

# ARTICLES

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## VALUE DISTRIBUTION TO STAKEHOLDERS: A STUDY ON POWER AND STRATEGIC IMPORTANCE ON THE TORONTO STOCK EXCHANGE

*Distribuição de valor para os stakeholders: Um estudo sobre poder e importância estratégica na Bolsa de Valores de Toronto*

*Distribución de valor a los stakeholders: Un estudio sobre el poder y la importancia estratégica en la Bolsa de Valores de Toronto*

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### ABSTRACT

The different stakeholder groups and their influence on value distribution have received increasing attention from organizations and academia. In the recent stakeholder literature, there has been a theoretical development on value distribution, considering the attributes of strategic importance and power; however, the literature still lacks empirical studies to analyze and understand the relationship. This paper examines the association between stakeholders' power and strategic importance and the value distribution to them by publicly traded companies on the Toronto Stock Exchange (TSX). To obtain relevant information on companies' treatment of their stakeholders, we analyzed the content of 104 prospectuses for the TSX IPO process from 2008 to 2019. The results reveal that power and strategic importance are relevant to the distribution of value to stakeholders and that the strategic importance of stakeholders has a more significant influence than their power. Regarding contributions, our study advances previous debates in stakeholder literature in theoretical and practical terms.

**Keywords:** stakeholders, value distribution, power, strategic importance, IPO.

### RESUMO

Os diferentes grupos de stakeholders e seus aspectos de influência na alocação de valor vêm ganhando crescente demanda por parte das organizações e da academia. Na literatura recente de stakeholders, há um desenvolvimento teórico sobre distribuição de valor considerando atributos de importância estratégica e poder; no entanto, a literatura ainda carece de estudos empíricos para analisar e compreender a relação. Este trabalho tem como objetivo verificar a associação entre poder e importância estratégica dos stakeholders e a distribuição de valor a eles por empresas de capital aberto na Bolsa de Valores de Toronto (TSX). Para obter as informações relevantes sobre o tratamento dado pelas empresas aos seus stakeholders, analisamos o conteúdo de 104 prospectos para o processo de IPO da TSX de 2008 a 2019. Os resultados revelaram que o poder e a importância estratégica são relevantes para a distribuição de valor aos stakeholders e que a importância estratégica dos stakeholders tem uma influência mais significativa quando comparada ao seu poder. Quanto às contribuições, o nosso estudo avança debates anteriores na literatura de stakeholders em termos teóricos e práticos.

**Palavras-chave:** stakeholders, distribuição de valor, poder, importância estratégica, IPO.

### RESUMEN

Los diferentes grupos de interés y sus aspectos de influencia con respecto a la asignación de valor han ganado una creciente demanda por parte de las organizaciones y la academia. En la literatura reciente sobre stakeholders, existe un desarrollo teórico sobre la distribución de valor considerando atributos de importancia estratégica y poder; sin embargo, la literatura aún carece de estudios empíricos para analizar y comprender la relación. Este artículo tiene como objetivo verificar la asociación entre el poder y la importancia estratégica de los stakeholders y la distribución de valor a ellos por parte de las empresas que cotizan en la Bolsa de Valores de Toronto (TSX). Para obtener la información relevante sobre el trato que las empresas dan a sus grupos de interés, analizamos el contenido de 104 prospectos del proceso de OPI de la TSX de 2008 a 2019. Los resultados revelaron que el poder y la importancia estratégica son relevantes para la distribución de valor a los grupos de interés y que la importancia estratégica de los stakeholders tiene una influencia más significativa en comparación con su poder. En cuanto a las contribuciones, nuestro estudio enriquece los debates previos en la literatura sobre stakeholders en términos teóricos y prácticos.

**Palabras clave:** stakeholders, distribución de valor, poder, importancia estratégica, OPI.

## INTRODUCTION

Since its inception in the mid-1980s, stakeholder theory has evolved as a field with increasing potential for empirical application. In this theoretical and practical development, it is possible to mention themes of growing interest for investigation, such as those that consider issues related to value creation and distribution to stakeholders (Boaventura et al., 2020; Harrison et al., 2022).

In this context, theoretical reflections on stakeholders' power and strategic importance raise considerations for the analysis of value creation and distribution (Harrison & Bosse, 2013). However, empirical studies contradict the theoretical proposal that power has more influence on value distribution than strategic importance (Boaventura et al., 2020), a reflection established as mainstream in the literature, as we can see in Parent and Deephouse (2007) and Neville et al. (2011). Since the previous study by Boaventura et al. (2020) focused on an emerging market with unique characteristics, we believe it is essential to investigate other markets to expand the understanding and establish a new link between theory and practice. Therefore, given these challenges to the alignment between theory and practice, this study aims to extend previous reflections and investigate the value distribution phenomenon in a different institutional environment, considering a more stable and economically developed context. In other words, as the previous empirical results were obtained from an emerging country, Brazil, we conducted a study on a more economically developed country with a different institutional setting - namely, Canada.

As continent-sized countries, Canada and Brazil are members of the G20, which represents the world's 20 largest economies (World Bank, 2022). Despite their similar GDPs, Canada and Brazil have interesting differences in economic characteristics. For instance, Canada ranks 23rd in ease of doing business, while Brazil ranks 124th (World Bank, 2020). Additionally, Canada is recognized as an economically developed country with a GDP per capita of USD 54.96 thousand, while Brazil is considered an emerging economy with a GDP per capita of USD 8.9 thousand (World Bank, 2022).

In addition to having similar GDPs, Canada and Brazil share similarities in their extractive sectors, such as those related to mineral resources, which contribute significantly to economic growth (Milioli, 2001). Despite macroeconomic differences, the emphasis on extractive industries in both countries highlights interesting similarities between the two nations. Thus, for possible comparison purposes within the logic of the aforementioned theoretical and practical alignment, the study was carried out considering the context of the Toronto Stock Exchange (TSX) – the companies that have gone public through an Initial Public Offering (IPO) on what is one of the largest stock exchanges in the world in terms of market capitalization.

