Toward a Theory of Marginalized Stakeholder-Centric Entrepreneurship

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The neglect of marginalized stakeholders is a colossal problem in both stakeholder and entrepreneurship streams of literature. To address this problem, we offer a theory of marginalized stakeholder-centric entrepreneurship. We conceptualize how firms can utilize marginalized stakeholder input actualization through which firms should process a variety of ideas, resources, and interactions with marginalized stakeholders and then filter, internalize, and, finally, realize important elements that improve a variety of related socioeconomic, ethical, racial, contextual, political, and identity issues. This input actualization process enables firms to innovate with marginalized stakeholders and develop marginalized stakeholder capabilities. To this end, firms fulfill both their moral and entrepreneurial claims to marginalized stakeholders.

Key Words: stakeholder theory, marginalized stakeholders, entrepreneurship, capabilities approach, development, cooperation, poverty, inequality

Our central premise is that marginalized stakeholders (MSs) are largely ignored in both stakeholder and entrepreneurship literatures and practices. MSs are those who predominantly come from vulnerable social identities or belong to lower social classes. They are often subject to racial profiling, generate very low incomes relative to their locations, and are stigmatized for their sexual orientations, physical disabilities, and mental health problems (Chowdhury, 2022). Many other factors trivialize them in various forms in different contexts (Chowdhury, 2021a, 2022; Derry, 2012). Such contexts are not only restricted to developing countries but can expand into developed countries. These contexts or conditions thus can be affected by historical and cultural reasonings and institutional arrangements where powerful actors may have incentives to devise certain policies that mostly benefit the privileged institutions and firms (Tamvada & Chowdhury, 2022; Maher, 2019). From this perspective, MSs may or may not be willing to be stakeholders of specific firms in the first place (Chowdhury, 2021b); yet firms can influence someone or a group to become a MS because firms have the ability to manipulate such persons and groups.
This pattern often repeats in different forms due to globalization and deregulation processes that are present around the globe (Margolis & Walsh, 2003). Many large firms and multinational corporations (MNCs) can now affect individuals and groups directly and indirectly because such firms utilize low-cost production in developing countries. For example, MNCs like Walmart and Inditex have suppliers in different parts of the developing world. Developing country suppliers and MSs of these suppliers are also stakeholders of MNCs, as these MSs (who are employed by developing country suppliers) are affected by or can affect MNCs that outsource products, services, or even raw materials for production in developing countries. Although increasing expansion of firms’ boundaries and responsibilities and disintegration of direct relationships between MNCs and MSs in the global marketplace may not always be apparent, these merit careful scrutiny so that firms with both direct and indirect relationships with their MSs can prevent their undervaluation or mistreatment, particularly in disastrous working conditions or hostile external contexts (where firms or their powerful stakeholders try to gain enforced consent from MSs to carry out business activities). This creates an opportunity to activate MS participation with necessary MS consent or to give MSs options (particularly when such options are nonexistent) to integrate into entrepreneurial and other firm-level activities and decision-making to improve MSs’ status and well-being.

Studies, however, show that firms are generally less interested in counting a MS as a coinventor or cocreator of organizational and economic activities (cf. Cobb, 2016). MSs thus do not naturally become central actors in firm-level discovery and innovation. By not engaging with MSs from the outset from an entrepreneurship perspective, we argue that firms and their more powerful stakeholders deprive MSs of deciding whether and, if so, how MSs want to participate in firm-led activities (as often there is a taken-for-granted wisdom that all potential vulnerable actors want to become stakeholders of a firm and hence are assigned to MS labeling). More importantly, even if marginalized actors want to become firms’ stakeholders, how firms integrate them into organizational and entrepreneurial design solutions in a cooperative manner that benefits MSs (Sarasvathy & Dew, 2005) remains a significant challenge (Mintzberg, Simons, & Basu, 2002), as many firms are strongly driven by narrow competitive advantage ideals (Parmar, Wicks, & Freeman, 2022).

Subsequently, exclusion of MSs within and outside firms remains a significant issue. This is problematic because any organizational and social exclusions easily trigger dignity and identity violation (Chowdhury, 2021a). When powerful actors (e.g., firms) categorize MSs based on gender, color, religion, or any other category, this constitutes identity violation, through which powerful actors stigmatize any vulnerable individuals into a particular classification and then formulate organizational strategies accordingly (Chowdhury, 2021a). This in effect perpetuates the labeling of a stakeholder as marginalized even if a MS has the necessary attributes to be considered a primary stakeholder. Rather, this process reinforces such labeling, which then becomes a permanent feature for MSs. When identity violation occurs, dignity violation follows, because identification and labeling of MSs cause either physical or psychological suffering and, in some cases, both (cf. Medina, 2012). Both identity and dignity violations can have a devastating effect that contributes to
the perpetuation of further poverty and inequalities in societies (Fricker, 2010; Medina, 2012; Mussell, 2021). Furthermore, firms contributing to MS exclusion deprives vulnerable members of societies of emancipation and developmental opportunities.

Nonetheless, certain firms tend to be more inclusive of MSs and are more resilient in the long term (Parmar et al., 2022). Because some firms have the mind-set and capacity to work with MSs for greater societal benefit (Blanc & Al-Amoudi, 2013; Weaver, Treviño, & Cochran, 1999), firms’ choices, such as whom they prioritize, the criteria they employ to include or exclude stakeholders, and how they navigate social and economic tensions while considering MSs in entrepreneurship, deserve deeper examination and conceptualization (Dew & Sarasvathy, 2007; Venkataraman, 2002). In response, we investigate an important research question that arises at the intersection of stakeholder and entrepreneurship strands of the literature: how can MSs be part of firms’ entrepreneurial decision-making and activities from the outset?

While extant literature, such as that on stakeholder theory (e.g., Freeman, Harrison, Wicks, Parmar, & de Colle, 2010) and entrepreneurship (e.g., Sarasvathy, 2001a), and related literature, such as that on bottom of the pyramid (BoP) (e.g., Prahalad & Hart, 2002) and creating shared value (CSV) (e.g., Porter & Kramer, 2011), address aspects of this question, the central focus of these streams of literature is to conceptualize value creation or final outcomes of organizational activities that mainly benefit firms (Harrison & Wicks, 2013). This also leads to repetitive debate, such as whether firms create/prioritize economic (maximize profits) (Sundaram & Inkpen, 2004) or social (maximize societal welfare) value (Freeman, Wicks, & Parmar, 2004; Jones et al., 2016; Kroeger & Weber, 2014) through salient stakeholder engagement. However, in both cases, firm perspective receives the highest priority, and this debate ignores the importance of firms’ consideration of MSs as valuable partners for their value creation processes (Khan, Westwood, & Boje, 2010), which ultimately can result in (further) MS inclusion. Here MS inclusion means when MSs decide where they want to be a stakeholder (ensuring their choices and freedoms) and, if they want to be included, how their voice matters for firm-level activities. To address this shortcoming, we offer a theory of marginalized stakeholder-centric entrepreneurship (MSE).

We take a normative perspective to develop MSE as a theory with some practical illustrations. We offer a nuanced conceptualization of MSs through which firms must improve organizational opportunities for imagination and innovation (e.g., Werhane, 2002; Werhane & Dunham, 2004) that are aligned with the MSs’ expectations and welfare. This is imperative because, in the contemporary world, where institutions are weakened and environmental and human degradation has a huge impact on the earth and societies, firms simply cannot rely on the “old ways” of thinking. If the entirety of a firm’s value creation is not creative and equitable, simply making some parts more equitable would not help. Radical, continuous, and imaginative engagement with MSs is only possible when firms collectively and urgently (re)develop their organizational mind-sets and resources and (re)position themselves from within (through self-evaluation) in such a way as to bring MS
engagement to the front and center of their entrepreneurship activities. We argue that, by doing so, firms overcome some of the contradictions (e.g., a prevailing worry that MS-centered projects are costly and a threat to competitive advantage) through MSE while exploring various options for greater MS inclusion. Thus we contribute to stakeholder and entrepreneurship literatures by delineating processes and outcomes of MSE so that firms apply a more realistic approach to some of the most challenging issues of our time.

