Radboud Universiteit

MSc Business administration

Paradoxical Thinking as an Organizational Capability

How organizations deal with different stakeholder interests simultaneously

Student: Mees Bouwmeister

Student number: s1028869

Master specialization: Strategic Management

Submission date: July 16, 2025

Supervisor: prof. dr. B. Hillebrand

Second examiner: I. van Heerden MA

Abstract

In an increasingly complex society, organizations are often confronted with a variety of stakeholder interests. Paradoxical thinking offers a way for organizations to address multiple stakeholder interests simultaneously. Although paradoxical thinking is frequently discussed in management literature, most research has focused on the individual level. This study provides empirical insights into what paradoxical thinking as an organizational capability looks like in practice. Using a multiple case study, the paradoxical thinking capability of seven organizations were analyzed. Several technical systems, managerial systems, knowledge and skills, and norms and values were found in these organizations. These four building blocks of the organizational capability are not standalone elements but are interrelated and collectively form the capability. The results of this study confirm several characteristics of core capabilities as described in the literature. Moreover, the study contributes by providing insight into how these capabilities manifest in practice and how they are used in situations involving conflicting stakeholder interests. In addition to these theoretical contributions, the empirical findings also offer practical implications.

Table of contents

Chapter 1: Problem statement

Introduction

Organizations can be confronted with a variety of stakeholders. Stakeholders can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984, p. 46). Specific examples of stakeholders are customers, suppliers, employees, financiers, and communities (Dunham, Freeman & Liedtka, 2006). Instead of only focusing on shareholders, stakeholder theory argues that a firm must pay attention to the interests of all stakeholders (Donaldson & Preston, 1996). An organization should not only create and maintain good relations with their shareholders. Instead, organizations should broaden their focus and focus on good relationships with their stakeholders. Good stakeholder relations contribute to the competitive advantage of an organization with superior financial performance, as well as to the recovery from the unfavorable positions of poorly performing organizations (Choi & Wang, 2009).

Since different stakeholders have different backgrounds, norms and expectations regarding the organization, these different stakeholders can have different interests (Hillebrand, Driessen & Koll, 2015). For example, the wish of employees to receive a higher salary can conflict with the customer’s demand of paying the best price for a product or service. Some specific industries like the fossil fuel industry or the tobacco industry involve many, often conflicting stakeholder interests (Hillebrand, Driessen & Koll, 2015). Organizations operating is these kinds of industries are more likely to be affected by governments and civil society organizations, who can also be stakeholders of the focal organization. These opposing interests between stakeholders can cause tensions between the stakeholders of an organization. Tensions do not only exist between the different stakeholders, but they can also occur between powerful stakeholders and managers of the focal organization with regards to the amount of attention specific stakeholders receive (Bridoux & Vishwanathan, 2020).

Organizations that face stakeholder tensions due to conflicting stakeholder interests need to find a way to manage these tensions. One way to deal with these tensions is to use logical thinking. By using this approach, organizations approach stakeholder interests by making “either/or” decisions (Westenholz, 1993). The organization sees a tension as a problem that needs to be solved. This means that organizations make a decision that fits a specific condition best (Lewis & Smith, 2014). Organizations determine under what condition they should emphasize option A or option B. This means that the organization make a choice which results in one solution. Applied to the management of stakeholder tensions, an organization focusses on the different stakeholder interest separately.

An alternative approach to managing stakeholder tensions is the use of paradoxical thinking. A paradox is defined as "contradictory yet interrelated elements that exist simultaneously and persist over time" (Smith & Lewis, 2011, p 382). Instead of dealing with different stakeholder interests by making "either/or" decisions, paradoxical thinking enables organizations to deal with different stakeholder interests simultaneously (Lewis & Smith, 2014). When an organization applies paradoxical thinking, choices do not necessarily result in one solution. This is because the definition of a paradox states that a paradox persists over time, and therefore cannot be solved. For example, an organization can be faced with customer demands for high-quality products which requires significant investments. These investments impact the profitability, which is an unfavorable outcome for other stakeholders like shareholders. These seemingly contradictory interests can be balanced by offering high-quality products as a premium service, and at the same time scaling the organizations' standard offerings to a broader audience in order to maintain the profitability. Paradoxical thinking does not only provide an alternative solution for managing stakeholder interests. Paradox theory also suggests that stakeholder tensions can create opportunities, such as opportunities for learning (Lewis, 2000). For instance, balancing opposing forces may foster a context that stimulates creative problem-solving, enabling organizations to continuously adapt and improve (Smith & Lewis, 2011).

