about a state of affairs... which could be brought about by deliberate direction only by somebody who possessed the combined knowledge of all those individuals" (Hayek, 1937, p. 49). Hayek's interest arose from the problem of "the division of knowledge which is quite analogous to, and at least as important as, the problem of the division of labor" (*ibid.*). Treating "the price system as ... a mechanism for communicating information" (Hayek, 1945, p. 526), he established that "the most significant fact about this system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action." At this point, the difference between the Hayekian knowledge problem and the knowledge problem implicated in the condition of business turbulence is perhaps most straightforward. Stakeholder theory does not marvel at how little corporate managers need to know about their stakeholders and does not recommend grounding stakeholder relationships on the principle of the economy of knowledge. As Freeman

et al. (2010, p. 9) emphatically stated, if stakeholder theory “is to solve the problem of the ethics of capitalism, it must show how a business could be managed to take full account of its effects on and responsibilities towards stakeholders.” If the authors are right, corporate managers must be required to bear responsibility for ascertaining whether any negative or positive effects exist and to bear further responsibility for taking all of these effects into account (Valentinov et al., 2021). The latter responsibility is of course premised on the availability of respective knowledge that is not supposed to be economized.

Given that the Hayekian and stakeholder theory interpretations of the knowledge problem remarkably differ, one may legitimately inquire into their logical relationship. While this relationship requires a much more detailed study than can be provided here, it is usefully illuminated by the way Williamson (1996, p. 101) contrasted Hayek’s (1945) and Barnard’s (1938) views of the nature of economic adaptation. Williamson explains that the economic adaptation addressed by Hayek is enabled by the price system, which promotes “spontaneous cooperation” (Williamson, 1996, p. 102), presupposing that “consumers and producers respond independently to parametric price changes so as to maximize their utility and profits, respectively” (ibid). Barnard (1938, p. 4), in contrast, anchored economic adaptation in “that kind of cooperation among men that is conscious, deliberate, purposeful” rather than spontaneous. Williamson (1996) explains that this type of adaptation is needed in the cases of bilateral dependency relations typical for incomplete contracting. In these cases, contractual parties must mutually and intentionally coordinate their actions, with independent individual responses to parametric price changes being insufficient and/or dysfunctional. If the abovementioned limits of the incomplete contracting perspective are taken into account, then Williamson’s (ibid) argument may be taken to imply that the stakeholder theory interpretation of the knowledge problem is warranted in those cases where value creation requires genuine interactions of stakeholders rather than their individual responses to parametric price changes. Whereas Williamson postulated asset specificity as a transaction-specific reason for the condition of bilateral dependency, stakeholder theory refers to the growing turbulence of the business environment as a sea change, making value creation critically dependent on the trustful cooperation of willing stakeholders (Valentinov & Roth, 2021).

The proposed distinction between the knowledge problems of Hayek and of stakeholder theory hinges on the idea of stakeholder relationships, which are needed to address the latter type of knowledge problem but not the former. Given that Hayek considered an integral part of the knowledge problem to reside in the coordination of individual plans, stakeholder relationships may be considered an instrument of precisely this coordination, which is based not on price signals but rather on stakeholder engagement and dialog. Instead of “competition as a discovery procedure” (Hayek, 1968), forging stakeholder relationships gives primacy to cooperation as a functionally equivalent cognitive process that allows stakeholders to discover new opportunities for value creation and to recognize new pathways for realizing their joint interests. Clearly, stakeholder cooperation as

a discovery procedure requires a much richer informational basis than could be provided by price signals alone. In fairness to Hayek, it must be noted that his account of the knowledge problem envisions economic actors drawing on and exploring quite diverse dimensions of their “knowledge of the particular circumstances of time and place.” As Boettke (2018, p. 86) explains, these dimensions include the knowledge of consumer demand, technological possibilities, and “the conditions of supply and demand for a market more generally.”

6 | DISCUSSION

Stakeholder theorists have long recognized that stakeholder relationships have not only economic and moral dimensions but also epistemic dimensions related to the generation and utilization of local, dispersed, and tacit knowledge. While stakeholder theory’s treatment of the latter dimensions has tended to be framed by engagement with the resource-based view of the firm, the present paper embeds them in the broader perspective of epistemic institutionalism traced back to the groundbreaking work of F.A. Hayek (Boettke, 2018). In identifying the knowledge problem as the key economic problem of society, Hayek (1945) famously argued that the price system exhibits remarkable information processing features that cannot be paralleled by any central planning authority and thus presents the premier solution to this problem. In today’s context, however, stakeholder theorists point out that the turbulent nature of the business environment renders this solution insufficient and increasingly in need of well-functioning stakeholder relationships, which allow stakeholders to develop a common language, to exchange stories, and to promote each other’s creativity (Alvarez & Sachs, 2021). In other words, following Hayek’s epistemic institutionalist inspirations, stakeholder engagement can be considered a novel institutional solution to the knowledge problem, supplementing the traditional solution of the price mechanism proposed by Hayek.

