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OPINION ARTICLE

# Responsible management on the organizational frontline: A stewardship perspective [version 1; referees: awaiting peer review]

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## Abstract

Responsible management has become a business imperative in an era of growing governmental and public scrutiny of managerial practices and accountability. Top-down attempts at developing transparent codes of practice or agenda statements have been ineffective, especially given the difficulties of aligning responsibility needs with traditional performance indicators. Thus, we argue, there is a pertinent need to foster a sustainable sense of moral responsibility at the organizational frontline. We posit that stewardship offers a foundation for developing sustainable solutions based on aligning the interests of stakeholders and balancing longer-term and shorter-term benefits. Three principal stakeholders are involved at the organisational frontline; frontline management (FLM), frontline employees (FLE) and customers. Accordingly, we identify three key areas requiring development: stewardship-based control systems, climate and customers on the organizational frontline. We illustrate these areas with pertinent research and, hence, collate a research agenda across these areas to facilitate the development and embedding of responsible management based on a stewardship foundation.

## Keywords

Stewardship, responsible management, control systems, climate, customers, organizational frontline, frontline management, frontline employees



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## Introduction

During the past decade, a succession of instances of poor managerial practices, or even malpractice, unethical behaviour and questionable bonus and incentive systems has presented itself. Some of these instances have resulted in the bankruptcy of individuals and corporations, as well as historically low levels of customer trust and rising disillusionment in society, and perhaps, a moral as well as an economic crisis. A particular example are financial services, which have come under close governmental and public scrutiny with respect to incentive systems that seemingly encourage customer-facing employees to bend or ignore fiduciary obligations to the benefit of the company and at the expense of the customer. A traditional remedy for the abuse of customer trust is a call for transparency or setting up codes of behaviour, such as the [UK Stewardship Code](#) for institutional investors, which sets out good practices that financial services providers should aspire to. However, it has been argued that sustained market fragmentation and subsequent low involvement levels of stakeholders is rendering such attempts at improving responsible service delivery ineffective ([Cheffins, 2010](#)). At the same time, environmental scandals are fuelling the demand for more environmentally responsible business practices by customers and regulators and businesses have taken to providing a sustainability addendum to their annual reporting ([Leonidou et al., 2013](#)). However, in most cases, a sense of environmental responsibility rarely trickles down to the organizational frontline and encounters with customers. It has been argued that a primary obstacle is the issue of how to align the emerging need for responsibility with traditional performance indicators. Despite a growing interest in responsible management, such alignment has not been documented convincingly. (Self-)regulatory attempts at prompting businesses to act responsibly in their interactions with customers have offered marginal success, possibly due to the challenge of being a top-down approach. We, thus, need to extend our knowledge of how to foster a sustainable sense of moral responsibility at the organizational frontline, as this is often the first port of call for customers and also key in sustaining the customer's journey.

In order to accommodate this, we turn to emerging theorizing on the notion of stewardship. A central tenet in this body of scholarship is that, based on covenantal relationships, synergies can be reached between the interests of relevant stakeholders, and that managerial responsibility lies in balancing longer-term benefits against (often) self-serving, short-term goals ([Hernandez, 2012](#)). Specifically, stewardship consists of three conceptual building blocks: (1) it is a felt obligation based on relational and ideological grounds, rather than formalized agreements; (2) it aims at the realization of long-term, collective benefits, often though personal sacrifice and (3) it recognizes that stakeholders may be temporally and personally separated from those benefits by taking into account the wider context. Three principal stakeholders are involved; frontline management (FLM), frontline employees (FLE) and customers. FLEs may act on behalf of customers based on a sense of responsibility and psychological ownership, based on their belief that maximizing returns on one transaction may stand in the way of developing a longer-term relationship across multiple ones. In this way competing job

outcomes can be balanced, in that performances that do not align with the interests of others can be amended by means of self-regulation ([Davis et al., 1997](#)). Hence, for each of the stakeholders on the organizational frontline, the multifarious conceptualization of stewardship enables us to advance scholarship by challenging current theorizing on (1) frontline managerial control systems, which is based on agency and formal control; (2) recognize the importance of climate, or a shared sense of responsibility among FLEs, to drive responsible action, as well as (3) the willingness to forgo personal gain in the interest of longer-term, social goals by customers. In order to facilitate a research agenda that fosters responsible management, our aim in this paper is to develop that agenda through a focus on stewardship-based control systems, climate and customers on the organizational frontline with reference to some key research in these areas.