Dealing with tensions by using paradox theory has mainly been studied at an individual level (Miron-Spektor et al., 2018). In such a case, it concerns how individuals manage the tensions they experience. However, paradoxical thinking can also be a way for organizations to deal with different stakeholder interests. Organizations can develop capabilities that enable them to manage the different stakeholder interests. Organizational capabilities do not emerge naturally but are gradually developed through processes of organizational learning over time (Zollo & Winter, 2002). When these capabilities differentiate a company strategically, they are considered as core capabilities (Leonard-Barton, 1992). Thus, to be considered a core capability, an organizational paradoxical thinking capability must create a strategic differentiation. Leonard-Barton (1992) defines a core capability as "the knowledge set that distinguishes and provides a competitive advantage" (p. 113). There are four dimensions to this knowledge set: knowledge and skills, technical systems, managerial systems, values and norms. Together, the four dimensions constitute the core capability. One of the advantages of core capabilities is this distinct heritage, which is difficult for potential competitors to replicate (Leonard-Barton, 1992).

Problem statement and research question

As mentioned before, dealing with tensions by using paradoxical thinking has mainly been studied at an individual level (Miron-Spektor et al. 2018). Consequently, little is known about paradoxical thinking as an organizational core capability and what it looks like in practice. This can be problematic because not fully understanding their paradoxical thinking capability can limit an organizations' ability to deal with the different interests of their stakeholders. Furthermore, it can limit the ability to build a paradoxical thinking capability. When this capability is not present within the organization, it may be difficult for the organization to fully leverage its stakeholder management. The aim of this study is to create more understanding of how organizations use paradoxical thinking as an organizational capability, and what it looks like in practice.

The research question of this thesis is:

"How can organizations enact paradoxical thinking as an organizational capability?"

Practical relevance

Organizations are increasingly faced with the challenge of simultaneously managing diverse, and sometimes conflicting, stakeholder interests. More understanding of paradoxical thinking as an organizational capability can help key players (e.g. managers or other executives) in organizations who are dealing with conflicting stakeholder interests with managing stakeholder relationships. Therefore, the development of a capability to effectively address multiple stakeholder interests becomes more essential for decision-making. The findings of this study may be valuable to key players in organizations who are seeking ways to approach stakeholder tensions not in an ad hoc manner, but in a systematic and strategic way. This can lead to a more efficient and inclusive stakeholder management, and eventually the creation of more organizational wealth. By providing empirical insights on how organizations handle these challenges, this study helps to make paradoxical thinking more applicable in organizations where conflicting stakeholder interests are inevitable. These insights will especially be useful for industries that are facing diverse stakeholder pressure.

Theoretical relevance

This study contributes to stakeholder theory literature by expanding on the notion that tensions can arise between different stakeholder interests and providing deeper insight into a potential approach for managing these stakeholder tensions. Paradoxical thinking is receiving increasing attention in organizational and management literature as a valuable approach to dealing with conflicting stakeholder demands, interests, and goals. This study contributes to paradox theory literature by approaching paradoxical thinking as an organizational capability, instead of studying paradoxes at an individual level. By approaching paradoxical thinking not only as an individual capability but as an organizational capability, it connects insights from individual-lever research with those from the organizational level. Lastly, this study contributes to the framework of Leonard-Barton (1992), by researching how organizations enact a paradoxical thinking capability that exists of the four building blocks. In doing so, the study considers not only the individual building blocks, but also how these building blocks have emerged and how they relate to one another. The study contributes to a deepening of existing theory by providing empirical insights into how paradoxical thinking is shaped and organized within different organizations.