THEORETICAL CONTEXT

Limitations of Stakeholder Theory in Relation to MS Conceptualization

We highlight three main factors that limit the greater conceptualization of MSs in stakeholder theory. First, the ways in which stakeholder scholars categorize stakeholders limit a greater potential of MS-centric conceptualization. For example, MSs are generally considered secondary stakeholders (Clarkson, 1995). Therefore the need to advance conceptualization of MSs in relation to entrepreneurship in stakeholder theory is overlooked. This does not mean that stakeholder scholars suggest the exclusion of MSs from entrepreneurship activities; rather, it infers that an implicit bias is developed over time that influences stakeholder theory development to focus on MSs under the broader category of secondary stakeholders (e.g., Brown, Forster, & Wicks, 2023; Eesley & Lenox, 2006). Implicit bias occurs when prejudices and stereotypes are (un)intentionally perpetuated (Greenwald & Banaji, 1995; Levy, 2012). Researchers have long suggested that such implicit biases are institutionalized (Banks & Ford, 2009; Medina, 2012) and skew normative views in a particular way (e.g., Ghoshal, 2005; Muzanenhamo & Chowdhury, 2022, 2023; Willmott, 2011). Breaking free from such epistemic biases is difficult (Medina, 2012) because, often, identity and dignity violations of MSs are normalized and become embedded into social structures.

Thus, not surprisingly, unintentional epistemic exclusion is perpetuated through the stakeholder salience framework that suggests that firms are better off addressing the claims of salient stakeholders (i.e., those who possess three attributes—power, legitimacy, and urgency) (Mitchell, Agle, & Wood, 1997) than of nonsalient stakeholders (who may possess only one attribute or even no attributes, unless and until firm activities assign a vulnerable actor such an attribute) (Chowdhury, 2021b). Because MSs rarely embody these three attributes—unless they forge alliances with other powerful stakeholders (Rowley & Moldoveanu, 2003) or mobilize social movements (King, 2008)—they attract only very limited attention in stakeholder theory. This (un)intended epistemic exclusion not only violates the dignities of MSs but may also lead to an extensive focus on salient stakeholders at the expense of potential MS participation (where MSs may decide whether they want to be part of firm-level activities). This remains a standard case (e.g., Maher, Neumann, & Slot Lykke, 2021), even though climate change and diversity-related issues are receiving more attention. However, firms that increasingly want to break free from these dominant practices (Parmar et al., 2022; Wettstein, 2012) have significant motivation and incentives to devise more ethical and pragmatic activities that are inclusive...
of MSs or cater to the expectations of such stakeholders as entrepreneurial and equitable organizational functioning.

Second, because MSs’ (moral) claims are often addressed indirectly through relatively powerful actors, such as nongovernmental organizations (NGOs) and foundations, in collaboration with firms (Chowdhury, 2017; Khan et al., 2010), stakeholder scholars have only employed a limited scope within which to develop measures that capture MSs’ contributions to firms’ entrepreneurship activities (Ali & Cottle, 2021). Unless stakeholder scholars offer a framework that recognizes direct and explicit contributions of MSs, such output measures are harder to develop (cf. Harrison & Wicks, 2013). This impedes stakeholder scholars from advancing the field into a terrain where more transferable and pragmatic measures could be developed to encourage innovative and fairer (i.e., activities that are ethical and not coercive or manipulative in nature) interactions between firms and MSs.

On the basis of the foregoing, we argue that existing certification-based concepts that try to measure firm performance by considering economic, social, and environmental factors (e.g., B-corporations; environmental, social, and governance [ESG]; fair trade) neither make a significant societal change nor MS participation plausible despite their appeal about “remaking capitalism” (Lucas, Grimes, & Gehman, 2020) for better societal outcomes. This is because while certifications may increase the awareness of firms to do the right thing or make government authorities impose more pressure on firms to do more for societal welfare, the inherent corporate model, which relies on competitive advantage and efficiency-based measurement, fails to overcome the ethical dilemma of how to ensure MS participation in a pragmatic and ethical way. From this perspective, the United Nations Guiding Principles on Business and Human Rights (UNGPs) and sustainable development goals (SDGs) hold much promise for firms to rethink MS participation (cf. Wettstein, 2012, 2015). Yet, the UNGPs or SDGs are not firm-specific programs; they lack sufficient details on how firms can change certain business practices (and see things from inside) reflected both in their internal and external activities to integrate MSs.

Third, the dominance of the separation thesis—that is, firms dealing with ethical and economic issues separately—leads to a misalignment between normative and instrumental conceptions of stakeholder theory. More specifically, addressing MSs through other stakeholders often leads to more instrumental responses toward MSs. This is because firms do not exhaust every avenue to address MS participation in their entrepreneurial decision-making and activities to find an innovative engagement or sustainable solution that is practically beneficial for MSs (Harris & Freeman, 2008; Noland & Phillips, 2010). Rather, firms often follow the process of finding reactionary strategies to engage with MSs so that such a claim of engagement is legitimized (Laufer, 2003). However, if firms are committed to fulfilling MSs’ claims, firms have less incentive to be reactionary or to search for relatively powerful stakeholders to address MS claims. Accordingly, the indirect or instrumental approaches adopted by firms would be reduced. Unless their claims are addressed directly, MSs remain excluded from normative stakeholder theory, even if one argues to the contrary. In other words, we contend that identity and dignity violations of MSs mean that normative criteria for MSs are either violated or...
ignored, leading to implicit bias, given that, although the majority of stakeholder theorists do not necessarily ask firms to exclude MSs from firm-level entrepreneurship (Donaldson & Preston, 1995), their encouragement (e.g., Jones, 1995; Jones, Harrison, & Felps, 2018) to others (e.g., Henisz, Dorobantu, & Narthey, 2014) to use the instrumental approach is problematic.

The preceding problem reoccurs because the instrumental perspective dominates the ways firms make entrepreneurial decisions, which means that firms (un)consciously prioritize strategic perspectives in developing their entrepreneurial activities. Hence, despite stakeholder scholars’ attempts to include all relevant stakeholders (Freeman, 1984), stakeholder theory is epistemically trapped in a path-dependent or repetitive theory development whereby, in reality, MSs are rarely conceptualized (to ensure their participation and consideration of consents for the amicable inclusion in or exclusion from firm-specific activities) seriously by a large number of scholars. If this issue is overcome, then stakeholder scholars will not need to discuss whether MS participation is a cost or administrative challenge for firms; rather, MS participatory aspects can become a natural business phenomenon.

**Potentials of Entrepreneurship Literature in Relation to MS Conceptualization**

While stakeholder theory offers only a limited conceptualization of MSs, a similar problem lies within the entrepreneurship literature that it confers greater emphasis on individual agencies and less on structures (Sarason, Dillard, & Dean, 2010). It is important to consider the structural issue because, unless structural improvements occur, individuals may struggle to find their voices and tools to empower themselves through entrepreneurship (Drakopoulou & Anderson, 2007). For example, Chowdhury (2021c) shows that Rohingya refugees in Bangladesh can become involved in entrepreneurship activities under extreme conditions. In such a space, Rohingya refugees can only make use of their human capabilities if they are able to forge collaboration with local Bangladeshis who are able to supply them with some of the essential ingredients for entrepreneurial activities. However, to what extent refugees can flourish depends on how the Bangladesh government and United Nations (UN) agencies and firms coordinate and provide structural flexibilities so that entrepreneurial augmentation takes place, given that refugee camps are highly restrictive spaces (Alloush, Taylor, Gupta, Valdes, & Gonzalez-Estrada, 2017; Jacobsen, 2005). This means that individual refugees are not able to make use of networks, ties, and resources unless they have a supporting structure within which to assemble these ingredients of entrepreneurship (Chowdhury, 2021c). We define **supporting structures** as complex institutional arrangements where firms can contribute by sharing knowledge, expertise, information, and relevant tangible and intangible resources that they consider appropriate. For example, with the authorization of UN bodies, local and multinational firms can extend their business activities in refugee camp areas so that refugees are able to participate in both economic activities and self-development by acquiring new skills (cf. Alloush et al., 2017; Jacobsen, 2005). From this perspective, we see firms’ cooperative potential to increase opportunities for MSs (such as refugees) to trigger and develop socio-economic activities that MSs might otherwise never be able to access and develop.
further to advance their skills and any entrepreneurial opportunities, no matter how trivial these may appear to be to the wider world (Chowdhury, Siedler, & Lall, 2021).

Even though firms can often contribute to supporting structure in local contexts, literature on CSV (e.g., Porter & Kramer, 2011), BoP (e.g., Hart & Christensen, 2002), and social entrepreneurship (e.g., Dacin, Dacin, & Tracey, 2011) highlights the importance of individual agency in promoting the social orientation of organizations. For example, the BoP concept encourages MNCs to target poor customers so that these customers purchase products that they could not actually afford (Prahalad & Hart, 2002). In this process, it is assumed (Simanis & Hart, 2008) that poor customers will become coinventors or entrepreneurs, while MNCs will become profitable by selling their customized products to the poor. However, researchers show that the poor become neither coinventors nor distributors of products through BoP (Kolk, Rivera-Santos, & Rufín, 2014). Moreover, BoP simply remains a strategic tool for MNCs to enter a saturated market where the poor can be niche customers through product extension (Kolk et al., 2014).