Based on the previous arguments and the perceived gap in the literature in terms of better understanding the topic in different contexts, our guiding question concerns the relationship between power and strategic importance in companies' value distribution to stakeholders. Thus, our objective is to provide theoretical clarification based on empirical evidence on value distribution to stakeholders, given their power and strategic importance in companies that went public on the TSX between 2008 and 2019. The time period was chosen considering the

changes in Canadian prospectus legislation since the first year of the sample and the impact of the COVID-19 pandemic on IPOs.

Our contribution is based on extending previous discussions in the literature (Boaventura et al., 2020; Harrison et al., 2010) while considering an institutional environment (Fainshmidt et al., 2018; Kern & Gospel, 2023) that has not yet been explored on this topic. As stakeholder theory becomes established based on theoretical-empirical research, it changes how organizations are managed, focusing on better meeting the needs of stakeholders (Galego-Alvarez et al., 2014). In this sense, the more we clarify the theory in different contexts, the better it will be for business practices worldwide.

## THEORETICAL FRAMEWORK

### Stakeholder theory

The stakeholder approach has positioned itself as an alternative to strategic and economic theorizing (Bridoux & Stoelhorst, 2022), which considers the shareholder as the most important stakeholder who receives all the value created, focusing on economic value (Freeman & Liedtka, 1997). In this context, the current stakeholder perspective emerged in the 1980s to address the need for organizations concerned with social issues to manage relationships with interest groups. Since its seminal discussions, the stakeholder approach has argued that an organization's success depends on its ability to manage the relationships with its stakeholders.

Stakeholder theory has its starting point in Freeman's book, published in 1984, which presented the most famous model of stakeholder strategy and the most widely used definition of the term, despite the many definitions in the literature (Frooman, 2010; Rabechini et al., 2022). According to Freeman (1984), a stakeholder is any individual or group that can affect the achievement of organizational goals or that is affected by the process of pursuing these goals.

Freeman et al. (2007) divide stakeholders into primary and secondary stakeholders. According to the authors, primary stakeholders - buyers, suppliers, shareholders, employees, and the community - deserve greater management attention to their interests. Secondary stakeholders can influence the company's relationship with primary stakeholders: the government, the media, competitors, consumer protection agencies, and other interest groups.

Freeman (1984) states that in formulating the strategic direction of companies, it is essential to align social and ethical issues with the traditional vision of the company, and changes in strategic direction must consider the impact on stakeholders, especially on primary stakeholders. Subsequently, Evan and Freeman (1988) propose as an objective function of companies that the real purpose of the company is to serve as a vehicle to coordinate the interests of stakeholders. The proposed objective function contributes to the integration of stakeholder theory into business strategy.

According to Freeman (1994), the stakeholder approach is articulated around two main issues. The first is purpose, which helps managers define the value they create with their main stakeholders.

This drives the company forward and allows it to achieve exceptional performance in its purpose and financial measures. The second is the responsibility managers have toward their stakeholders. This reflects how managers want to do business, specifically the types of relationships they want and need to create with their stakeholders to fulfill their purpose (Freeman et al., 2004).

In this sense, managers are responsible not only for maximizing shareholder value, as proposed by the theory of the firm, but also for the well-being of other parties affected by corporate decisions, which can help or hinder the achievement of the company's objectives (Phillips et al., 2003; Sanchez-Lopez & Bejarano, 2022). In other words, managers who serve stakeholders' interests help the company gain their support and cooperation, which can influence its overall performance (Marhfor et al., 2021).

Friedman and Miles (2006) propose a general definition of stakeholder management as essentially the management of relationships with stakeholders. According to Freeman (1984), stakeholder management can be summarized as the organization's ability to (1) identify who the stakeholders are, their interests, objectives, and ability to influence the organization; (2) understand the processes the organization can use to relate to this audience; and (3) make the decisions that best align the stakeholders' interests with the organization's processes.

## Value for stakeholders

Creating value for multiple stakeholders increases their willingness to participate in the firm's business ecosystem, thus increasing its overall value (Tantalo & Priem, 2016), which reflects good business performance. The existing literature supports this argument since it has generally shown a positive relationship between stakeholder-oriented management and company performance (Freeman et al., 2010; Orlitzky et al., 2003). Value is defined as anything that a stakeholder considers important (Harrison & Wicks, 2013). To understand the concept of value, this paper uses the idea of utility function proposed by Harrison et al. (2010), which is defined as the preferences valued by each stakeholder, which can be tangible, intangible, emotional, or subjective.

To discover stakeholders' interests, it is necessary to address their value drivers (Harrison et al., 2010; Priem, 2007; Tantalo & Priem, 2016). For this approach, Tantalo and Priem (2016) list potential value drivers of stakeholders as described in Table 1.

**Table 1.** Stakeholder groups' value drivers

Stakeholders	Tangible value drivers	Intangible value drivers
Shareholders	Expected return. Investment time horizon. Corporate social responsibility.	Business risk.
Customers	Product price. Accessibility - time required to purchase the product. Corporate environmental responsibility and "eco-friendly" products.	Perceived value. Time required to master using the new product. Perceived quality.
Employees	Salary and benefits. Corporate social responsibility. Work-life balance policies.	Perceived fairness of the work environment. Job characteristics and skill variety.
Suppliers	Ordering procedure and size. Long-term relationships. Price received. Customer payment habits and terms.	Customer image and reputation. Potential for cross-selling and follow-up business.
Community	Number and types of jobs created. Taxes to be paid. Support infrastructure required. Local clusters.	Externalities associated with the business (e.g., noise or air pollution).

Source: Tantalo and Priem (2016).

According to Harrison and Bosse (2013), value distribution can be influenced by two dimensions: strategic importance and power. This distribution pertains to how the value is allocated in tangible or intangible terms, as McGahan (2023) explains. In the next section, we focus on these two issues.

## Strategic importance and power

As previously argued, business strategy is particularly concerned with business performance, analyzing the different factors that may be associated with good performance. Thus, research indicates that good governance practices are positively associated with better corporate performance. In other words, in this paper, strategic importance is the potential of stakeholders to improve the firm's competitiveness (Boaventura et al., 2020).