Structure

This study is structured into 5 chapters, including this introduction of the research problem, objectives and relevance, providing the foundation for the study. Chapter 2 presents a literature overview, synthesizing existing theories and findings to establish the theoretical framework. First, stakeholder theory will be discussed, establishing that organizations have stakeholders with diverse interests. This will be followed by an exploration of stakeholder tensions, introducing paradoxical thinking as one of the approaches to managing these tensions. Next, organizational capabilities will be examined. The last paragraph of this chapter will address how paradoxical thinking can function as an organizational capability for managing stakeholder tensions, while also introducing the theoretical framework. Chapter 3 outlines the research methods, detailing the study design, data collection and analysis techniques while also addressing ethical considerations. Chapter 4 presents the results, summarizing key findings based on the applied methodologies. Finally, chapter 5 offers a discussion of the results, highlighting their implications, acknowledging limitations, and suggesting directions for further research.

Chapter 2: Literature review

Stakeholder theory

For many decades, shareholders had a privileged place in organizations. The success of an organization was traditionally measured by the satisfaction of and creation of wealth for the most important stakeholder: the shareholder (Clarkson, 1995). Since the publication of the book "Strategic management: a stakeholder approach" by stakeholder theory "pioneer" R. Edward Freeman, the broader focus on other stakeholders than only shareholders increasingly gained attention in management literature (Donaldson & Preston, 1995). Although a shareholder can be seen as one of the stakeholders, corporations need to create and distribute value to all stakeholders, without favoring shareholders at the expense of other groups of stakeholders (Clarkson, 1995). This shift of attention to all stakeholders can require organizations to change their focus from short-term profits to other objectives which do not only satisfy their shareholders.

Looking at a firm from a stakeholder perspective starts with the acknowledgement of the fact that an organization has stakeholders, other than only shareholders (Donaldson & Preston, 1995). The number of different stakeholders can vary, depending on the type of organization. For many organizations, employees and customers are likely to be part of the group of stakeholders. However, stakeholder theory is multistakeholder focused, which implies that it is not focusing only on employees or customers exclusively. It contains many perspectives, and can therefore be complex and comprehensive (Barney & Harrison, 2020).

Management literature nowadays recognizes that organizations have stakeholders (Donaldson & Preston, 1995). Therefore, it is essential to identify who (or what) the stakeholders of an organization are. Stakeholder theory provides us with many different ways of identifying stakeholders (Mitchell, Agle & Wood, 1997). For example, a distinction can be made between primary stakeholders, who have a direct stake in the organization (Carroll & Buchholz, 2008, p. 87), and secondary stakeholders who have no formal claim on the organization (Parmer et al., 2010). However, secondary stakeholders still have the potential to significantly affect the organization, thus their interests still need to be considered by the organizational policy makers (Gibson, 2000). Furthermore, a secondary stakeholder can quickly appear as a possible influencer to the organization and even become a primary stakeholder relatively quick (Carroll & Buchholz, 2008, p. 88). Different purposes of defining stakeholders can lead to different outcomes. This implies that there is not only one "right answer" to the question whether a person or entity is a stakeholder of a specific organization or not. In fact, in case of different focal organizations or different research agenda's, the way stakeholders are defined can differ (Parmer et al., 2010).

The fact that stakeholder theory objects the mentality that an organization should merely focus on the interests of shareholders does not mean that it obligates organizations to treat its stakeholders all equal (Gioia, 1999). Instead, in order to prevent stakeholders to withdraw from an organization's stakeholder system, which can threaten the survival of an organization, wealth and value created by the firm should be distributed fairly and balanced (Clarkson, 1995). The relationship between organizations and their stakeholder can be seen as a two-way relationship (Parmer et al., 2010). When stakeholders perceive a high level of fairness, the strength of stakeholder relationships is enhanced (Bosse et al., 2009). Organizations that maintain strong stakeholder relationships are more likely to gain stakeholder support (Maignan & Ferrell, 2004). Stakeholder support is defined as "the degree to which stakeholders are willing to provide valuable resources to the firm" (Hillebrand, Driessen & Koll, 2015, p. 423). For example, employees are willing to work harder, customers are willing to pay a higher price, local communities may offer favorable conditions for utilizing local infrastructure and suppliers may demonstrate greater willingness to engage in knowledge sharing with the organization (Choi & Wang, 2009).