6.1 | The key take-away

The novel theoretical contribution of the present paper can be summarized by the proposition that the process of value creation for stakeholders utilizes novel knowledge that is continually generated within moral and well-functioning stakeholder relationships. This means that knowledge generation within stakeholder relationships can be thought of as a variety of the Hayekian discovery procedure, which is particularly suited to a highly turbulent business environment distinguished by dynamism, high knowledge intensity, and high task and outcome interdependence (Jones et al., 2018, p. 381). This theoretical contribution offers an opportunity to grasp the value creation process beyond the limits of the firm-centric level of analysis of the resource-based view, thus possibly moving away from what Freeman et al. (2020, p. 216) called “a narrow form of economic theorizing.” According to the proposed conceptual vision,

value creation no longer appears to be blocked by occasional trade-offs among stakeholder interests; these trade-offs rather present premier avenues for the application of novel knowledge, which allows us to reframe and overcome them. Moreover, this knowledge is cocreated by stakeholders in an emergent fashion that is irreducible to the firm-centric level of analysis and thus is not vulnerable to the critique that the definition of the boundaries of the firm remains contestable; rather, this contestability itself signifies that the firm-centric level of analysis is too reductionist to accommodate the full complexity of value creation occurring at the emergent level of stakeholder relationships.

6.2 | Avenues for further research

The proposed conceptualization of value creation has a tentative implication of infusing the resource-based view with stakeholder theory's ideas, such as normativity, sustainability, people, and cooperation, as proposed by Freeman et al. (2021). Namely, integrating these ideas with the resource-based view potentially yields an enhanced view of knowledge cocreation by stakeholders who work together to discover radically new frontiers of value creation. Further research, however, is needed to crystallize the specific dimensions of this enhanced view; one may, for example, explore the distinct impacts on knowledge cocreation of each of the four ideas mentioned by Freeman et al. (2021). For example, the "people" idea gives primacy to the human aspect of business; as humans, stakeholders may exhibit the sort of "local adaptations and ingenuity in everyday practical coping" (Chia & Holt, 2009, p. 133) that are critically needed to secure a firm's dynamic capabilities (Nayak et al., 2020). However, the notion of dynamic capabilities still retains a firm-centric focus. Further research efforts must go beyond this focus and explore the implications of Freeman et al.'s (2021) stakeholder-theoretic enrichment of the resource-based view for a broad variety of firm resources and even types of knowledge.

In addition to foregrounding the knowledge problem, Hayek's work can enrich stakeholder theory by posing the challenge of understanding the moral nature of stakeholder relationships. Hayek's own views of morality are framed by the seminal contrast between the microcosmos and macrocosmos (Hayek, 1988, p. 18) and between "the discipline of abstract rules and the emotions of tribal society" (Hayek, 1998, p. 133). These contrasts foreground mutual tensions between the moral standards of the small group and the open modern society, which respectively appeal to personal loyalty and universal justice (ibid, p. 147). Until now, stakeholder theory has been ostensibly searching for a subtle balance and a middle course to be steered between these polar notions while trying to do so in such a way as to avoid the collisions and dilemmas predicted by Hayek (1988, p. 18). Exemplary of this search might be Jones et al.'s (2018, p. 372) idea of communal relational ethics, which is "characterized by an intention to rely on relational contracts, joint wealth creation, high levels of mutual trust and cooperation, and communal sharing of property." Jones et al. (ibid) argue that firms anchoring

their stakeholder relationships in this type of ethics develop close relationship capabilities that may undergird sustainable competitive advantage.

An alternative standpoint, returning to Pies et al.'s (2009) ordonomic approach, might stress the limits of small-group morality in the modern market economy while looking for opportunities to harness enlightened self-interest within the institutional contexts of the macrocosmos. There is little doubt that these opportunities are real and have turned capitalism into a veritable "innovation machine" (Baumol, 2002, 2010) that diffuses capitalists' rents to a large group of stakeholders, including consumers and employees. Much further work is needed to disentangle the implications of these and related standpoints to help stakeholder theory avoid possible collisions between the microcosmos and macrocosmos noted by Hayek (1988, p. 18).

6.3 | Management and policy implications

The key management implication of the proposed argument is the need to devise novel institutional forms of stakeholder engagement specifically geared toward the cocreation and codiscovery of knowledge by stakeholders. Some examples of such institutional forms discussed in the extant literature include stakeholder networks (Sachs & Rühli, 2011); communal sharing (Bridoux & Stoelhorst, 2016); and "new governance" platforms bringing together corporations, governmental actors, and civil society initiatives (cf. Pies et al., 2009). The discussion of these forms has been somewhat hindered by the lack of consensus on the specific meanings of stakeholder collaboration. These meanings range from maintaining regular mutual business ties to participating in joint discussion and deliberation processes and finally to various forms of stakeholder codetermination that may result in the attenuation of the profit orientation of corporations. Clearly, these meanings are rather distinct; for example, Pies et al. (2021) support the first two meanings but reject the third. From the practical perspective examined here, it is useful to follow Freeman et al.'s (2017, p. 4) definition of stakeholder engagement, which includes "four dimensions: (1) Examining stakeholder relations, (2) Communicating with stakeholders, (3) Learning with and from stakeholders, and (4) Integrative stakeholder engagement," the last of which seeks to infuse business with ideas of responsibility and social justice.