From the preceding perspective, CSV highlights the need for social orientation of firms (Porter & Kramer, 2011). However, critics (Crane, Palazzo, Spence, & Matten, 2014) argue that CSV is not so different from strategic corporate social responsibility or the instrumental approach of stakeholder theory because CSV actively promotes competitive advantage as the main criterion to resolve social challenges. Although competitiveness embedded in CSV destroys the cooperativeness of various actors, how competition occurs and whether it brings more misery or harmony to organizations and societies do matter (cf. Varman & Al-Amoudi, 2016). Furthermore, CSV ignores the tensions between social and economic goals (Crane et al., 2014) or, more accurately, promotes the separation thesis by assuming that such tensions do not affect firms’ behavior and thus encourages further MS exclusions.

Social entrepreneurship tries to address the tensions between the social and economic goals of an organization through the integration of social means (Dacin et al., 2011). For this, organizations often rely on the efforts of individual entrepreneurs or donations from foundations so that social goals are achieved (Smith, Gonin, & Besharov, 2013). Only a few large firms consider social entrepreneurship as a specialized feature of their economic business model so that societal issues are addressed, while they fail to address the inherent problem of the separation thesis. This is, for instance, observable in the case of Danone (a MNC based in France) and Grameen Bank (a NGO based in Bangladesh), which collaborated in an initiative to produce Shokti Doi (a yogurt) for malnourished poor children in Bangladesh. While this yogurt was a good product, the problem was that it was a luxury product for poor children (Agnew, Henson, & Cao, 2020). When this yogurt was first produced, there was no feasible way to encourage the families of the targeted children to buy it (Bapat, 2011). In fact, many children in rural Bangladesh do not even know what yogurt is and have no knowledge of its nutritional content or why it is important for their health (Agnew et al., 2020).

Although some of these specialized approaches (e.g., social entrepreneurship and BoP) are intended for societal welfare, they do not encourage firms to consider the
MS as a firm’s primary stakeholder and develop associated or local supporting structure. To overcome this problem, firms must consider diverse cooperative ideals (Curry, Mullins, & Whitehouse, 2019) that entail significant stakes for the entire organization, rather than focusing on a specialized business practice only for MSs. Firms’ awareness and active involvement in such cooperative thinking and actions thus can ensure full MS integration into firm-level activities (Freeman et al., 2004). Thus we propose that firms should think as a cooperative agent of a structure for addressing factors that are no longer just societal issues (e.g., racial biases and poverty)—in effect, they have become organizational issues too (Chowdhury, 2021a). Firms cannot escape their social and ethical responsibilities simply by implementing ad hoc programs like CSV or handing them over to government agencies or NGOs where their actions directly or indirectly affect the livelihoods and (personal) circumstances of their MSs. In the next section, we develop a theory of MSE through which firms can begin to see and do things differently.

TOWARD A THEORY OF MSE

Figure 1 depicts how MSEs can be adopted by firms. First, it identifies challenges that MSs encounter or any other societal issues that affect MSs adversely. This identification helps firms to recognize an interaction mechanism with MSs in the form of a trial-and-error approach (i.e., learning by doing or adopting necessary changes based on small-scale experiments) so that firms proactively endeavor to understand MS claims and concerns and take initiatives to integrate valuable input from/with MSs. Second, we introduce the idea of MS input actualization (i.e., ways of considering MS ideas in firm decision-making, which enables MS capabilities development; MS capabilities refer to agents’ functioning for choices and freedom) through which firms process a variety of ideas, resources, and interactions with MSs and then filter, internalize, and, finally, implement important elements that improve a variety of related socioeconomic, ethical, racial, cultural, contextual, political, and

Figure 1: Marginalized Stakeholder-centric Entrepreneurship
identity issues. Third, we conceptualize enablers (i.e., processes that help firms to materialize MS ideas so that MS capabilities are formalized) for MS input actualization, which help firms to create a symmetry between MSs’ and firms’ actions and crop out any misalignments or aspects of unethical behavior that can affect MSs. Subsequently, this ensures that MSs become authentic partners in firm-level entrepreneurial activities. Fourth, we show the distinctive nature of output that MSE produces.

**Output: MS Capabilities**

Although in Figure 1, MSE output comes last in chronological depiction, we explain such output first because, without analyzing what firms can achieve through MSE, it would be impractical to talk about the processes of MSE. Though MSE leads to various outputs, including organizational-level innovation and routine modifications for improved entrepreneurial learning, ultimately, we argue that MSE makes more meaningful contributions through continuous improvement of MS capabilities. Through the capabilities approach, Sen (2005) offers a perspective of a person’s or agent’s freedom to choose the life they want to live so that they prosper and enjoy freedom according to their wishes. Originally, the capabilities approach has emerged as an important alternative economic framework for responding to inequality. To counter traditional welfare economics, which generally measures well-being with capital (income-based evaluation and commodity command) or utility (happiness, pleasure, desire, and fulfillment) (Nussbaum, 1988; Nussbaum & Sen, 1993; Robeyns, 2003; Sen, 1999), Sen (1985) introduced a broader perspective by arguing that well-being, justice, human rights, and development should be considered in the light of people’s capabilities to function. By considering Sen’s (1985, 1999) approach, we define MS capabilities as agents’ pursuit of different functionalities within and outside organizations to achieve their freedom, which, in effect, contributes to their societal and well-being freedoms. In Sen’s (1985) terms, well-being and development are not realized through economic freedom alone or by measuring feelings or possessions; rather, they are considered through broader sociopolitical freedoms that enable one to live under conditions of at least basically functional economic, physiological, and psychological well-being.

For example, in Bangladesh a fundamentalist group demanded that the government not allow female laborers to work in garment factories, as, in their view, this contravened Islamic religious beliefs (Daily Star, 2013b). In retaliation, female garment workers created a countermovement against this fundamentalist idea, with the support of progressive garment factory owners in Bangladesh (Daily Star, 2013a). This case illustrates two important factors. First, firms and MSs can jointly produce sociopolitical outcomes where mutual understanding, respect, and collaborative behavior play major roles. Specifically, in this case, neither the firms nor the MSs could respond to the fundamentalist group alone; their collective nonresponse could then jeopardize their joint progress in relation to freedom to work without constraint and limit the choices of female workers. Through this, firms contributed to a secular supporting structure that increased mutual dependence and protected the core interests of both parties.
Second, the creation of employment is only one of the important dimensions of economic development, but providing MSs—such as female garment workers who already hold certain inherent motivations (e.g., desire to be self-sufficient, to develop skills, or to advance their careers)—with certain awareness encourages them to participate in the sociopolitical domain for their fundamental rights. This in turn can constitute a real freedom for MSs, adding to overall societal well-being.

However, to attain well-being freedom, it becomes essential that firms’ well-being measurements be formulated to evaluate MS capabilities. A society develops when all its members, including firms, create access to a variety of freedoms, including MSs’ freedom to choose their own ends (Sen, 1999). Therefore firms must not rely solely on externally imposed objectives, such as stock price, shareholder dividends, or executive bonuses, to ensure profit maximization. Rather, firms can ensure that MSs acquire (when they give their consent to firms) necessary functionalities to set and achieve their desired goals to attain capabilities depending on the contexts and conditions in which they live and the types of economic activities they perform (for details, see Sen, 1985, 1987, 1992, 1999). When MS capabilities as MSE output are aggregated through entrepreneurial processes by many firms, firms’ contributions to society can increase. This is because, through MS capabilities, firms can come together as a collective force to reconfigure their interactions with MSs. This may create a cooperative space within which firms’ and MSs’ engagement takes place in a more coordinated manner (Werhane, 2002).