Managing these relationships by serving a broader group of stakeholders instead of only shareholders is considered to entail several additional benefits to an organization, which can also be seen as forms of stakeholder support. For example, this way of stakeholder management can lead to a better reputation (Fombrun & Shanley, 1990), which can lead to price, cost, and selection advantages since a favorable reputation creates more attractiveness to investors, customers, suppliers and employees (Fischer & Reuber, 2007). Furthermore, stakeholder management increases trust in an organization, which makes it more likely that stakeholders share valuable information (Harrison, Bosse & Phillips, 2009).

Stakeholder tensions

When an organization broadens its focus from solely shareholders to stakeholders, the network of actors it must take into account becomes larger. Stakeholder networks can be described as complex and with intertwining relationships (Neville & Menguc, 2006). The different stakeholders within this network have divergent backgrounds and expectations about the behavior of the focal organization (Hillebrand, Driessen & Koll, 2015). These complex interactions within the stakeholder network can result in positive, complimentary, or cooperative relationships (Neville & Menguc, 2006). In that case, various stakeholders have similar claims on the focal organization. However, this interaction can also lead to conflicts between the different stakeholder interests (Oliver, 1991). Mirron-Spektor et al. (2018) define experiencing tensions as: “experiencing competing elements” (p. 34). These tensions may, for example, arise from competing demands, goals, perspectives and interests. Tension between different stakeholder interests can arise in many ways, and in stakeholder networks of different industries. For example, the oil-industry is often faced with different stakeholder interests (Halttunen, Slade & Staffell, 2022). The most essential tension in the context of this industry is between value creation for shareholders and sustainable demands from other stakeholders (Haffar & Searcy, 2017)

Tensions within stakeholder networks have increasingly become more explicit, which means that the opposing interests are more expressed by the stakeholders within the network (Hillebrand, Driessen & Koll, 2015). One of the reasons for this phenomenon is that stakeholders have a better access to relevant information of the focal organization, which enables stakeholders to organize themselves more easily and make themselves heard (Laszlo et al., 2005). Therefore, tensions between the different stakeholder interests have become more clear, and cannot be ignored anymore (Hillebrand, Driessen & Koll, 2015). In other words, tensions between stakeholder interests are not only more likely to arise in stakeholder networks, but these tensions are also becoming clearer and require action from the focal organization.

Paradox theory

Organizations are inherently filled with tensions (Lewis & Smith, 2014). Examples of these tensions are exploration-exploitation, flexibility-efficiency, and profit social responsibility (Smith & Lewis, 2011). These competing elements intensify as organizational environments become more global, fast paced and competitive, and as internal processes in organizations become more complex (Lewis, 2000). Tensions can cause discomfort for individuals who approach tensions as dilemmas (Mirron-Spektor et al., 2018). To mitigate this discomfort, individuals make a choice between alternatives and then try to remain consistently committed to their decision (Festinger, 1962). However, when interdependent yet opposing demands arise, a singular commitment to one option serves as a short-term protective reaction (Sundaramurthy & Lewis, 2003). While this approach may lead to short-term success, it can be problematic in the long run.

Paradox theory offers an alternative approach to addressing tensions (Smith & Lewis, 2011). It suggests that tensions are handled more efficiently by addressing multiple interests simultaneously, with individuals viewing tensions as persistent forces that challenge and drive long-term success (Mirron-Spektor et al., 2018). Individuals learn to live with tensions, and to accept that paradoxes are more or less unsolvable (Smith & Lewis, 2011). While researchers have long addressed organizational tensions using a logical approach, scholars are increasingly adopting a paradox approach (Lewis & Smith, 2014).