Another issue of great managerial significance is the determination of the optimal institutional configuration of stakeholder collaboration. In this regard, Pies et al. (2009) draw attention to incentive problems that need to be solved to induce stakeholders to be trustworthy and to abstain from rent-seeking and other forms of opportunistic behavior. Drawing on the ordonomic approach combining game theory and new institutional economics, the authors suggest that many of these problems can be reframed as social dilemmas that admit of win-win solutions if stakeholders are able and willing to engage in individual and collective self-commitment (ibid). There is little doubt that stakeholder commitment may boost a variety of

learning processes that could yield innovative solutions to social dilemmas and could help identify novel win-win opportunities. On the other hand, if stakeholder collaboration operates as a genuine Hayekian discovery procedure, it may bring forth radically new knowledge that would challenge the very definition of the underlying social dilemmas. To achieve this outcome, it is crucial that the institutional configuration of stakeholder relationships not only suppresses the incentives for opportunistic behavior but also actively promotes trust, loyalty, and goodwill, which may be recommended as a guiding principle for the planning of new governance initiatives.

At the same time, the very open-endedness of the Hayekian discovery procedure precludes the identification of any such institutional configuration as inherently superior. Possible configurations may range from deliberative platforms enabling stakeholders to participate in rule-finding and rule-setting discourses (Pies et al., 2009) to the institutional enhancement of existing markets, for example, through the use of complaint management systems and various self-commitment technologies, and finally to the creation of radically new markets addressing the knowledge problem via price signals as originally supposed by Hayek himself. Thus, the proposed Hayekian perspective on stakeholder theory should not be taken as a critique of Hayek's rightful admiration of the remarkable epistemic properties of the price system. It is rather an appreciation of the more general Hayekian epistemic institutionalist insight that various institutions have distinct epistemic properties (cf. Boettke, 2018), especially in view of Bridoux and Stoelhorst's (2016) argument suggesting that the price system may itself be conceptualized as an institutional form of stakeholder interaction (which is however less suited to the conditions of the turbulent business environment identified by Freeman et al. (2010, p. 3) and Jones et al. (2018, p. 381)).

7 | CONCLUDING REMARKS

The core focus of the present paper is to establish the logical relationship between stakeholder theory and Hayek's analysis of the knowledge problem. If Hayek's insights yield a distinct take on the justification of capitalism, then stakeholder theory offers a broadly comparable contribution, which, with the benefit of hindsight, may be more nuanced than that of Hayek. From the stakeholder theory view, Hayek's knowledge problem is modified by the growing turbulence of the present business environment. In view of this modification, the knowledge problem can no longer be addressed by the price system and the profit-and-loss calculus, well embodied in "the mainstream view of shareholder capitalism" criticized by Freeman et al. (2010, p. xv).

Instead, this problem calls for building stakeholder relationships, which allow anchoring the Hayekian discovery procedure primarily in stakeholder cooperation rather than competition. Thus, by modifying the nature of the knowledge problem, the condition of turbulence necessitates a rethinking of modern capitalism. The founding fathers of stakeholder theory have long been aware that the theory offers a distinct novel narrative of capitalism (ibid, p. 267). Crucial Hayekian ideas (Venkataraman, 2019) and an appreciation

of knowledge (e.g., Alvarez et al., 2020) and process (e.g., Mitchell & Lee, 2019) are all part of the extant stakeholder scholarship. What may be novel in the context of the present paper is the insight that the knowledge problem noted by Hayek (1945) has evolved in a way that is as fundamental as it is irreversible. This problem can be no longer addressed apart from stakeholder relationships and incorporates distinct cognitive dimensions identified by Freeman et al. (2010, pp. 4, 5): the dimensions of value creation and trade, the ethics of capitalism, and managerial mindsets. Addressing this problem is a process that can be adequately described in pragmatist terms as moral inquiry (Godfrey & Lewis, 2019), which not only harnesses the individual "knowledge of the particular circumstances of time and place" (Hayek, 1945, p. 521) but also helps individuals develop goodwill, imagination, and wisdom.

Many scholarly papers on stakeholder theory tend to conclude by outlining perspectives for further research (e.g., Barney & Harrison, 2020; Phillips et al., 2019). In the context of the present paper, it may be important to note that the emerging research directions may not only present classic "gaps in the literature" to be "closed" in due course but also indicate living frontiers of ongoing learning that maintain stakeholder thought itself in a state of process and flux. There is room to argue that it is the processual nature of stakeholder theory that may explain why, in spite of decades of brilliant scholarship, it still remains "at the crossroads" (Barney & Harrison, 2020). If so, then a prominent place in stakeholder theory might be accorded to examinations of the types of knowledge and learning needed to build stakeholder relationships. It is highly stimulating to inquire into how corporate managers and stakeholders develop new mindsets and ways of thinking that allow them to harness considerably more local knowledge than is supposed by "the mainstream view of shareholder capitalism" (Freeman et al., 2010, p. xv).

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CONFLICTS OF INTEREST

The author declares that there is no conflict of interest that could be perceived as prejudicing the impartiality of the research reported.

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