Moreover, if a leading local firm or MNC takes an active role developing MS capabilities, it means that their suppliers, distributors, and other associated stakeholders would follow the lead given that such a firm not only has the power to set an agenda but also has the resources to motivate its stakeholders to maintain its standards (cf. Ali & Cottle, 2021). To illustrate, we can cite Viyellatex, a garment factory in Bangladesh that manufactures clothes for some of the top multinational clothing brands. Viyellatex pays lower-level workers 20 percent more than the government minimum wage (Making It, 2012). Also, Viyellatex claims that it shares 5 percent profit with workers and facilitates life insurance plans, childcare facilities, transportation, and medical benefits (which include maternity leave and prenatal treatment) for its workers. In addition, the firm has allowed workers to form and run a “working committee” (Making It, 2012). The inception of this approach allowed workers to talk freely about their problems with the top management in monthly meetings. The firm undertakes these initiatives because it sees potential for developing MS capabilities. The firm also believes that when MSs enjoy enhanced freedom of expression, they deliver greater cooperation and potential for innovation. For example, there have been no workers’ strikes or physical violence against the firm’s factories since the formation of the working committee. This contrasts greatly with traditional Bangladeshi garment factories, which regularly encounter incidents like strikes and violence (e.g., France-Presse, 2019). The firm states that this increases its productivity significantly because workers are more committed to

1 See the Viyellatex Facebook page at https://www.facebook.com/profile.php?id=100080154555185.
improving both personal-level and firm-level performance. This also encourages more skilled workers to stay in their jobs (with the potential for promotions and extra benefits) when a high turnover of skilled and experienced workers is an immense problem in this industry. Hence, if firms take MSs seriously, there is a greater chance for MSs to flourish, which is not possible through building more factories or just by increasing the wages of these workers. We recognize that this type of progress is slow in nature, as exploitative behavior in the garments industry is significant (Alamgir, Alamgir, & Alamgir, 2022), but it is important that MSE processes take place for MS capabilities development.

To advance our argument, therefore, we see that Sen’s “capabilities” are primary ends in themselves. For example, the UN has operationalized “capabilities” through metrics like the Human Development Index (HDI). For our purpose, Sen’s “capabilities” are not “means” through which an externally given “end,” such as MSE, is achieved. For the MSE approach, it means that prediction of a given end (i.e., MS capabilities) is not always possible through traditional or instrumental thinking (e.g., Kirzner, 1979; Shane, 2003) because instrumentality works better in the short term. Rather, MSE offers idiosyncratic innovation or imagination (Mosakowski, 2002), going back and forth between MSs’ and firms’ joint efforts to create something valuable, but not with a sole emphasis on economic outcomes (e.g., Gartner, Carter, & Hills, 2003). For this, it is essential that firms employ entrepreneurial alertness to correct any disequilibria (Sarasvathy, 2001a) that hinder identity and dignity violations that traditional market economics fails to address.

Again, to attain Sen’s version of capabilities, we propose MSE to work in a way such that firms and their relative powerful stakeholders find common ground with MSs, which, in effect, is the basis of purposeful input actualization for multifaceted capabilities. For example, entrepreneurship scholars (e.g., Ali & Cottle, 2021; Garriga, 2014) utilize Sen’s capabilities in relation to the instrumental stakeholder perspective. Though Ali and Cottle (2021) argue for social performance of firms through capabilities development, their core focus remains how salient stakeholders contribute to organizational innovation. They neither recognize the agency of MSs nor suggest that firms find processes to work cooperatively with MSs and develop associated supporting structures. This prompts us to argue that firms’ serious consideration of MS inputs (e.g., ideas) can help to overcome noncooperation and ignorance of MS capabilities for development initiatives and formalizations.

**Input: Trial-and-Error Entrepreneurial Engagement with MSs**

We assume that any firm will strengthen its understanding of internal and external MSs when it engages with them through various direct and indirect interactions, where the firm’s mission and activities are aligned to benefit MSs. This does not occur all the time. But we argue that firms that take a cooperative perspective on how they integrate MSs from the outset can see subsequent long-term benefits. Consequently, firms can adopt trial-and-error approaches (Rerup & Feldman, 2011) to examine what may or may not work in terms of implementing certain entrepreneurial processes, such as idea generation, opportunity evaluation, planning, and formalizing growth potentials to ensure deep and authentic MS engagement. For example, in
the case of Viyellatex, the firm was open-minded to confer autonomy and facilities on its workers so that they could propose ideas to improve themselves through the working committee. Such openness could not be implemented if the firm did not go through a process of experimenting with thoughts and interacting with internal and external organizational environments (which are complex in nature in countries like Bangladesh owing to weak institutions, corruption, and extreme poverty) and then (re)align certain practices in response.

From this perspective, through a trial-and-error approach, firms can also set certain criteria, such as what is fair (Phillips, 1997), how and why to trust vulnerable actors (Wicks, Berman, & Jones, 1998), and how to be reciprocal (Fassin, 2012), so that they approach MSs with care and explore what forms of engagement result from such a trial experiment. It is likely that certain engagement approaches would work better than others. Accordingly, firms must evaluate how they perceive a societal or institutional problem, which, for instance, otherwise inhibits MSs from engaging with firms as coinventors of a product or service in an organizational setting.

Also, a trial-and-error approach is useful because it helps firms to learn from their mistakes or adjust any issue to overcome the challenges involved in the reorganization of MS engagement. Subsequently, they develop tangible and intangible infrastructures (which can even contribute to developing local supporting structures as a spillover effect) that allow and enable MSs to be involved in the decision-making relating to firms’ activities from a very early stage. This essentially means triggering a transformative process embedded into firms’ entrepreneurial aptitude (Bullough & Renko, 2013), where firms undertake all types of exploration and seek alternatives to reduce any unnecessary bias in the categorization of MSs. This trial-and-error approach thus facilitates a vital role as a foundation for MSE as it engages with MSs as a central focus and gathers valuable information, experience, and observation from them to initiate more formalized processes of MS integration.

At the same time, the trial-and-error approach may highlight some of the practical challenges that firms are not capable of dealing with immediately, but it does create opportunities for firms to employ further investigation and experimentation to address issues that deserve a sustainable solution.

For instance, one of the largest mills in the Nicaraguan sugarcane industry, Ingenio San Antonio (ISA), decided to address long-lasting occupational heat stress among sugarcane workers (Pacheco-Zenteno, Glaser, Jakobsson, Weiss, Arias-Monge, & Gyllensten, 2021). Historically, sugarcane workers suffer from devastating injuries, including chronic kidney disease, as they work under extreme heat and do not drink enough water due to heavy workload. When the firm developed the “water, rest, and shade” (WRS) intervention (a NGO, La Isla Network [LIN], played a consultant role in this initiative), workers started to take regular breaks under movable tents that provided shade and had access to liquids, such as water and an electrolyte solution (Pacheco-Zenteno et al., 2021). However, this initiative caused tensions among workers as they were paid by piece-rate. Nevertheless, through reconfiguration of organizational culture—that is, training and streamlining of hierarchical structure—the firm created a better understanding among cutters to engage with WRS. The gradual encouragement and training and readjustment of
organizational culture helped cutters to understand that if they did not take enough rest and care of their health, over time, both their health and productivity could diminish. Obviously, if the firm were to change its payment structure from traditional piece-rate to monthly salary-based compensation, the MSE output we are hoping for could be ideal. Despite that, our argument is that certain industries that have been known for their exploitation and harsh treatment of workers may need a trigger for change that persuades local actors and firms to take further initiatives to change the payment structure (alongside introducing initiatives like WRS) to advance MS capabilities development.

Process: MS Input Actualization
Filter Inputs
Filtering inputs (e.g., MS ideas, grievance, and recommendations) can help firms to identify those MS inputs that have more potential to improve entrepreneurial activities that benefit MSs. When firms evaluate or measure the worthiness of inputs, firms can ensure that they are not in violation of MS capabilities given that some inputs influence firms to take exploitative actions to maximize efficiency. Apart from that, if filtering takes place amicably, this helps to build a dynamic system through which various inputs are accumulated, customized, or even abandoned over time as more information comes to firms’ entrepreneurial augmentation. Each unit of an organization—for instance, human resources, research and development, and finance departments—should have its own filtering system (which must consider how its decisions affect external MSs, such as vulnerable communities or stakeholders who are reluctant to be part of firms’ activities). This can then be connected with a central hub of a firm so that the filtering process goes through different stages to select the appropriate information relevant to different parts of a firm. This maximizes the chances of MS interactions because, during the filtering process, various managers and internal/external MSs can consult to clarify grievances and potential innovative ideas. This enhances opportunities to reduce any biases against MSs because the more interaction that occurs inside and outside a firm, the much better chances MS-led innovations have of being initiated.

We illustrate various aspects of MS input actualization that occurred in Spanish firm Fagor Ederlan’s (a chassis and powertrain component developer for the automotive sector) Tafalla plant (Bretos & Errasti, 2017). In 2000, Fagor Ederlan decided to strengthen worker participation and thus divided its capital stock between Fagor Ederlan (two-thirds) and Mondragon (one-third) so that Fagor Ederlan fully incorporated cooperative ideals into its divisions. In 2006, an MSE-type concept was introduced at the Tafalla plant. The plant introduced a series of processes to ensure workers’ inputs into firm-level decision-making. For example, worker representation is ensured in the governing body so that the board’s decisions are democratic. Moreover, a delegate committee was formed by representatives of the worker members on the governing board to ensure that no decisions were made without reflecting the consent of the majority of workers. This process encouraged workers to put forward their ideas and recommendations for improvements to the board, as
these workers realized that the board functions by considering MS input and filtering any ideas through debate.