A major contribution to the identification and classification of stakeholders has been the stakeholder salience model (Mitchell et al., 1997). Salience can be defined as the degree to which managers prioritize competing stakeholder demands (Mitchell et al., 1997). In this paper, the focus of the salience model is the attribute of power. The definition of power used by the authors in the salience model refers to the relationship between social actors in which one social actor "A" influences another social actor "B" to do something that B would not do without the influence of A (Pfeffer, 1981). Power can also be categorized by the type of resource used to exercise it: coercive power, based on strength or threats; utility power, based on material incentives; and normative power, based on symbolic influences (Etzioni et al., 1964). In other words, in this paper, power is the ability and propensity of stakeholders to negatively impact the value-creating objectives of a company (Harrison & Bosse, 2013).

The stakeholders with power have a strong influence on the organization that can be positive or negative depending on the need for economic support, resources (Magee & Galinsky, 2008, Harrison et al., 2010; Harrison & Bosse, 2013), capabilities, and information (Saffer et al., 2018). Therefore, all stakeholders have the power to influence the company (Harrison & Wicks, 2013; Phillips et al., 2010), subject to their due proportions.

## Hypothesis development

Stakeholders play a role in creating value for the organization (Freeman, 1984). Thus, managers start to consider the interests of stakeholders who can make valuable contributions to the company (Góes et al., 2023; Harrison et al., 2010). Depending on their power and strategic importance, stakeholders can create value for the company with which they are associated (Freeman et al., 2010). The greater their strategic importance, the greater their ability to create value for the organization and, consequently, the greater the organization's performance and competitive advantage (Freeman et al., 2010). Power influences value creation and determines which stakeholders should be prioritized (Harrison & Bosse, 2013; Harrison et al., 2010) through value distribution to stakeholders (Harrison et al., 2010).

When a stakeholder has high power – an increased ability to harm the company, and high strategic importance – high value is distributed to them because the value to be created by this type of stakeholder can mitigate a higher cost of value distribution (Boaventura et al., 2020; Harrison & Bosse, 2013). However, the literature states that the cost of value distribution to stakeholders cannot be so high that it is offset by the benefits generated (Harrison & Bosse, 2013). Therefore, to understand the optimal point of value distribution for a stakeholder, Harrison and Bosse (2013) determined two factors: power and strategic importance.

Based on the research problem presented, the following hypotheses serve as guidelines for the empirical path of this study.

H1: Power and strategic importance are relevant factors in the decision to distribute value to stakeholders.

The value distribution to various stakeholders may face constraints due to limited availability (Harrison et al., 2010; Harrison & Bosse, 2013). Therefore, it is crucial to identify the primary factor influencing this distribution.

Distribution based on power can be positive or negative, such as rewards or punishments with positive or negative social influence (Mitchell et al., 1997), which may result in losses for another stakeholder (Boaventura et al., 2020). Furthermore, power is not fixed and can change over time; it can be acquired or lost (Mitchell et al., 1997) as a result of stakeholder status and available resources (Kern & Gospel, 2023; Saffer et al., 2018).

On the other hand, according to Harrison and Bosse (2013), stakeholders with greater strategic importance are characterized as direct contributors to the company's competitiveness. As their contribution and importance to the organization become more apparent, they tend to become more involved in the company's value creation process (Tantalo & Priem, 2016). Therefore, according to the previous literature, they should be given access to a more significant share of the value distribution compared to stakeholders with greater power (Boaventura et al., 2020).

Based on this relationship, we construct our second hypothesis:

H2: Strategic importance has a greater influence than power in the firm's decision to distribute value to its main stakeholders.

## METHOD

This study examines the value distribution to different stakeholders in publicly traded companies in Canada. With a variety of companies raising capital through the stock exchange or private equity markets, the country is an attractive institutional environment for the analysis carried out in this study. Canada provides an interesting environment for the development of this study since it is one of the ten largest economies in the world (World Bank, 2022) and ranks 23rd in the ranking of the best countries in which to do business, with an emphasis on the ease of contract execution (World Bank, 2020).

## Sample

One of the most important events for a company is the decision to go public, which occurs when a company goes to the capital market to raise funds (Ritter, 1998). One of the ways a company can go public is through an IPO, which is the first time a stock is sold to the public with the expectation of creating a liquid secondary market after its issuance (Ritter, 1998).

To go public in Canada, a company must meet certain criteria set by the TSX's regulatory body, the Ontario Securities Commission (OSC). One of these criteria is the publication of the initial public offering prospectus. The prospectus is a mandatory document in which the company discloses essential information for investors to make decisions.

The OSC uses National Instrument 41-101 General Prospectus Requirements and Related Amendments (NI 41-101) version 2008 to instruct companies on the prospectus content. It should contain details on the distribution of shares, the company's financial information, and any legal issues relating to the offering. It also outlines the company's future strategy: how the funds raised through the IPO will be used.

The Ontario Securities Act (OSA) sets out specific requirements for the form and content of prospectuses under its jurisdiction and requires that a prospectus contain full, accurate, and straightforward information about all facts relating to the offering and be accompanied by financial and administrative reports. Given the legal information requirements and the company's intention to attract investors, the prospectus is a reliable and information-rich document about the company's strategy. In addition, the credibility of the OSC in protecting the interests of investors and the community are relevant factors to ensure the reliability of the data to be analyzed in the prospectuses studied in this research.

The sample consists of prospectuses of public companies that have gone public on the TSX. Founded in 1852 in the province of Ontario, Canada, the TSX is currently the ninth largest stock exchange in the world (The World Federation of Exchanges [WFE], 2020) with a market capitalization of CND 3.256 trillion (USD 2.409 trillion) and over two thousand listed companies (TSX, 2019).

To obtain the necessary information, we extracted a table of companies listed on the TSX from March 1993 to December 2019 from the TSX website in December 2019. The list refers to the process by which the company's shares are officially traded on the stock exchange. This table has 1572 company records and covers other types of listings (IPOs and non-IPOs) in the period, and contains the following information: company name, date of listing, sector and subsector in which the company operates, type of listing, price of shares offered, number of shares offered, and location of the company.