## Control systems

Traditionally, management and marketing theorists have explored governance on the frontline from the perspective of agency theory ([Schepers et al., 2012](#)). Agency theory posits that agents are driven by the maximization of self-interest and that principals should formally or contractually align and regulate the behaviour of FLEs through monitoring and rewarding. Agency promotes self-centered behaviour in accordance with an intricate control system that frequently gravitates toward a short-term revenue orientation and attentional biases supported by perverse financial incentives ([van Laer et al., 2014](#)). In the financial services industry, this system has led FLEs to serve customers by offering products that were unnecessarily complex and not always in their best interests. In contrast, stewardship-based control systems deploy a form of governance in which FLMs and FLEs act as stewards of the interests of customers ([Block, 1996](#); [Hernandez, 2008](#); [Hernandez, 2012](#)). Psychological ownership, as opposed to pre-set goals (e.g., sales quota or average handling time in service calls), monitoring and contingent rewards stimulate FLEs to balance the interests of leaders and customers. Such a system is centred around the development of intrinsic rewards and the recognition of meaningfulness, autonomy, impact and self-efficacy as key behavioural drivers and expected performance outcomes are a higher degree of effort, serving the welfare of stakeholders and displaying extra-role behaviours ([Thomas & Tymon, 1997](#)). In principal-agent relations, control is exercised through the use of hierarchical authority and coercion, whereas in principal-steward exchanges authority is likely based on leadership efficacy, task experience, expertise and trust, and supportive guidance ([Davis et al., 1997](#)).

[Schepers et al. \(2012\)](#) provide an initial empirical exploration of (informal) stewardship control as contrasted with formal agency control systems in the context of customer contact centres. Their findings reveal that stewardship control is a powerful predictor of extra-role FLE behaviour, whereas agency control has a stronger impact on in-role FLE behaviour. Furthermore, it is demonstrated that in co-occurrence of strong agency control elements, stewardship's impact as a managerial control system is weakened. A significant predictor of an effective governance strategy based on the principles of stewardship is

FLE relatedness, or the association to other frontline colleagues. This form of attachment is linked to perceptions of support and this leads FLEs to be more open towards being evaluated on taking responsibility for performance outcomes. Higher degrees of perceived embeddedness increase the experience of felt responsibility towards others (Hernandez, 2008). Additionally, competence levels within the team and individual and collective autonomy are shown to drive stewardship control systems and subsequently frontline performance.

We contend that stewardship control is a pertinent factor in establishing responsible management on the organizational frontline. It is also a very complex phenomenon. This is why it is important that management and marketing scholars widen our understanding and offer further insights by developing theory-based frameworks and to subject these to empirical assessments. Moving forward we identify a number of recommended research directions. Firstly, there remains a paucity of theorizing on the dissynergistic interaction between stewardship and agency control. FLMs and FLEs are likely to spend considerable effort in complying with diverging governance structures and this will lead to inconsistencies in service provision to customers. Work is needed on the identification of synergies between the two control systems and performance parameters that are aligned with these. Secondly, autonomy promotes FLEs to take and share responsibility for the interest of customers instead of attributing this to FLMs. Additional research should investigate optimal configurations of authority and formal control at both individual and group levels in order to develop more in-depth insights as to how this predicts the efficacy of different control systems and how this avoids FLE resistance and/or a negative impact on morale. Thirdly, since stewardship control is strongly associated with the internalization of organization values (Mayer & Schoorman, 1992), future research should examine how commitment to the organization and customer orientation infuse stewardship's effectiveness as a frontline control system.