Paradoxical thinking

Regardless of the origins of the tensions between stakeholder interests, organizations should find a way to deal with the differences between stakeholder interests or demands. There are various methods that organizations can utilize to manage the stakeholder tensions (Hillebrand, Driessen & Koll, 2015). Paradoxical thinking is an approach that can be used to deal with tensions between stakeholder interests (Lewis, 2000; Smith & Lewis, 2011). Instead of making "either/or" decisions, the main question when using the paradox perspective is "how to engage both A and B simultaneously" (Lewis & Smith, 2014). Furthermore, paradoxical thinking involves exploring tensions, instead of suppressing them (Lewis, 2000). Paradoxical thinking can, for example, be used by not focusing on conflicting strategies separately, but instead executing both strategies at the same time (Lewis & Smith, 2014). An example of paradoxical thinking in stakeholder management is a company that seeks to be both profitable and committed to sustainability. Instead of choosing between cost reduction (for shareholders) or sustainable investments (for societal stakeholders), the company asks itself: *How can we maintain our profitability while simultaneously investing in sustainability?*

Core capability

Organizations must find a way to address multiple stakeholder interests simultaneously. Employees can apply paradoxical thinking at an individual level in their daily work. However, organizations can also develop a capability that enables them to manage multiple stakeholder interests at the same time. In management literature, various approaches are used to define core capabilities. Examples of common characteristics that frequently appear include 'unique' or 'difficult to imitate' (Leonard-Barton, 1992). Leonard-Barton (1992) adopts a knowledge-based view, for her definition of a core capability. When a capability differentiates a company strategically, it is considered as a core capability (Leonard-Barton, 1992). Teece Pisano & Shuen (1997) introduced the concept of dynamic capabilities as an extension of the resource-based view. In rapidly changing environments, the ability to reconfigure resources and competences is essential. The concept of dynamic capabilities is used to explain how firms can sustain competitive advantage in rapidly changing environments. Traditional resource-based views, which focus on the possession of valuable and rare resources, are not sufficient in dynamic markets. Instead, firms must be able to adapt, integrate, and reconfigure both internal and external resources in response to change (Teece, Pisano & Shuen, 1997). Dynamic capabilities are rooted in processes such as organizational learning, coordination and strategic decision-making. Building on this foundation, Zollo & Winter (2002) deepened the understanding of how capabilities evolve. They distinguish between operational routines (the organization's routines and day-to-day activities) and dynamic capabilities (the ability to modify those routines). A key insight from Zollo & Winter (2002) is that dynamic capabilities are not automatic or natural but are instead built over time through organizational learning. They propose three main learning mechanisms: experience accumulation, knowledge articulation, and knowledge codification. These mechanisms operate at different levels of the organization and together form a cumulative learning process. The more deliberate and structured this process is, the more likely it is that an organization will develop robust dynamic capabilities.

Ethiraj et al. (2005) offer valuable insights into organizational capabilities by examining their internal components and exploring how these elements influence both performance and adaptability. They suggest that organizations must carefully manage the design and evolution of capabilities to maintain both effectiveness and adaptability over time. Various authors mention that there can be a downside to deeply embedded knowledge sets in organizations. For example, Schreyögg & Kliesch-Eberl (2007) explore the paradoxical nature of organizational capabilities. While capabilities are essential for maintaining efficiency and securing competitive advantage, the authors warn that these same capabilities can become rigidities that hinder innovation and adaptability. These core rigidities were also addressed by Leonard-Barton (1992). She describes core rigidities as the flip side of core capabilities and arise when there is a gap between the current environmental requirements and an organization's core capabilities. Schreyögg & Kliesch-Eberl (2007) propose that by establishing a separate 'capability monitoring'-function, the rigidity issue can be solved. A system cannot focus solely on developing and exploiting its existing capabilities, it must also actively manage the inherent risks of relying on selective and recursive practices. To do so, organizations need to continuously scan their capability landscape. This ongoing observation helps identify blind spots, potential failures, and signs of misalignment at an early stage. By becoming aware of these critical signals, organizations can bring potential needs for change onto the decision-making agenda.