Internalized Inputs

Though filtering helps to select or prioritize certain ideas and recommendations through active interaction and collaboration with MSs, it is important that these filtered inputs be internalized by different units of a firm. Thus internalization means ensuring that selected and prioritized ideas are known by different units of an organization and evaluated through their merits so that these inputs contribute to the firms’ entrepreneurial activities. At this stage, MSs must have their say about their engagement so that misrepresentation of MSs is reduced. For this, firms can create multiple feedback channels so that MSs reach out to managers and other organizations (in)directly and have options to make necessary comments, even while preserving anonymity. This is because MSs may have different interpretations about their original ideas, as they come from different backgrounds. While firms internalize MS inputs, they must remain aware of the power imbalance that exists between senior and middle managers and MSs. If these managers are not willing to evaluate MS feedback fairly, there is not much point in collecting such feedback. Internalizing feedback means that managers must be ready to accept modifications to and rejection of adjustments and acknowledge the possibility of revisiting issues that need further examination. To filter MS inputs, Fagor Ederlan, for instance, developed an “in-house communication system” so that workers could report any potential improvements and risks (Bretos & Errasti, 2017). However, for this, Fagor Ederlan ensured that workers had adequate training and education so that their participation in teamwork was effective for communicating various concerns and feedback with appropriate firm members.

Realized Input

Realized input means that firms should recognize and make use of the most refined ideas that are either discovered by MSs or coinvented and codeveloped by MSs and other relatively powerful stakeholders of firms. When such ideas are implemented, a formalized change in entrepreneurial activities takes place. Therefore it becomes easier for firms to indicate from where and how MS-led or codeveloped ideas by firms and MSs were generated and realized for practical implementation. This then is evaluated by the criteria set in the early stages of MS interactions, when firms work primarily with MSs to generate and experiment with various ideas. For example, Fagor Ederlan carried out a series of activities with its workers to ensure a cooperative culture at its Tafalla plant. Initially, it presented the idea of the new cooperative perspective. It then re-presented this idea in detail when some interested workers formed a committee for evaluation. Then the firm selected a group (and provided them necessary education and training, aligning MS needs rather than using a standard training program) with limited information to work on the proposal. They developed a nonbinding proposal, which was delivered to the general assembly of the firm for final approval. When final discussion and agreement were completed, the initiative was communicated to all members of the firm,
and further training was provided to both managers and workers so they could adjust to the new initiative.

During MS engagement, firms can evaluate how MS-led ideas are valuable or whether they need further refinement (e.g., by developing a scorecard or indexing system to assess the quality of MS-led ideas). Such evaluation can take place for external MS interaction as well, because firms have less understanding of external MSs in general. This is a continuous process that must go through as many iterations as necessary so that firms not only actualize MS capabilities but also maintain and enhance such capabilities over time. This must also then be coordinated with relatively powerful stakeholders, as they may have feedback about the design of a new organizational process and product or service (e.g., Lego has deep interactions with its customers to gather such feedback). This formal realization inside and outside organizations creates an ecosystem that has a much greater focus on MSs (cf. Werhane, 2002).

Although some inputs of MSs are valuable, other inputs may remain less so. Some MS inputs may not always be worthy of consideration, and such cases can create biases against them. However, it is not only start-ups but often large firms that struggle to innovate processes and products to keep up with their competitors internally and externally in their ecosystems (Sull, 1999). In the case of MS inclusion, risks might be higher, as they are not (initially) highly skilled compared to salient stakeholders. Nevertheless, MSs can provide unique alternative inputs that firms cannot secure from standardized actors, such as scientists trained in a university. Therefore firms ensure breakthrough by taking higher risks where MSs bring alternative thinking. Also, often, even an insignificant input can show a path to significant innovation (Robinson & Schroeder, 2004). Thus the best way to assess and implement MSs’ input is by taking risks, not just by allocating a small number of resources, time, and effort, which is only beneficial for short-term profit maximization.

In the Tafalla plant, for instance, to realize inputs, Fagor Ederlan developed a “participation system” in which workers play a central role; this includes improvement management (to ensure that specific goals are achieved), process management (catering to the needs of internal and external stakeholders), and activity management (to ensure improvement, effectiveness, and safety of tasks) (Bretos & Errasti, 2017). Although these tasks were specific to the Tafalla plant, the initiative reveals how ideas can be refined and adopted over time.

Enablers for MS Input Actualization

We conceptualize enablers of MS input actualization to highlight how entrepreneurial processes of firms can facilitate the continuous development of MS capabilities. Through these enablers, firms bring necessary changes in interaction with MSs so that firms’ counterintuitive imagination with MSs is not impeded. If this is so, no one has to force firms to ensure MS input actualization; rather, such processes can become natural to firms when realized.
Reimagination of Existing Resources

The reimagination of firms’ existing resources is more likely when firms undertake a series of innovative activities (e.g., redeveloping new ties; creating new roles and tasks; taking unexpected risks; increasing financial stakes; developing new training programs and work environments; customizing or even abandoning certain practices, products, and services that are harmful for the development of MS capabilities). This leads firms to a recombination of new and old resources and habits (Maielli, 2005). This in effect also leads to reimagination of stakeholder relationships where possibilities for equitable treatment between (middle and senior) managers and MSs are achievable if firms take such a goal seriously enough to implement MS capabilities. However, equitable relationship building (Curry et al., 2019) through reimagination may require innovation in areas such as how firms internally coordinate by reallocating responsibilities to their managers and MSs (cf. Dana & Dana, 2008).

Internal coordination (e.g., assigning renewed roles to managers) helps firms to manage multiple resources and a variety of internal/external MSs, which in turn leads to the simultaneous processing of resource reallocation (e.g., delegate-specific negotiation task to managers) so that MS capabilities are attained (cf. Ostrom, Burger, Field, Norgaard, & Policansky, 1999). Resource reallocation and MS interactions constitute a continuous process by which opportunities for innovation are created. From this perspective, the MS input actualization process—mechanisms that encourage and materialize interactions between MSs and various powerful stakeholders of firms—is more fluid in nature. This process can occur all the time in an organization because it is derived based on fluidity and materialization of new opportunities that seem valuable in certain contexts (Biggart & Delbridge, 2004). Thus firms may adopt various innovative coordination mechanisms for high-level MS input actualization. By high-level MS input actualization, we mean innovative changes that influence multiple MS relationships and create new pathways for discovery and innovative functionalities. For example, in the case of Fagor Ederlan’s Tafalla plant, the firm had to assign managers to negotiate with the trade union, which was unhappy about certain changes in the cooperative structure that could affect its salaried employees (Bretos & Errasti, 2017). In this negotiation process, the firm carried out two months of consultation with small groups of workers and a nonbinding survey to see what adjustments were necessary.

Although coordination often follows a top-down approach (Banks, Pollack, & Seers, 2016), we suggest a more flexible approach, because certain firms tend to have limited prior experience coordinating the development of MS capabilities and absorbing new knowledge simultaneously. Through a flexible approach, firms use open-minded criteria to discover multiple pathways to cooperate with MSs. In this context, the choices that firms make for adjusting organizational patterns (e.g., norms, attitude, and culture of interactions widely shared within the organization) by identifying entrepreneurship elements of MS capabilities development (e.g., depending on the contexts in which such capabilities are centered and whether these are functional with MS engagement) play a role. By adjustment of organization
patterns, we refer to the behaviors of firms that create some stability but also foster constant change and modification to drive imaginative work. Otherwise, it is difficult to advance the boundaries of MS input actualization. This process eventually helps firms to stabilize the patterns of coordination that become generalizable for the maintenance of MS capabilities (cf. Maielli, 2005). For example, cooperative ideals at the Tafalla plant required negotiations, contestations, and intense scrutiny and discussion among different parties, such as executives, managers, workers, trade unions, and community members, to establish the new system of cooperativism.

Although innovation in coordination is important for forging a cooperative approach with MSs, ultimately, identifying nonfunctional tangible and nontangible resources (e.g., abandoning traditional training programs for managers that do not educate them about amicable negotiation and coordination skills to cooperate with MSs) and replacing them are also important for bringing necessary changes that fit with MSs’ expectations. This process goes through constant observation and adoption of best practices so that firms achieve sustainability through innovative means. This means that firms fortify their knowledge base through constant observation and change by aligning themselves with MS capabilities development in a specific context or organizational setting and unit.