To collect the data included in the sample, we filtered the listings by IPO between 2008 and 2019. This period was chosen because, in 2008, there was a change in the legislation regulating prospectuses, which impacted the information and data analysis. We chose only up to 2019 because the COVID-19 pandemic began in early 2020, which affected business, the stock exchange, and the publication of prospectuses. After careful observation, we noticed that

in the pandemic scenario, the issued prospectuses focused on facing the global crisis. This could distort the study when making comparisons over the years.

Private investment funds (CEFs), index funds (ETFs), and special purpose acquisition companies (SPACs) were excluded from the sample because they represent the activities and products of companies operating in the financial services sector, which could lead to sample bias. In this context, the total number of companies that met the requirements for the study was 104 companies across 11 sectors of the Canadian economy, as shown in Tables 2 and 2 below.

**Table 2.** Breakdown by sector

	Companies by Sector	
Main Sector	Subsector	N
Clean Technology	Low-impact materials and products	4
	Renewable energy production and distribution	2
	Waste reduction and water management	1
	Total	7
Consumer Products and Services	Consumer goods	13
	Total	13
Industrial Products and Services	Energy services	5
	Mining services	2
	Others	3
	Total	10
Life Sciences	Medicinal Cannabis	2
	Health services and supplies	1
	Biotechnology	1
	Total	4
Real Estate	Industrial/Office/ Retail/Residential	13
	Specialized	2
	Diversified	1
	Total	16
Technology	Internet software and services	4
	Software	4
	Hardware and Equipment	1
	Total	9
Mining	Agriculture/Potassium	2
	Gold and other metals	15
	Total	17
Oil and gas		10
Communications and Media		1
Financial Services		13
Utilities and Pipelines		4
	TOTAL	104

**Table 3.** Breakdown by year

Companies per year			
Year	Companies	Year	Companies
2008	4	2014	6
2009	3	2015	11
2010	17	2016	2
2011	8	2017	16
2012	10	2018	10
2013	15	2019	2
Total	104		

The 104 prospectuses used as a data source were obtained from the System for Electronic Document Analysis and Retrieval (SEDAR), a system used as a basis for the publication of documents from stock exchanges under the jurisdiction of the OSC.

## Data collection

In order to analyze the data collected in the 104 prospectuses, the content analysis technique was used. According to Bardin (2015), content analysis can be quantitative, which is based on the frequency of the registration units with the application of statistical techniques, or qualitative, which focuses on the implications resulting from the presence or absence of the registration units in specific locations in the message (Bardin, 2015). A quantitative content analysis was performed using the NVivo 12 software. The dependent and independent variables used in this study were collected from the IPO prospectuses. This method was validated in the previous work developed by Boaventura et al. (2020), who used the same technique to analyze Brazilian IPOs. This previous technique, validated by specialists, was revalidated, and the necessary modifications and inclusions were made, as described below.

## Prospectus analysis

Business reports are usually quite extensive and contain a wide variety of information; therefore, it is necessary to define the sections most relevant to the scope of the research. For example, the prospectus is a document that can reach more than 500 pages and have several sections; some focus only on legal issues, while others refer only to banks participating in the offering. Therefore, sections containing legal information, income statements, and details of the offering, among others, are not interesting for a prioritization analysis as they do not provide information about stakeholders. In addition, these sections, if included in the content analysis, may cause research bias due to their legal and shareholder/investor content.

Although the prospectus format is not strictly standardized, the TSX requires a list of information that must be included and highlighted in these documents. Therefore, for the purposes of this research, only those sections of the prospectus that contained information about the company's strategy that we considered relevant for identifying priorities were included. To validate the selection of the sections used in the data collection, we first read the entire text and chose the sections that contained the necessary information about the companies. Once selected, these sections were presented to academic specialists who validated the choices. Finally, a comparison was made with the study by Boaventura et al. (2020), which confirmed that the chosen sections were similar to those previously analyzed.

The sections considered contain information about the company's activity, its market, indications of future strategy, and risks relating to the company and the market, namely: (1) Summary of the Offering - a summary of the company and its strategy located at the beginning of the prospectus; (2) Management's Discussion and Analysis of Financial and Operating Results; (3) Risk Factors - risks raised by the company regarding its business and the offering of shares; (4) Industry Analysis - data on the market in which the company operates; (5) and Business - more detailed data on the company's operation.

## Definition of keywords

The keywords used in the content analysis were those related to the "business environment." Based on the analysis of the sections of the prospectuses, Table 4 shows the synonyms defined for stakeholders in the various sectors of the Canadian economy.

**Table 4.** Synonyms for the main stakeholders

Stakeholder	Synonyms
Customer	Customer, customers, client, clients, consumer, consumers, buyer, buyers, user, users, shopper, shoppers, tenant, tenants.
Community	Community, communities, society, societies, population, "members of the public," citizen, citizens, government, governments, "local authority," "local authorities," nation, "local contractors," "regulatory authorities."
Employee	Employee, employees, attendant, attendants, laborer, laborers, "staff member," "staff members," worker, workers, personnel, "team member," "team members," crew, "work force," staff, staffs, team.
Supplier	Supplier, suppliers, provider, providers, manufacturer, manufacturers.
Shareholder	Shareholder, shareholders, investor, investors, shareowner, shareowners, bondholder, bondholders, stockholder, stockholders, unitholder, unitholders, "holders of unit," "holders of units," "holder of unit," "holder of units."

The model proposed by Boaventura et al. (2020), was adopted, as shown in Table 5. It includes the utility functions for each stakeholder and presents a list of words with synonyms that express these values, both tangible and intangible, for the stakeholders.