This study uses the four building blocks of Leonard-Barton (1992) to examine how organizations have developed paradoxical thinking as a core capability. The knowledge set of Leonard-Barton's definition consists of four dimensions: skills and knowledge, managerial systems, technical systems, and norms and values. Together, these building blocks form the core capability. Depending on the sector in which an organization operates, the proportion of the dimensions within the capabilities may vary. For example, in sectors where significant value is placed on the expertise of individual employees, the skills and knowledge dimension is likely to be more prominent in capabilities compared to other dimensions (Leonard-Barton, 1992). The dimension that is most commonly linked to core capabilities is the first dimension, the knowledge and skills embodied in people. Excellence in the technical and professional expertise, along with a strong knowledge base supporting key products, is a crucial component of a core capability (Leonard-Barton, 1992). Both specialized techniques developed within the organization and scientific understanding contribute to this dimension. The second dimension, technical systems, refers to the codified skills and knowledge in the organization. These technical systems can serve as a corporate resource for the organization by preserving embedded knowledge left behind by talented individuals, which van be utilized by current employees (Leonard-Barton, 1992). The technical system includes both information and procedures. The third dimension, managerial systems, refers to ways of creating and controlling knowledge (Leonard-Barton, 1992). This can contribute to a core capability by combining unique combinations of skills and encouraging beneficial behaviors. This can be achieved through, for example, networks with partners, reporting structures or apprenticeship programs. The last dimension, norms and values, represents the value the organization assigns to knowledge creation and content (Leonard-Barton, 1992). This dimension is often viewed separately from the other dimensions or even entirely overlooked. However, understanding this dimension is vital for managing core capabilities. *Figure 1* visualizes the four building blocks. All the building blocks together form the organizational capability. Therefore, the building blocks are connected to each other by a line. The building block norms and values is placed in the middle of model, which indicates that it is infused throughout the other three dimensions and that the existing systems and knowledge and skills help to sustain the organization's norms and values.

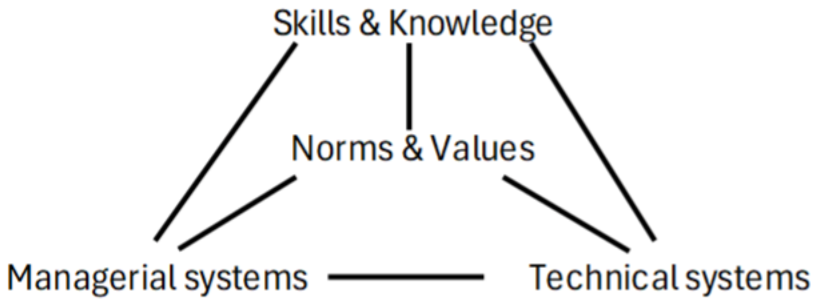

Figure 1: Building blocks of an organizational capability

Paradoxical thinking as an organizational capability to manage stakeholder tensions

Paradoxical thinking as a way to deal with tensions has been researched frequently. However, this is mainly done at an individual level (Miron-Spektor et al., 2018). Since capabilities are built over time through organizational learning, organizations that face stakeholder tensions are more likely to develop abilities that enables them to manage the different stakeholder interests. The four building blocks together form a paradoxical thinking organizational capability, enabling the organization to manage the tensions between stakeholders. The knowledge and skills dimension can be expressed through the ability of organizational members to live with stakeholder tensions (Smith & Lewis, 2011), and the ability to address multiple interests simultaneously (Mirron-Spektor et al., 2018). The technical systems contain knowledge (information and procedures) that facilitate paradoxical thinking to deal with stakeholder tensions (Leonard-Barton, 1992). These systems can contain information about the different stakeholder interest, tools for accepting stakeholder tensions and tools for addressing different stakeholder interests simultaneously. Furthermore, these systems can also contain procedures about the management of stakeholder interests and the decision-making process regarding the addressing of different stakeholder interests. Technical systems can provide technical support for collective decision making and knowledge-sharing in the organization.

The managerial systems include both formal and informal ways of creating and controlling knowledge (Leonard-Barton, 1992). The creation of knowledge can be facilitated by mentoring programs and internal educational systems with attention to managing different stakeholder interests. Furthermore, the managerial systems can consist of performance measurements based on addressing multiple stakeholder interests and incentive systems encouraging paradoxical thinking. The building block norms and values can be distinguished between the value assigned within the organization to the content of knowledge, value assigned within the organization to the structure of the knowledge, and the value assigned within the organization to the means of collecting and controlling knowledge (Leonard-Barton, 1992). The indicators of the last building block can be high value assigned to dealing with multiple stakeholder interests simultaneously, transparency of the technical systems, value placed on qualifications, hierarchy within the organization, and autonomy in decision-making.