Whether firms reorganize resources to update their knowledge regarding shifting stakeholder expectations depends on the path-dependent nature of firms’ engagement with MSs and the path-dependent nature of firms’ willingness to develop MS capabilities. If a firm has prior history of a fair and justice-based approach led and developed by ethical leadership (Brown & Treviño, 2006; Brown, Treviño, & Harrison, 2005) embedded into its entrepreneurial processes, it has a greater chance of updating information and knowledge with the assistance of MSs. This also means that MS input actualization driven by ethical leaders in this context is much more effective. If, however, a firm has a prior history of unfair engagement with MSs, it needs to exert significant effort in rebuilding genuine trust through innovative engagement with MSs (Wicks et al., 1998). This means that this firm must activate more transparent processes (e.g., allowing MSs to participate in specific roles where they can exercise their functionalities for entrepreneurial decision-making) to reposition its resources so that MSs observe the firm’s changed behavior. For example, in the case of ISA (in the Nicaraguan sugarcane industry), the firm did not have a prior history of trustworthy relationships with its MSs; therefore, when the firm tried to introduce the WRS approach, it had to expend considerable time and resources to gain the trust of its MSs (e.g., cutters) and neutralize the traditional dominant role of their supervisors (Pacheco-Zenteno et al., 2021). Such efforts in trust building increase cooperation and commitment between the two actors (McKnight, Cummings, & Chervany, 1998). This is more of a necessity in the case of MS capabilities attainment, as interdependencies between firms and MSs are low; this is because firms have greater power and more resources to ignore MSs (Burchell & Cook, 2013). We thus emphasize that repositioning of firms’ resources must be visible (e.g., creation of committees, specialized roles, norms, and customs or even certain cultures centered toward internal/external MSs) and well communicated (e.g., through empowerment, inclusion, and MSs’ role in decision-making).
Bridging

MS input actualization for MS capabilities does not always demand transformation or expansion of tangible resources. In contrast, intangible resource specialization (Maielli, 2005), such as bridging for MS engagement, is helpful. By bridging, we mean identifying areas in which firms must change their dominant mind-sets and habits, overcome barriers to change conventional wisdom, and thus invest significant tangible and intangible resources to bridge any organizational limitations to reduce dissonance between firms and MSs. This is important because bridging ensures a multiplicity of MS participation in different organizational contexts. We identify three main areas that are prominent for bridging.

First, we argue that, as part of bridging, firms can overcome psychological path dependencies. Because path dependencies occur owing to narrow thinking processes regarding MSs’ capabilities development, firms may like to reconfigure how to think open-mindedly so that they identify any dysfunctional attitudes. This means that firms must become more proactive. For example, rather than using diversity as a marketing tool to enhance stock price, firms must take such an issue seriously to abandon the dysfunctional attitudes that are inherent in their organizations (cf. Mody, 1993). Thus it is important to overcome psychological path dependencies, such as looking down on someone or a group because they lack education and sophistication or perceiving them as incapable of participating in the language game (Chowdhury, 2021a). Such misconceptions would prevent MSs from sitting down at the same table with firms (Dey, 2006). This is a barrier for entrepreneurial thinking and learning to develop MS capabilities because, even though MSs may not have the necessary sophistication for certain tasks, they have an alternative viewpoint that can work as the *advocatus diaboli* in innovative idea generation.

Depending on context, firms must introduce the idea of *advocatus diaboli* to facilitate counterintuitive ideas. From this perspective, an important task of bridging is to equip MSs with critical thinking opportunities so that their role as *advocatus diaboli* is implemented. For example, the Tafalla plant acquired a particular focus on training programs as it tried to bring MS ideas into action. It realized that, without adequate training, *advocatus diaboli* would not be exercised by their MSs. In this regard, firms’ focus must be about offering unconventional skills (e.g., opportunity to engage in extracurricular learning activities) to MSs so that they have increased possibilities to learn (symbolic) languages and analogies (Campbell, 2004) and gain access to intangible resources, such as specific expertise and intellectual capital (Coleman, 1988; Nahapiet & Ghoshal, 1998; Portes, 1998), to enhance their skill in making counterintuitive arguments. This is an important issue in MS capabilities development because, often, entrepreneurial processes allow salient stakeholders to misuse symbolic language and analogies (Hamilton & Sharma, 1996) because they have the (perceived) power and legitimacy to do so (Mitchell et al., 1997). Unless MSs have training, awareness, and the ability to engage in conversations and activities in which sophistication of language, culture, alternative argumentation, and taste matter (Chowdhury, 2021a),
they will have almost no chance to attain the necessary entrepreneurial confidence and make contributions to firm-level innovation.

Second, when firms better navigate psychological path dependencies, they formalize adaptive behavior that would enable them to understand the nature of organizational changes that they have considered as part of the bridging process. For adaptiveness, firms must customize a certain number of roles and tasks that MSs share with other stakeholders. Such specific customization depends on the scopes of the tasks and roles in given contexts. The degree of scope varies as firms make feasible changes and abandon those that are not implementable. Because the scope of changes varies, this means that the speed and scale of customization vary too. If adaptation of a MS capability is complicated, more time and resources are necessary, and thus such a task would be lengthy and expensive; however, for smaller tasks, such adaptation is easier and less expensive (Fiol & Lyles, 1985). Relying on smaller tasks gives certain firms more motivation to engage with MSs, as they need to make modular changes compared to radical ones. This is, for instance, evident in the case of the Tafalla plant as MS input actualization was devised into smaller task batches. This helps firms to distribute their (re)organized functionalities among all stakeholders because distributed functionalities include MSs as well and influence powerful stakeholders to reconsider their renewed roles (Orlikowski, 2002).

The preceding type of development opens up the possibility for firms to explore activities that they are often reluctant to undertake owing to concerns about cost implications in attaining MS capabilities (cf. Uzzi, 1997). However, the precise point of bridging is that firms incur some costs to develop MS capabilities so that, for instance, learning and making use of specialized languages and analogies by firms and MSs simultaneously enhances entrepreneurial possibilities and activities on a day-to-day basis (Fligstein, 2001; Garud, Jain, & Kumaraswamy, 2002).

Third, and more importantly, an aspect of bridging means that firms need to have pragmatic leadership. By pragmatic leadership, we mean leaders who are realists and consider avenues to distribute various functionalities to different stakeholders as fairly and innovatively as possible to advance firms’ entrepreneurship activities (cf. Chowdhury, 2021d). In a sense, a major role of pragmatic leadership is to develop shared cultural value (Swidler, 1986) in an organization, so distributed functionalities mean that MSs endure fewer confrontations from more powerful counterparts. Development of shared cultural value is important because it helps leaders to be aware of any changes and modifications in norms, values, and mechanisms that drive specific functionalities in an organization. Leaders will thus have better possibilities to encourage multiplicities of MS capabilities by bringing multidimensional creativity, reliability, learning, and stability in an organization. Thus a pragmatic intervention of leaders needs to legitimize the importance of a shared cultural value for MS capabilities development in which the multidimensionality of MSs is recognized. Unless such leadership is legitimized, we might find it difficult to see a collective acceptance of MSE among many firms.
DISCUSSION AND CONCLUSION

Since the 2007–8 financial crisis, there has been a greater call from management and entrepreneurship literatures to address issues of marginalization and poverty (e.g., Bruton, Ketchen, & Ireland, 2013). This has become more urgent owing to climate change and the current COVID-19 crisis, which also highlight MSs’ devastating situations and endurance of poverty—all these are closely linked with how firms revitalize their entrepreneurship processes in an adequate and timely manner so that both man-made and natural crises are responded to adequately. The integration of MSs into the stakeholder and entrepreneurship streams of literature is imperative because current trends show that, in today’s globalized world, it is harder for firms to ignore the impact of the marginalization of stakeholders, which often results in inequality and well-being issues for businesses (Margolis & Walsh, 2003). These factors negatively affect the financial and social performances of firms (Margolis & Walsh, 2003) and pose barriers to breakthrough innovations and societal well-being, as firms ignore many MSs.