## Climate

In addition to seeking guidance from FLMs and governance structures when it comes to balancing the interests of stakeholders, FLEs also look to their colleagues and the collective consideration of priorities, options and the types of behaviours that are commonly regarded as being reflective of felt responsibility (Zohar & Luria, 2004). In the literature on the organizational frontline, this has been conceptualized as climate (Schneider *et al.*, 2000). Climate has been described as a process of collective sense-making, or grasping 'the way we do things around here' to achieve a match between strategic imperatives, such as taking environmental responsibility and aligning this with the operational reality of revenue generation in customer-facing sales or service delivery units. Rather than organization-wide values (such as customer orientation), climate has been conceptualized as a facet-specific construct (Zohar & Luria, 2004). As such, facet-specific climates (e.g., climate for financial or environmental stewardship) inform FLEs how values and policies are put into the practice of a collectively held sense of responsibility on the shop floor or, conversely, inform FLMs of the reasons why FLEs struggle with balancing performance and stakeholder

interest (Lee *et al.*, 2016). At the climate level, stewardship is interpreted within the context of socially-informed decision making and the logic of appropriateness (Weber *et al.*, 2004). As such, organizational value choices develop into norms around responsible management and behaviour that guides FLEs. As they use the behaviour of peers as an anchor point, norms are developed around whether and how to act in the longer-term interests of others over personal utility maximization (Tenbrunsel & Messick, 1999). Subsequently, these norms and their underlying social heuristics shape the development of collectively held mental models.

Cognizant of the importance of environmental responsibility for retailers, Hensen *et al.* (2016, p.500) set out to develop the concept of store environmental stewardship climate. This refers to "the extent to which sales associates perceive (1) a collective sense of responsibility toward the environment, which may require them to subjugate their personal and collective interests to help limit the environmental impact of their company, (2) that they contribute to and promote initiatives that help improve the company's environmental performance; and (3) that they promote environmentally responsible choices amongst a wider range of customers while still trying to meet their demands". Empirically, the impact of antecedents and consequences were tested in the context of a network of stores of an electronics retailer. The results reveal that when FLMs are explicit in their prioritization of environmental responsibility in operational decisions, this generally has a positive impact on FLE-perceived climate perceptions and this impact is stronger for more FLMs with longer tenure. However, when FLMs are not consistent with regards to their prioritization of the environment in decision-making this weakens FLE climate perceptions. Moreover, the practice of transformational leadership did not appear to amplify FLMs' influence on FLE climate perceptions. This is attributed to the fact that this practice of leadership promotes FLE empowerment and confidence, thus becoming less dependent on the display of supervisory practice. Finally, it is unequivocally shown that a climate for environmental stewardship results in higher margins and the sales of more environmentally ('green') products (at the expense of the selling of regular products).

In order to deepen our understanding of the role of FLE climate perceptions in creating a more responsible frontline, further research is needed. Firstly, and similar to frontline control systems, there is a lack of synergy between adopting a stewardship perspective and performance outcomes, it leads to significantly lower sales with respect to traditional products. Future research should be undertaken that help us better understand why this occurs and to identify internal and external contingencies that may assist in mitigating the imbalance between sales and taking a responsible stance with respect to the environment. For instance, differentiating between various customer segments (based on environmental preference) may nuance initial findings, or, taking sales performance over time into account. Secondly, research underlines the close-knit relationship between FLM and FLE behaviour in relation to stewardship. Specifically, future research should further explore what tactics can mitigate the lack of consistency as evidence of a negative

relationship between FLM behavioural variability and stewardship climate was reported. Such tactics may include identifying the scope for FLE to impact FLM in a synergistic fashion. Finally, when it comes to the environment, felt responsibility differs across product, service and brand categories. As consumers have been reported to be more environmentally conscious in relation to non-durables and durable product categories are strongly dominated by branding considerations, future research needs to chart how FLE can influence responsible buying behaviour and the point of service or sale. This is notwithstanding the wider need across industries to continuously develop a wider portfolio of sustainable products and shrinking the portfolio of non-sustainable offerings.