Chapter 3: Methods

Introduction

This study aims to investigate paradoxical thinking as an organizational capability to deal with tension between stakeholder interest, and to study what it looks like in practice. The research question of this study is exploratory in nature, making quantitative research unsuitable (Myers, 2020). By researching what paradoxical thinking as an organizational capability looks like and how it is enacted, an in-depth understanding of the subject is required. This means that a qualitative research approach is the most appropriate (Myers, 2020).

To gain an in-depth understanding of paradoxical thinking as an organizational capability, a multiple case study was conducted. Because little is known about paradoxical thinking as an organizational capability, a case study is a useful research strategy (Myers, 2020). A single case study would offer in-depth insight into only one specific organization. This research strategy focusses on understanding the organizational capability within the organization (Eisenhardt, 1989). Using a multiple case study approach, results in findings that are more generalizable, making the conclusions more broadly applicable (Eisenhardt & Graebner, 2007). Additionally, a multiple case study enhances the robustness of findings, as the propositions are more deeply grounded in varied empirical evidence. By drawing from multiple sources, the study reduces the risk of biases associated with a single case and ensures that insights are not overly dependent on a specific organizational setting (Eisenhardt & Graebner, 2007). In this study, multiple cases are involved. The unit of analysis is the organization. This means that research has been conducted in multiple organizations.

Case selection

The selection of the specific organizations was not carried out randomly, as this is not necessary or preferable (Eisenhardt, 1989). For this study, it is necessary that the selected organizations experience tensions between stakeholder interests. Randomly selecting organization can cause the selection of organizations that are not likely to face tensions between stakeholder interests, which makes them unsuitable. For this study, the population exists of 7 organizations. These organizations must be at least mid-sized, meaning that it must have 10 employees at a minimum. All the selected organizations are likely to experience tensions between stakeholder interest. This is important because organizations facing these tensions are more likely to possess a capability to manage them effectively. Before reaching out to respondents, public sources were used to get a first impression of whether the organization might be dealing with tensions between stakeholder interests. This included examining the type of market in which the organization operates, what the organization itself publishes about how it engages with stakeholders, as well as general news sources. If the presence of stakeholder tensions seemed likely, potential respondents were contracted and asked whether they encounter such tensions in their daily work. If that was the case, the organization and the respondent were considered suitable for inclusion in the study. Lastly, the selected organization differ in terms of type. That means that they do not offer the same products or services, nor do they serve the same clients. By examining various types of organizations, this study aims to develop a more general understanding of what paradoxical thinking as an organization capability looks like. In organizations, many employees can be involved in stakeholder management. This includes not only the employees who are responsible for the strategic decisions of the organization (the managing directors), but possibly also other employees who are responsible for the day-to-day operations of the organization.

To ensure a sufficient and relevant sample for this study, participants were recruited through direct outreach via LinkedIn and e-mail. In addition, potential respondents were also contacted by phone. Potential respondents received a personalized message explaining the purpose of the research, the voluntary nature of participation, and the expected time commitment. If no response is received, a follow up reminder will be sent after one week to encourage participation. To build trust and ensure ethical research practices, potential participants were explicitly assured that their anonymity will be maintained, and that all data will be handled with care and integrity. By following these participant recruitment procedures, the study aims to secure meaningful participation in order to collect primary and secondary data. If individuals indicated that they were willing to participating but did not experience different stakeholder interests in their work, they were informed that they could not participate.

Data collection

In a multiple case study, data collection methods can be combined (Eisenhardt, 1989). By using more than one technique to gather data, a 'fuller' picture of the research subject can be studied (Myers, 2020). This triangulation offers more robust support for constructs in the study (Eisenhardt, 1989). The data for this study was collected together and shared with other master students conducting research on the same topic. The group consists of five students. The first method of data collection in this study is via interviews with key respondents in the organizations. Through conducting interviews, primary data can be collected. This primary data adds depth and credibility to the study (Myers, 2020). Multiple interviews were conducted per organization, each with different individuals within the organization. By conducting interviews, rich data can be gathered from people within the organization and matches the explorative nature of the research question (Myers, 2020).