Given the aforementioned problems, our starting point for the MSE conceptualization was to reject the separation thesis (Harris & Freeman, 2008; Noland & Phillips, 2010). We disagree with the differentiation of stakeholders, by which we mean that categorizing stakeholders (labeling stakeholders based on their identity, class, and attributes, such as power) is detrimental to forging meaningful, trustworthy, and innovative engagement with any stakeholder (Chowdhury, 2021d, 2022). Categorizing or assigning labels to stakeholders (Medina, 2012) encourages firms to set aside the values of MSs from their entrepreneurship activities. On the basis of this fundamental assumption, we argue that if firms accommodate MSE, the collective output for a deprived society or a MS is much higher in the long run and generates a real possibility for discovering alternative pathways to address MS exclusions. This is because, by addressing the problem of categorization that affects MSs, firms not only acknowledge the problem but also create initiatives and processes that must trigger demarginalization and implement more equitable tasks. More importantly, this enables MSs to contribute to firms’ entrepreneurship by affording them choice, which in effect provides them further societal freedom. Such a process ultimately unlocks MSs to participate in entrepreneurial activities freely and confidently. Thus creating a level playing field to set out MS capabilities is paramount. In this sense, MS input actualization is not a one-off event or strategic approach (e.g., Harrison, Bosse, & Phillips, 2010, may claim so) for any firm; rather, it is a continuous process through which firms can be ethical, innovate, and work consensually with MSs so that the miseries of MSs are reduced and MSs’ potential for creativity and self-sufficiency increases.

The foregoing also emphasizes that MSs are not simple actors to be managed without firms’ nurturing and imaginative capabilities (Derry, 2012; Freeman, 1998; Werhane, 2002). If firms simply assume that MSs do not have sufficient knowledge, experience, or skill to participate in entrepreneurial decision-making and treat MSs accordingly (Sarasvathy, 2001b), they may find themselves in an environment where stock prices are plummeting (King & Soule, 2007), firms are fined for
environmental damages (Vidal, 2015), and no consultation with MSs is possible (Chowdhury, 2021b). Of course, not all bad firms suffer equally and get away with bad entrepreneurial decision-making that generates negative externalities (Venkataraman, 2002). The point is that it is not worth contributing to greater marginalization of stakeholders because the very idea of entrepreneurship is to increase MSs’ input actualization through opportunities, serendipities, and risk taking (Venkataraman, 1998). In addition, we emphasize that it is no longer plausible to think about entrepreneurship without thinking about the sensitivities, empathy, and caring that firms are increasingly incorporating (Parmar et al., 2022) owing to changes in environmental dynamics where many MSs are affected.

This is an important and timely theoretical development to consider because scholars have now started to explore various entrepreneurial opportunities and possibilities (Alvarez, Young, & Woolley, 2015; Baker & Nelson, 2005; Sarasvathy, Dew, Velamuri, & Venkataraman, 2003). More, new empirical work on MSs, and their entrepreneurial capabilities in both the social and private sectors, is imperative (Freeman, 1998; Gras, Conger, Jenkins, & Gras, 2020), indicating that our conceptualization of MSE holds much promise for both the non- and corporate sectors.

**Theoretical Contributions**

We make three important contributions to stakeholder and entrepreneurship literatures. First, we offer the conceptualization of the MSE because stakeholder scholars have largely ignored firms’ engagement with MSs (Derry, 2012). Our conceptualization makes firms’ entrepreneurial processes more engaged with and disposed to addressing issues related to MS exclusions. We emphasize that when firms abandon the categorization of stakeholders, try to intervene in (psychological) path-dependent behavior, and take MSs more seriously, they become more mindful of MSs’ capabilities. At this point, firms create possibilities for embedding MSs into their entrepreneurship activities. By doing so, firms consider MSs as important partners with whom they must work cooperatively for organizational and MS development, while at the same time distancing themselves from the instrumental stakeholder perspective, which has long been a problem for many firms.

From this perspective, our fundamental connotation is that stakeholder capitalism (Freeman, Martin, & Parmar, 2007) is only sustainable when firms abandon old habits of looking down on MSs and stop strategizing stakeholders to form relationships and sustain competitive advantage. If this is the case, firms can center MS capabilities as a core entrepreneurship initiative to improve individual and societal well-being (Freeman, 1998; Freeman et al., 2010). In other words, societies and MSs are better off when firms adapt to making more meaningful entrepreneurial choices between identifying values from salient and marginalized stakeholders and combining them through a democratic process in which MSs’ voices are seriously considered in a way that generates purposeful outcomes for MSs.

Furthermore, we emphasize that our conceptualization of the MSE is viable to adopt by any firm at any point in time during its process of entrepreneurial augmentation. This means that whether a firm operates based on a social focus or economic focus, or both, must not impede any firm from using the MSE to innovate.
its entrepreneurial decision-making and activities ethically because organizations cannot deny the multiplicity of MS contributions, which often are unnoticed. Thus we do not ask scholars who are interested in B-corporations, BoP, social entrepreneurship, or CSV to abandon their ideas; rather, we contend that all types of research and all concepts (economic or socially oriented, or both) benefit from our conceptualization of MSE as a stand-alone approach with the potential for practitioners to universalize it in any conditions for any kind of business, related entrepreneurial activities, and stakeholder innovation.

Second, we posit that, often, stakeholder and entrepreneurship scholars demand that firms act ethically and innovatively while at the same time rejecting the separation thesis without providing a clear solution or strong moral reasoning (Donaldson & Dunfee, 1994; Donaldson & Preston, 1995). We show explicitly that MS capabilities are ends that resolve this theoretical tension. If firms consider MS capabilities as ends, this means that they not only recognize the separation thesis as a mere manifestation of impracticalities to thrive under a dynamic environment where societies demand more from firms than just economic value but also embed MS capabilities to enhance their chances for entrepreneurial augmentation. Thus the idea of MS capabilities offers firms an opportunity to bring greater clarity to relevant ethical and transparent processes and contribute to developing supporting structure in the (local) contexts where firms operate. In other words, MS capabilities do not encourage firms to make moral claims about the instrumental approach to stakeholder management, which mostly serves firms’ competitive advantage at the expense of MS inclusion.

By adopting the foregoing approach, firms are in position to see MS capabilities as a direct pathway for engaging with MSs ethically and innovatively, without looking for shortcuts or strategic responses through third parties like NGOs or government agencies. MS capabilities influence firms to make use of varied contributions from MSs at the center of entrepreneurial risk taking and MS development or to reduce negative externalities.

Third, we make a unique contribution by conceptualizing MS input actualization as a means to attain MS capabilities as ends. This theoretical precision is essential because recent emergent use of Sen’s capabilities approach in stakeholder and entrepreneurship literatures (e.g., Ali & Cottle, 2021; Garriga, 2014) lacks clarity about how MS capabilities are important ends so that firms mobilize them effectively. This precision and clarity are helpful not only to increase functionalities of MS capabilities but also to expand related empirical research. This also means that entrepreneurship scholars who like to consider MS input actualization as “ends” worthy of pursuit by entrepreneurs now shift their ideals more toward a “means” perspective, triggering a new debate for advancing the field in the sense that MS input actualization allows firms to see and make use of cooperation as more of an important variable than merely creating or discovering opportunities for MSs. We argue that opportunities are not enough for MS engagement unless cooperation between firms and MSs is forged in imaginative manners where MSs are not recipients who merely exploit resources but instead are active participants in their input actualization. From this perspective, we treat
components of MS input actualization as independent variables for developing MS capabilities.

By focusing on MS input actualization and optimizing MS capabilities over time, firms are in a better position to reduce or even eliminate harmful effects of psychological path dependencies. This is because MS input actualization triggered by the trial-and-error approach leads to a better realization of where MS strengths and weaknesses are embedded. This becomes valuable knowledge to update entrepreneurial risk taking and investment initiatives for MS capabilities. Again, MS input actualization is not a one-off action comprising standard entrepreneurship activities; rather, we emphasize that such input actualization comprises experimental thoughts and dynamic, ethical, and pragmatic actions that are bundled and embedded within an organization in different forms over time so that firms absorb (external) shocks and thrive with internal mechanisms that value MSs. From this perspective, MS input actualization helps firms to identify when and how to explore MS capabilities further and to what extent firms can or cannot contribute to societal welfare through MS inclusion.

**Limits and Possibilities of MSE**

Although we assume that MSE is a self-reinforcing mechanism, it works better when governmental rules and regulations are adhered to, and thus self-reinforcement does not become another instrumental way to avoid the development of MS capabilities. Whether firms want to take MSE seriously may depend on how social pressures increase over time and both government and other parties, such as grassroots organizations, influence firms to take actions to implement MSE aligned with contemporary cultural, societal, and environmental changes. Therefore we expect that unless governments and civil society actors are adequately functional and bring a collective influence, MSE might not work satisfactorily. However, counterintuitively, MS capabilities can be a new pathway for firms that heavily rely on lobbying and tax avoidance to shift their focus more to the poverty and inequalities in societies through MS input actualization. In other words, MS input actualization encourages change in corporate culture if pressures from government and civil society are compounded by firms’ willingness to change their behavior.

