UNDERSTANDING VALUE APPROPRIATION FOR STAKEHOLDERS THROUGH PSYCHOLOGICAL CONTRACTS

The case of Bolivian Non-profit Organizations

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Abstract
Managing non-profit organizations (NPOs) in developing countries is a challenge due to the constantly changing environment and the pressure of balancing stakeholder’s interests and needs. This challenge is tackled by distributing value throughout stakeholder relationships, considering that managers might resort to tradeoffs.

This research contributes to answering three main questions:

1. What do NPOs’ stakeholders expect from an organization and what are they whiling to provide in return?

2. What do NPOs’ managers expect from their stakeholders and what do they provide in return?

3. As managers attempt to satisfy their stakeholders’ expectations; What are the main tradeoffs incurred? Which stakeholders’ expectations are most neglected?

To tackle these questions, I introduce the term Stakeholder Psychological Contracts (SPC), which refers to the perceived expectations stakeholders hold towards an organization, considering the obligations and returns that arise from the reciprocity of the relationship. Currencies exchanged among stakeholders can be divided into Relational\(^1\), Transactional\(^2\), and Ideological\(^3\), each of them can allow volunteers, employees, and donors of Bolivian NPOs to perceive value from their relationships.

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1 *Relational currency* is associated with actions beyond written requirements, arrangements are based upon mutual trust and loyalty and rewards are not necessarily conditioned to performance. Loyalty, stability, and an open-ended time frame are the main characteristics.

2 *Transactional currency* focuses on economic exchange and limited involvement, whether in a specific time frame or regarding duties and tasks. Contributions will be limited to what stakeholders will receive in return for their input in the short term.

3 *Ideological currency* is particularly relevant for NPOs since it concerns the sponsoring of a cause or being committed to a mission above all else. This also includes involving other stakeholders in the cause in order to multiply its effects.
I undertake this investigation in 2 empirical phases:

- A quantitative study that redesigned and adapted a survey to gather the responses of 409 participants: volunteers, employees, and donors. This survey measured SPC Obligations and Returns as independent variables, and Satisfaction with the NPO and Engagement towards the cause as dependent variables and a reflection of value appropriation.

- A qualitative study that gathered and processed data from focus groups and interviews held with volunteers, employees, and financers, and contrasts it with interviews with NPO managers.

The findings highlight the importance of differentiating stakeholders, as they all expect to receive different currencies and not all of them are whiling to make the same sacrifices for the NPO. They also allow to draw specific conclusions for each stakeholder group.

At a managerial level, the study found managers receive pressure mainly from financers and the central government, which takes up most of their time and energy. It is not surprising that most tradeoffs are at the employee and volunteer level. Volunteers perceive they do not receive enough follow up or feedback as a result of the lack of personnel. Employees can develop socio-psychological risk factors while working for the NPO because (1) the NPOs’ policies are not always compliant with the legislation, (2) employees are expected to undertake much more responsibility than what they are initially hired for and (3) NPOs purposely deny these situations because they do not have the time or resources for dealing with them internally (4) powerful stakeholders such as financers and governments remain highly ignorant on what it takes to achieve the results they proudly present to the public.

During this research project, stakeholder management and organizational psychology were successfully combined. The results allowed us to track the value being distributed and drained within the stakeholder network. Having an SPC perspective can help managers analyze every stakeholder relationship, whether an organization is facing challenges or in order to improve their existing practices in order to allocate their efforts of satisfying their stakeholders in a strategic way. It allows to untangle a part of human behavior that can have an impact on the organization’s results and the achievement of a mission, whether it aims to rescue wild animals or to increase their market share.