**Table 5.** Stakeholder utility function and words used to measure value

Stakeholder	Tangible and intangible components of the utility function found in the literature	Synonyms that mean value to the stakeholder
Customer	Products with quality and functionality; Product price; Perceived quality; Service; Safety; Cost-effectiveness; Accessibility; Repeat business; Respect; Environmental responsibility; Sustainable products.	product, quality, applicability, functionality, purpose, usefulness, use, utility, award, compensation, cost, demand, gratification, worth, payment, price, remuneration, reward, retribution, value, service, duration, accessibility, period, term, time, interaction, reiterates, recidivism, repetition, accepted, attention, consideration, courtesy, customer, deference, fulfillment, kindness, respect.
Community	Perceived impact on the community; Social programs; Numbers and types of jobs created; Taxes; Necessary support infrastructure; Local clusters.	planning, plan, project, wellness, convenience, comfort, contentment, dispose, happiness, satisfaction, security, tranquility, capital, money, resource, rest, protection, interest, profit, benefit, utility, value, advantage, comfort, ease, composure, decency, decorum, dignity, distinction, respect, infrastructure, service, communitarian, common, social, employment, work, creation, environment.
Employee	Salary; Benefits; Remuneration; Safety at Work; Conditions and Training; Healthiness; Perceived justice in the work environment; Work characteristics; Variety of skills; Pleasant work environment.	allowance, benefit, billing, bonus, commission, compensation, contributes, costing, credit, dividend, earning, fee, financing, gain, gift, gratification, honorary, income, insurance, interest, orderly, pay, paid holidays, pension, percentage, prize, portion, profit, provision, quota, receiving, remuneration, revenue, retribution, return, reward, salary, share, satisfaction, subsidy, vacation, wage, arranges, care, cleanliness, comfort, health, hygiene, installation, neatness, perfection, sanitation, sanity, safety, welfare affiliation, association, communication, disclosure, engagement, fidelity, honesty, information, integrity, link, loyalty, membership, merger, note, notification, participation, proposal, recommendation, recognition, reference, sincerity, statement, trust, union, warning, advantage, ascension, apprentice, awareness, career, capacity, competence, development, education, effect, encouragement, impulse, improvement, incentive, increase, instruction, know-how, promotion, progress, training.
Supplier	Nature of payments (i.e., volume, speed); Ordering procedure and size; Price received; Long-lasting and stable relationship.	dimension, magnitude, quantity, size, volume, price, consolidated, durable, enduring, interaction, long-lasting, perennial, permanent, reiterates, recurrence, recidivism, repetition, accelerates, agility, brevity, emergency, fugacity, hurry, preparedness, promptness, speed, acquisition, order, purchase, request, process.
Shareholder	Expected return and dividends; Information; Transparency and Corporate Social Responsibility.	income, revenue, gains, profit, interest, return, proceeds, invoice, price, amount, sum, value, compensation, requirement, bonus, payment, award, prize, rewards, remuneration, compensation, information, science, knowledge, data, report, news, notice, notification, communication, memo, message, note, opinion, clarification, explanation, clarity, truth, truthfulness, kindness, compliance.

Source: Boaventura et al. (2020).

## Assignment of variables

### Dependent variable

The research followed five steps to measure value distribution to stakeholders, our dependent variable. First, the sections of the prospectus that we used to analyze the value distributed to stakeholders were “Summary,” “Management Discussion and Analysis,” “Business,” and “Industry.” These sections are relevant for interpreting the value distributed to stakeholders. They include the firm’s strategies, an analysis of the business by the organization’s managers, a description of the main activities, and an overview of the company’s industry.

Secondly, the combination of citations of stakeholders and citations of synonyms representing tangible and intangible value to them in the same paragraph was defined as the value unit. For a keyword to be associated with a stakeholder, both must be analyzed in the same context unit, as defined by [Bardin \(2015\)](#). The context unit considered was a paragraph, as a paragraph generally addresses only one stakeholder. In order to analyze the identified words and attribute the presence of value distribution to a stakeholder, the word count alone is not sufficient. For this reason, we compared the number of paragraphs in the intersection of “stakeholder” vs. “value distribution” with the total number of paragraphs identified for the stakeholder. Data collection through content analysis of the dependent variable was chosen because it had been previously tested and validated by [Boaventura et al. \(2020\)](#).

Thirdly, using the Nvivo 12 software, we counted the frequency with which the combination of stakeholder and value for stakeholder was present in the same paragraph of the four sections of interest. Fourthly, we divided it by the number of pages of the sections used, and fifthly, the results were balanced on a scale from 0 to 1, considering the highest result obtained as reference 1.

### Independent variables

The research used two independent variables: stakeholders’ power and strategic importance. The measurement of the variables follows five steps each, presented below. First, we analyzed the “Risk Factors” section to measure the independent variable “power.” In this section, the company discusses the main threats to its business and points out which stakeholders can negatively affect the organization’s performance. This choice is in line with the authors [Harrison and Bosse \(2013\)](#), who define power as the ability or propensity of a stakeholder to negatively affect the company’s activities.

Secondly, the number of citations of the stakeholder in the “Risk Factors” section was defined as the unit of power of the stakeholder. Thirdly, using the Nvivo12 software, we counted the frequency with which each stakeholder was mentioned in the section of interest; Fourthly, this result was then divided by the number of pages of each section analyzed. Fifthly, in order to be used in the same statistical model as the other variables, we balanced the results on a scale from 0 to 1, which are the inputs for the final model.

The previous procedure was also followed for the second independent variable, changing the observed section. Thus, the first step was to measure the independent variable “strategic importance,” we analyzed the “Business” section, which contains information about the organization’s essential activities, its competitive advantages, and its relationships with stakeholders. According to [Harrison and Bosse \(2013\)](#), the ability of a stakeholder to contribute to the organization’s competitiveness reflects its strategic importance to the company.

In the second step, the number of citations of a given stakeholder in the “Business” section was defined as a unit of strategic importance. For the third one, using the Nvivo12 software, we counted the frequency with which each stakeholder was mentioned in the section of interest. In the fourth step, this result was then divided by the number of pages of each section analyzed. Finally, in the fifth step, to be used in the same statistical model as the other variables, the results were balanced on a scale from 0 to 1, is the final model’s input. Data collection through content analysis of independent variables was chosen because [Boaventura et al. \(2020\)](#) had previously tested and validated it.

## Control variables

The year of publication of the IPO prospectus was defined as a control variable because market conditions may change depending on the year the company went public. This may affect the value distribution to stakeholders. Thus, the years 2008 and 2019 were included in the model as dummy variables.