If we assume that MSE may work through self-reinforcing for well-intentioned firms, we expect that MSE works better in conditions where firms are willing to overcome path-dependent behaviors. For example, larger or established firms are more likely to have experience in and capacity for choosing the right slack to fulfill MS capabilities (Sharfman, Wolf, Chase, & Tansik, 1988). Slacks are utilizable resources through reorganizations that allow firms to achieve specific organizational goals (George, 2005). These resources vary in type, such as social and financial capital. However, changing path-dependent behavior is not easy (cf. Bridoux & Stoelhorst, 2016), particularly when firms make profits in particular ways and become comfortable with their successful strategies. Hence, despite their slack resources, attaining entrepreneurial alertness is harder because it is difficult to adopt behavioral change in how to engage with certain stakeholders (who are categorized as marginalized) through modified entrepreneurial processes alone. Nonetheless,
delaying this process simply adds substantial costs and disruption in enhancing MS capabilities because firms still have to engage with MSs as they deal with external shocks and adversaries in expanding their market opportunities (e.g., through suppliers, distributors, and communities) (cf. Sajko, Boone, & Buyl, 2021). Young or new firms do not necessarily suffer from path dependency in the same way as established firms do. However, many start-ups rely on large investor firms. Such start-ups suffer from unconscious path dependency, as they have inherent financial obligations imposed by powerful investors. In such cases, large firms that do not appreciate change or adaptation transfer their path-dependent behavioral elements to start-ups. In addition, younger firms suffer significantly from constrained resources, even if they are able to avoid influence from large firms. In other words, younger and smaller firms often lack the slack resources to develop MS capabilities (Hannan, 1998).

However, if we think counterfactually, younger and smaller firms have more opportunities to form closer relationships with MSs just because of the virtue of size. Even though resource-constrained situations impose constant stress on firms for survival, when they consider MSs seriously in the earlier stages of business development, they have better chances to ensure equitable habits from the outset (Venkataraman, 2002). But ultimately, it is entrepreneurial courage that drives resource-constrained firms to take higher risks that ensure cumulative entrepreneurial learning, given that smaller or early-stage firms have high failure possibilities (Cope, 2011). Sarasvathy (2001b) argues that cumulative entrepreneurial learning can be the focus of such firms because failure of one venture does not stop entrepreneurs from creating other ventures or taking their learning to other organizations. If so, resource-constrained firms have incentives for developing MS capabilities early in their life cycle (Suarez & Lanzolla, 2005), as this would help them to reduce the categorization problem as a means to engage with MSs and create a consistent approach to find potentials for MS capabilities through MS input actualization. Although it is a costly approach (depending on how cost is calculated, considering present and future loss and gain), this in effect makes relatively new firms more resilient to external shocks over time. Thus firms can confidently apply long-term and step-by-step processes (Fiol & Lyles, 1985) to implement MS input actualization, which is more compliant to fulfilling MS claims.

Future Directions for Research

In this article, we often used specific examples of MSs (e.g., workers/employees and refugees) in a rather narrow manner (e.g., often emphasizing that MSs are relatively poor or uneducated and low in skill). However, we believe that diverse sets of MSs who may have sufficient levels of education and skill, such as undocumented workers, economic migrants, Indigenous people, and nonwhite women in diverse communities, are also significantly affected by institutional arrangements and firms’ activities and deserve greater scholarly attention. For example, often highly skilled migrants, such as doctors and engineers, find it difficult in Western countries to secure jobs that match their skill sets, either because obtaining professional accreditation is difficult and expensive or their native languages are not dominant in the
host countries, which pushes them to less skilled or other vulnerable categories. That is, even if these migrant doctors and engineers secure jobs, they may end up with lower-ranking jobs compared to the credentials they acquired in their home countries. For instance, trained immigrant surgeons often work in low-level hospital positions, and thus their skills are underutilized in hospitals that are desperately in need of more trained surgeons. Therefore, even when a host country in the developed world suffers from skill shortages in different sectors, such as health care and information technology, institutions and firms may fail to employ highly skilled or educated immigrant workers because of institutional and cultural prejudices. This situation also occurs because of the failure of the institution or the firm to adjust or redesign input actualization processes and capabilities development goals accordingly.

In addition, we recognize that several of our examples come from the developing countries. However, we encourage further studies in developed country contexts where the potentials of MSs—which may even include relatively less educated or skilled white populations—are ignored or trivialized and such MSs are yet to be integrated into mainstream societies. In these societies, one may even find that it is also important to explore the experiences of the educated and skilled white population in relation to physical disabilities, sexual orientations, or cultural stigmas (e.g., relating to religion, pregnancy, and abortion). For example, highly educated lesbian, gay, bisexual, transgender, or queer (or questioning) (LGBTQ+) individuals/groups are often subject to discrimination even in liberal societies. There is an urgent need to study how (and whether) the rights of such MSs are protected, how their capabilities can be advanced, and the implications for the MSE framework.

Regarding the conditions that open up avenues for MSE, one can examine different environments, such as rural, urban, and Indigenous contexts, where MSE is adopted, and the extent to which such an approach is applicable to these environments can be compared. One can also examine whether and how MSE characteristically emerges and is sustained (or rejected) by MSs in both developing countries and the developed world. This evolutionary approach of MSE allows one to understand the conditions that influence the emergence of or resistance to such entrepreneurship in different parts of the world and realize the possibilities that abound to aggregate the best learning for more coherent theory development.

Researchers can also generate a fuller understanding of the characteristics of MSE that do emerge. For example, what forms of MS capabilities (e.g., focusing on health, education, safety, freedom of expression, and creativity) can be most effective? In other words, while we assume that most MS capabilities development is driven by senior executives and managers, it would be interesting to know what MS-driven capabilities would look like if they were discovered or led by MSs within a department, a division, or even a subsidiary. In a way, these divisions or subsidiaries where MS capabilities initiate may spread into other parts of a firm and create further opportunities for capabilities development. It is also worthwhile to examine why and how MSs might not like the idea of MSE and what roles firms can play in such contexts, given that firms cannot pursue MSE if MSs do not give
them the necessary consent. Examination of these questions can lead to different perspectives of generalized MS capabilities that are applicable for different sets of cultures and societies.

In the corporate context, economic valuation is often linked to firm performance (Margolis & Walsh, 2003). Currently, firms’ performance measures are rigid and not necessarily inclusive. Given that stakeholder performances are more difficult to measure, how can firms measure the various MS capabilities that contribute to entrepreneurial decision-making, learning, and activities? Although such measurements are not available in the corporate context, one way to address this issue is through the expansion of the HDI. The HDI uses life expectancy, education, and income indices to rank countries into four tiers of human development. Other measurement frameworks, such as the Human Poverty Index, the Gender-Related Development Index, and the Gender Empowerment Measure, can be considered too. Dowding, Martin, Anand, Hunter, Carter, and Guala (2009) argue that, although in the beginning, there were doubts about how to operationalize Sen’s capabilities approach, current measurement frameworks indicate that it is possible to measure MS capabilities and societal well-being linked to MS capabilities. One of the conventional methods frequently used is the standard household survey for data collection and subsequent evaluation. Nevertheless, in a corporate context, various elements of existing measurement frameworks, as identified, can be consolidated into existing corporate performance measurement frameworks, such as the MSCI KLD 400 Social Index, so that a variety of MS capabilities variables are measured. Although the KLD index is developed for social responsibility measurements of firms (Sharfman, 1996), it is also utilized to examine how firms serve their stakeholders (Berman, Wicks, Kotha, & Jones, 1999). Therefore this approach provides a real opportunity to expand our framework for diverse exploration of MS capabilities measurement.

Examining the outcomes of the MSE is of great importance too. Researchers can measure different types of MS capabilities to form a greater understanding of the extent to which collective stakeholder capabilities are aggregated and generate stakeholder freedom and well-being for all. Furthermore, one can conduct a detailed study of a firm that adopts MSE and examine how the entrepreneurial cooperativeness based on sociostructural issues affects the firm’s performance compared to economic cooperativeness. That is, one can examine whether, in such conditions, a firm undergoes path-dependent or dynamic organizational changes for future entrepreneurial decision-making, learning, and capacity building; how this affects value creation for MSs; and how this leads the firm to contribute to much-needed supporting structural innovations to reduce MS exclusions. Specifically, examining the internal dynamics of firms helps us to form a nuanced understanding of a more robust MSE approach in the future that must strike a balance between internal firm dynamics and external environmental fit. This can encourage firms to engage with a broader range of stakeholders to support a shift in the way that we currently think about entrepreneurship and how best practices can be created.
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Marginalized Stakeholder-Centric Entrepreneurship


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