### Customers

As implied above, it is ultimately customer attitudes and behaviour that drive the acceptance of stewardship on the organizational frontline, as responsible management does not operate in a social vacuum. As outlined, crucial to the stewardship paradigm, regardless of whether it relates to financial services or the environment, is the trade-off that people make between short-term gains and the longer-term consequences of their behaviour. We posit that responsible management extends beyond the organizational boundary as it impacts attitudes and responsible behaviour of customers. Previous studies reveal that people's other-regarding behaviour is directly influenced by how they themselves have been treated by others (Wade-Benzoni *et al.*, 2008) and this is of particular relevance in increasingly networked markets. Furthermore, given the importance of a temporal perspective in relation to objects of stewardship (e.g., financial well-being, the environment), people's experiences in the past are likely to affect future generations. This is what Wade-Benzoni, 2002) refers to as 'intergenerational reciprocity'. In other words, customers are likely to place decisions that they make in a temporal frame. Established thinking on stewardship posits that 'a historical insight that connects the past to the future' is likely to drive other-regarding behaviour (Caldwell *et al.*, 2002, 157). Thus, by stressing the norm of reciprocity in relation to future generations, awareness of the need for responsible behaviour can be affected.

In relation to the need to increase pro-environmental behaviour, particularly in relation to the 'plastic crisis' and climate agreements, policymakers and organizations alike are attempting to change consumer attitudes and behaviour by emphasizing a sense of the future context. However, adoption of environmental responsibility is still problematic. The challenge is to assist consumers in making a more favourable trade-off between costs and longer-term, collective benefits to the environment. Recent research by Hensen *et al.* (2016) explore how firms and regulators can instil a sense of environmental stewardship among consumers to induce a personal sense of responsibility that can serve as a push factor in accelerating change. Their results, across four studies among consumers, demonstrate that instilling a sense of affinity with

future generations as well as the belief of consumer effectiveness or the sense that their actions will make a difference raise stewardship beliefs and this in turn increases the chance of engaging in pro-environmental behaviours.

While these findings hold promise for actively influencing consumer stewardship perceptions and changing behaviour, there is a need for research that examines stewardship capacity building in relation to various aspects. Firstly, it seems pertinent to explore whether framing a sense of intergenerational norms is an attentional bias that can be used in relation to FLEs (or Leader-Member exchanges between FLMs and FLEs) and whether this can be done in such a way that a fit in stewardship orientation is experienced during frontline encounters. Secondly, more information is required on the sustainability of framing a sense of future among customers and FLEs and which socio-demographics (e.g., age or social norms among a cohort, or perceptions about psychological distance between generations) can be established as important boundary conditions among the three main categories of stakeholders. Finally, more research is needed to evaluate how the stimulus of stewardship from a temporal cognitive frame point of view plays out across cultural differences (e.g., collectivity or power distance levels). These differences could influence the impact of other-regarding, longer-term oriented framing on the moral awareness and affordance of personal responsibility.

### Concluding thoughts

There is a pertinent need for the development of knowledge that enables us to close the considerable gap that continues to exist between managerial responsibility and practice on the organizational frontline. Across many industries, ranging from financial services to high street fashion, from car manufacturers to the pharmaceutical companies, a relentless series of scandals shows us that the pursuit of self-serving behaviour continues to take precedence over collective interests and well-being. This emphasizes the need for managerial practice to adopt a stewardship perspective and the imperative for academic researchers to provide guidance based on robust conceptualization and empirical testing. This paper highlights some key papers to illustrate the role of stewardship across three different categories of stakeholders on the organizational frontline. It also offers a collated agenda on the directions for exploring control, climate and customers in order to further expand a knowledge base that assists in restoring organizational equity within society and nourishing responsible management on the frontline.

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