The company’s sector was also defined as a control variable, as the industry in which the company operates can affect the value distribution since each sector has characteristics that managers need to consider when allocating resources to stakeholders ([Baird et al., 2012](#)). A service company, for instance, may distribute more value to customers, while a manufacturing company may focus more on suppliers ([Boaventura et al., 2020](#)). Therefore, the 11 sectors derived from the TSX data were included in the model as dummy variables covering all companies included in this analysis.

## Data analysis

### Hypothesis testing equations

After collecting and processing the data, we obtained scores on the stakeholder strategies proposed by the companies, which we used to measure the prioritization of stakeholders. In addition, ordinary least squares regression was used to test the research hypotheses.

The premises of this method are the homoscedasticity of the regression residuals and the absence of multicollinearity of the variables. To satisfy these two premises, the Breusch-Pagan test for the absence of heteroscedasticity and the VIF (variance inflation factor) test

for the presence of multicollinearity were performed on the models. The Breusch-Pagan test indicated the presence of heteroscedasticity in the data; however, according to Wooldridge (2015), heteroscedasticity is common in econometric analyses and merely requires adjustment of the errors. Thus, the robust standard error present in the Gretl software was applied to the models. For the VIF test, the result of the average score was less than 10, indicating that there is no multicollinearity problem (Hair et al., 2006).

Three equations were used in the hypothesis test. The first uses only “power” as an independent variable, the second uses only “strategic importance” as an independent variable, and the third considers both variables in the same equation, according to the models below:

$$\text{Value} = \beta_0 + \beta_1 \text{ Power} + \text{sector} + \text{year} \quad (1)$$

$$\text{Value} = \beta_0 + \beta_2 \text{ Importance} + \text{sector} + \text{year} \quad (2)$$

$$\text{Value} = \beta_0 + \beta_1 \text{ Power} + \beta_2 \text{ Importance} + \text{sector} + \text{year} \quad (3)$$

Where:

Value = Value distributed to the stakeholder

Power = Stakeholder power

Importance = Strategic importance of the stakeholder

$\beta_0$  = Linear model coefficient

$\beta_i$  = Slope of the linear model

Sector = Dummy variable for the company’s productive sector

Year = Dummy variable for the year of the IPO on the TSX

## ANALYSIS OF RESULTS

### Correlations and descriptive statistics

Table 6 shows the correlations and descriptive statistics for the variables used in the hypothesis testing of this study. To avoid a correlation model with an excess of zeros (Lambert, 1992), we removed observations from the results that presented “0” in the dependent variable and the independent variables, resulting in a model with 500 observations, this model being equally relevant to the study, with both independent variables showing a positive and significant correlation. The variable “strategic importance” has a correlation of approximately 0.670; this value is higher than the correlation of 0.498 presented by the variable “power.”

**Table 6.** Correlation between variables

	VALUE	POWER	IMPORTANCE
VALUE	1		
POWER	0.498	1	
IMPORTANCE	0.670	0.461	1
Observations	500	500	500
Descriptive statistics	VALUE	POWER	IMPORTANCE
Average	0.162	0.233	0.146
Standard deviation	0.182	0.204	0.192
Minimum	0	0	0
Maximum	1	1	1
Observations	520	520	520

In order to investigate the relationship between power, strategic importance, and value distribution, it is assumed that value distribution decisions are not made in isolation for each stakeholder. Therefore, the observations of all stakeholders were considered together, as the value distributed to one stakeholder may influence the value available to others. However, it is important to check how companies relate to each stakeholder group individually.

Table 7 shows the results of the dependent and independent variables, with the average score for each stakeholder in the fourth column. Since they are binary variables, the control variables “sector” and “year” were not considered in this observation.

**Table 7.** Descriptive statistics by stakeholder

	Stakeholder	Observations	Average	Standard deviation	Minimum	Maximum
Value	Customer	104	0.241	0.237	0	1
	Community	104	0.152	0.176	0	1
	Employee	104	0.212	0.168	0	1
	Shareholder	104	0.121	0.127	0	1
	Supplier	104	0.086	0.141	0	1
Power	Customer	104	0.223	0.223	0	1
	Community	104	0.159	0.157	0	1
	Employee	104	0.357	0.179	0	1
	Shareholder	104	0.270	0.170	0	1
	Supplier	104	0.158	0.217	0	1
Strategic Importance	Customer	104	0.187	0.208	0	1
	Community	104	0.121	0.163	0	1
	Employee	104	0.236	0.183	0	1
	Shareholder	104	0.153	0.219	0	1
	Supplier	104	0.034	0.101	0	1

According to Table 7, the stakeholder with the highest average value distributed is the customer (0.241), followed in descending order by employees (0.212), the community (0.152), shareholders (0.121), and suppliers (0.086). For the variable “power,” the stakeholder with the highest average is the employee (0.357), followed in descending order by shareholders (0.271), customers (0.223), the community (0.159), and suppliers (0.158). Furthermore, for the variable “strategic importance,” the stakeholder with the highest average is also the employee (0.236), followed in descending order by customers (0.187), shareholders (0.153), the community (0.121), and suppliers (0.034).

The standard deviation values range from 0.237 to 0.127 for value, from 0.223 to 0.157 for power, and from 0.208 to 0.101 for strategic importance. The amplitude of the standard deviation is greater for the “value” variable, followed by “strategic importance,” with the “power” variable having the shortest distance between the largest and smallest value for the standard deviation.

## Regression

Table 8 shows the results of the least squares regressions. Of the four models used for linear regression, three are the equations presented previously, and the robust standard error was applied to all models to correct for heteroscedasticity. In the models, dummy control variables were used for the year and sector of the companies, with “Year\_2019” as the base value and “Utilities & Pipelines” as the sector. The four models were used to assess the influence of power and strategic importance on the value distribution to stakeholders.

In model 1, the regression was run with the control variables only. In this model, no economic sector had a significant impact; some years had a p-value of less than 0.1, the year 2009 was not statistically significant, and in this model, the  $R^2$  was only 4.5%, showing that this model is a weak representation of the reality of the data.

**Table 8.** Result of regressions

	Model 1	Model 2	Model 3	Model 4
	Coefficient	Coefficient	Coefficient	Coefficient
Constant	0.380***	0.192*	0.170 **	0.117*
Power <sup>a</sup>		0.465***		0.221***
Strategic Importance <sup>a</sup>			0.650 ***	0.537***
Clean Technology <sup>a</sup>	-0.063	-0.072	-0.064	-0.068
Communications and Media <sup>a</sup>	0.023	6.92E-05	0.046	0.031
Consumer Products and Services <sup>a</sup>	-0.041	-0.058	-0.043	-0.051
Financial Services <sup>a</sup>	-0.057	-0.077	-0.030	-0.044
Industrial Products and Services <sup>a</sup>	-0.023	-0.049	0.012	-0.005
Life Sciences <sup>a</sup>	-0.077	-0.075	-0.059	-0.062

continue

**Table 8.** Result of regressions

concludes

	Model 1	Model 2	Model 3	Model 4
	Coefficient	Coefficient	Coefficient	Coefficient
Mining <sup>§</sup>	-0.033	-0.041	-0.002	-0.011
Oil and Gas <sup>§</sup>	0.012	-0.019	0.022	0.005
Real Estate <sup>§</sup>	-0.031	-0.042	0.0034	-0.007
Technology <sup>§</sup>	-0.018	-0.042	-0.003	-0.017
Year_2008 <sup>§</sup>	-0.167*	-0.063	-0.072	-0.039
Year_2009 <sup>§</sup>	-0.135	-0.038	-0.056	-0.023
Year_2010 <sup>§</sup>	-0.202**	-0.091	-0.094	-0.060
Year_2011 <sup>§</sup>	-0.151*	-0.032	-0.043	-0.005
Year_2012 <sup>§</sup>	-0.210**	-0.107	-0.115*	-0.082
Year_2013 <sup>§</sup>	-0.205**	-0.105	-0.113*	-0.081
Year_2014 <sup>§</sup>	-0.190**	-0.071	-0.096	-0.056
Year_2015 <sup>§</sup>	-0.165*	-0.093	-0.080	-0.060
Year_2016 <sup>§</sup>	-0.188*	-0.116	-0.140*	-0.114*
Year_2017 <sup>§</sup>	-0.214**	-0.125	-0.097	-0.075
Year_2018 <sup>§</sup>	-0.157**	-0.081	-0.084	-0.061
N	540	540	540	540
R <sup>2</sup>	0.045	0.303	0.495	0.540

\* p &lt; 0.1 \*\* p &lt; 0.05 \*\*\* p &lt; 0.01

Note. The dependent variable of the four regression models is the Value distributed to the stakeholder.

<sup>§</sup> Independent variables «stakeholder power» and «stakeholder strategic importance.»<sup>§</sup> Dummy variables for sectors and years.

In model 2, the regression used only the independent variable “power” and the control variables. In this model, the independent variable “power” had a positive coefficient of 0.465, with a p-value of less than 0.01 and an R<sup>2</sup> of 30.3%, indicating a better fit with reality.

In model 3, the regression used only the independent variable “strategic importance” and the control variables. In this model, the independent variable “strategic importance” presented a positive coefficient of 0.65 with a p-value of less than 0.01 and an R<sup>2</sup> of 49.5%, indicating a good fit with reality.

In model 4, the regression used all the independent and control variables. In this model, the independent variable “power” had a positive coefficient of 0.221 and the variable “strategic importance” had a positive coefficient of 0.538, both with a p-value of less than 0.01. This final model presented an R<sup>2</sup> of 54.1%, indicating a good fit with reality.

## Regression by stakeholder group

Table 9 shows the ordinary least squares regression results for each stakeholder group separately. Model 4 served as the basis for obtaining these results. All were performed with robust standard errors to correct for heteroscedasticity and the VIF test with a value of less than 10, indicating the absence of multicollinearity.

**Table 9.** Result of the Regression for each Stakeholder Group

	Power <sup>a</sup>		Strategic Importance <sup>a</sup>		R <sup>2</sup>
	Coefficient	p-value	Coefficient	p-value	
Customer	0.282	**	0.766	***	0.836
Community	0.228	*	0.665	***	0.598
Employee	0.195	*	0.524	***	0.617
Shareholder	-0.076		0.436	***	0.619
Supplier	0.350	***	0.091		0.443

\* p < 0.1    \*\* p < 0.05    \*\*\* p < 0.01

Note. The dependent variable of regression models is the Value distributed to each stakeholder separately.

<sup>a</sup> Independent variables «stakeholder power» and «stakeholder strategic importance.»

The regression performed separately for each stakeholder group produced consistent results compared to those found in model 4. The two independent variables “power” and “strategic importance” obtained a p-value of less than 0.1 in four of the five main stakeholder groups. The customer, community, and employee stakeholder groups all showed significant coefficients with a p-value of 0.1, and the coefficients for “strategic importance” were positively higher than the coefficients for “power.” High R<sup>2</sup> values were found in these three stakeholder groups: customers with 83.6%, community with 59.8%, and employees with 61.7%. For the shareholder group, “power” was not the statistically significant variable, and “strategic importance” was significant with a p-value of 0.01. The supplier group was the only one where the coefficient of the “power” variable was positively higher than the “strategic importance” variable. However, the “power” variable was the only significant variable with a p-value of 0.01.

## Hypothesis testing

The data obtained in the analysis of this research supports hypothesis 1. In regression models 2 and 3, performed with the independent variables “power” and “strategic importance” separately, both showed a positive correlation with the dependent variable “value” and significance with a p-value of 0.01. In model 4, the independent variables explain the behavior of the dependent variable “value,” and the results show a positive correlation with significance with a p-value of 0.01 and a high R<sup>2</sup> value for the variables, indicating the fit of the regression to the actual data. Therefore, the evidence obtained from the empirical investigation of this study confirms

hypothesis H1 that power and strategic importance are relevant factors in the decision to distribute value to stakeholders.

The data found in this research also support hypothesis 2. Comparing models 2 and 3, model 3, with the independent variable “strategic importance,” presented a higher angular coefficient (0.65) compared to the coefficient of the variable “power” (0.465) in model 2. Furthermore, model 3, with the variable “strategic importance,” also presented a higher  $R^2$  (49.5%) than the  $R^2$  present in model 2 (30.3%) with the “power” variable. Finally, in model 4, which has the presence of two independent variables, the coefficients of the variables “strategic importance” (0.537) and “power” (0.221) indicate a more significant influence of the variable “strategic importance” on the dependent variable “value.” Therefore, the evidence obtained from the empirical investigation confirms hypothesis H2 that strategic importance has a greater influence than power in the decision of the company to distribute value to its main stakeholder groups.

## DISCUSSION

As it has evolved, stakeholder theory has highlighted various issues for business management, such as: how to identify and classify stakeholders (Freeman et al., 2007), how to analyze their interests (Freeman et al., 2004), which stakeholders to prioritize (Mitchel et al., 1997), what are the strategies for dealing with stakeholders (Harrison & Bosse, 2013), how issues such as fairness, reciprocity, and values motivate cooperation among stakeholders (Bridoux & Vishwanathan, 2020; Lange et al, 2022), and how stakeholder management relates to environmental sustainability (Góes et al., 2023), among other topics.

Among the issues that need to be developed in stakeholder theory, this study seeks to advance the knowledge on the association between power and strategic importance and its relationship with the value distribution to stakeholders. According to Freeman et al. (2010), stakeholders, in terms of their power and strategic importance, can create value for the company with which they are associated, and the greater their strategic importance, the greater their ability to create value for the organization. This argument became the initial basis for the development of this research. By highlighting the relationship between power and strategic importance in the decision to distribute value to stakeholders in TSX-listed companies, our results support Harrison and Bosse’s (2013) view that the value distribution to stakeholders is driven primarily by the stakeholders’ power and strategic importance.

In Canada, which is characterized as a liberal market economy, companies coordinate their actions through competitive market arrangements, and the distribution mechanism is mainly based on market supply and demand (Fainshmidt et al., 2018; Hall & Soskice, 2001). This differs from other scenarios previously studied, such as in Brazil, where wealthy and dominant families and groups are the central ordering agents of economic life and at the center of ownership, resource allocation, and management (Fainshmidt et al., 2018).

Based on the results, it can be argued that in the Canadian institutional context, strategic importance is more relevant than stakeholder power in distributing value to stakeholders, in

line with the contemporary “managing for stakeholders” approach (Harrison et al., 2022). In this context, an example can be highlighted. At Jamieson Wellness, a leading Canadian company in the consumer goods sector, the ability to innovate is recognized as a competitive advantage to meet customer demand for new products, while this stakeholder group has power over the company’s revenues, consistent with our first hypothesis. The company also pays more attention to the strategic importance of its retailers than their power. We found that they focus more on mutually beneficial, long-term relationships with their retailers than on their power over logistical distribution to create value for this group, which is also consistent with our second hypothesis.

This is consistent with recent studies that examine power-related issues in different institutional contexts, such as Kern and Gospel’s (2023) examination of examples from England, Germany, and Italy, and also Ye et al.’s (2021) analysis of institutional investors from the US and Western European markets. In addition, our findings support the arguments of Boaventura et al. (2020), who observed factors of power and strategic importance in the value distribution to stakeholders in Brazil, an emerging market with different institutional characteristics from our study. In this sense, our study supports strategic importance as the main criterion for value distribution, contradicting the mainstream literature that prioritizes bargaining power, such as Parent and Deephouse (2007) and Neville et al. (2011).

With this result, it is possible to conclude that, even though the stock exchanges are located in different markets and institutional systems, there seems to be a tendency, at least in the global West, toward a greater appreciation of strategic factors in the value distribution to stakeholders by publicly traded companies. Further research in other economies and institutional contexts will be necessary to confirm this trend or to understand the Eastern scenario as well.

## CONCLUDING REMARKS

The purpose of the research was to examine the effect of stakeholders’ power and strategic importance on the value distribution to stakeholders by publicly traded companies on the Toronto Stock Exchange. Content analysis using statistical techniques was used to test whether there was a significant relationship between strategic importance, power, and the value distributed to stakeholders.

The results observed show not only that power and strategic importance are relevant in the value distribution to stakeholders, but also that in the decision-making process of organizations in this institutional context, the strategic importance of stakeholders has a greater influence compared to their power. In other words, the results support the hypothesis that corporate decision-makers consider strategic importance more than power when distributing value to their stakeholders. Therefore, our study contributes to the stakeholder literature that focuses on value distribution by confirming the relevance of strategic importance versus power in an economically developed market, thus advancing the debate from previous studies. In practical terms, our study is designed to provide companies committed to stakeholder-oriented management with

a set of tools to better understand how to engage with their stakeholders and properly balance the value they provide to each group.

Regarding the limitations of this research, companies that go public on the TSX need to follow a series of requirements and procedures with high financial costs to go public through an IPO. Therefore, our sample captures the reality of large companies with the necessary resources for this procedure; it may not represent the context of medium and small companies operating in the various market sectors.

There is also a limitation in the vocabulary of synonyms. Since this study aims to capture stakeholders from different sectors of the Canadian economy, generalized synonyms were used to avoid ambiguity and bias, and words that only mean something in specific sectors were excluded. To illustrate, a passenger is a definition of a customer that only makes sense when we consider specific industries, such as railroads or airline operators. In this sense, an analysis in specific sectors can overcome this limitation since it can guarantee greater control in the content analysis. Another limitation is the sample size: we had to aggregate observations for the stakeholder groups as a whole, so it was not possible to achieve the granularity of characteristics to examine and compare how each stakeholder individually affects the overall value distribution in terms of its power and strategic importance.

Finally, for additional future research paths, it is possible to create new opportunities for empirical research using a similar methodological structure, extending the analysis to other institutional contexts. Thus, to maximize the understanding of power relations and strategic importance in the value distribution to stakeholders in more institutional environments, we suggest the development of multi-country studies. Such studies can provide more argumentative robustness about how managers around the world behave when they need to distribute value created for their organizational stakeholders. Applying this framework to a larger sample could provide a better understanding of the dynamics between the value distributed to stakeholders and their influence on this managerial decision, comparing the individual power and strategic importance of groups to the total value distributed by companies.

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## CONFLICTS OF INTEREST

The authors have no conflicts of interest to declare.

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