Given this exploratory nature, a structured interview is not suitable. It is desirable for the interviews to allow room for new questions that arise during the conversation. To ensure consistency between the interviews, the interviews conducted will be semi-structured. The semi-structured interviews with open-ended questions enables qualitative insights into the phenomenon of paradoxical thinking as an organizational capability (Myers, 2020). The interview guideline provides structure to the interview. Given the semi-structured nature of the interview, not all questions are predetermined. Depending on the answers given by the key respondents on the prepared topics, the interviewer asked follow-up questions to gain a deeper understanding of what paradoxical thinking as an organizational capability looks like in the specific organization. The interview guideline is collaboratively developed by all five students (see Appendix 1). In section 1 of this interview guideline, the respondents are asked to briefly introduce themselves. After that, they are invited to describe a recent situation in which a stakeholder tension occurred, allowing them to share their own experience with such tensions. Section 2 focuses on the organization's technical systems. Through a series of questions, the aim is to gain insight into which systems are in place and how useful they are perceived to be by asking, for example, whether these systems actually help and are actively used. Section 3 follows a similar approach but focusses on managerial systems instead. Section 4 and 5 explore skills and knowledge as well as norms and values that play a role in dealing with stakeholder tensions. In section 6 the goal is to understand how the previously discussed building blocks relate to one another. Respondents are asked whether systems, skills, and norms and values work in a complementary way. In addition, they are asked about the outcome of the situation mentioned in section 1, and which aspects were particularly helpful managing it. By interviewing the key respondents using this interview guideline, broadly the same topics are addressed across the different interviews. This approach enables the exchange of the data, allowing each group member to extract useful information to their own research. Although the collected data is shared with the other group members, the results are analyzed and interpreted individually. An overview of the collected data is shown in *Table 1*.

Case ID	**Organization type**	**Respondent ID**	**Function**	**Length of the interview in minutes**	**Teams meeting / Face to face**
C1	Aerospace engineering company	R1	Product manager	47	Face to face
		R2	Project manager	55	Face to face
		R3	Project manager	49	Face to face
C2	Car dealership	R4	Account manager trucks	65	Face to face
		R5	Head of trucks department	58	Face to face
C3	Consulting firm	R6	Senior consultant	52	Teams meeting
		R7	Senior consultant	55	Teams meeting
		R8	Senior consultant	50	Teams meeting
C4	Event management company	R9	Managing director	64	Face to face
C5	Law firm	R10	Lawyer	59	Teams meeting
C6	Leasing company	R11	Senior sales advisor	48	Face to face
		R12	Partner manager field service	49	Face to face

C7	Logistics company	R13	Logistics manager	56	Face to face

Table 1: Overview of the collected primary data

Secondary data

To gain a more in-depth understanding of paradoxical thinking as an organizational capability, interviews with key respondents from the organizations were complemented by other sources of evidence (Myers, 2020). This secondary data should help enhance the understanding of paradoxical thinking as an organizational capability. Relevant secondary data includes codes of conduct and client acceptance procedures. Furthermore, other documents representing the considerations that organizations make when serving a client will be included. Although most of the valuable insights into how organizations deal with stakeholder tensions were derived from primary data, the secondary sources shown in *Table 2* were also included in the analysis.

Case ID	**Organization type**	**Type of data**	**Length of data**
C4	Event management company	Timeline Vierdaagsefeesten	2 pages
C5	Law firm	Sustainability & CSR Report	30 pages
		Corporate factsheet	2 pages

Table 2: Overview of the collected secondary data

Analysis

The interviews conducted for this study were transcribed, providing detailed textual data for analysis. The transcripts were made using transcription software (TurboScribe) and subsequently manually reviewed for errors. After verification, the transcripts were edited to ensure that the respondents, as well as any individuals and the organizations mentioned during the interview, including the respondent's employer, remained anonymous and could not be identified. Alongside the secondary data, these transcripts constitute the empirical material used in the research (Bleijenbergh, 2015). Once the anonymized transcripts were approved by the respondents, they were analyzed through coding. In addition to being an accessible method for analyzing qualitative data, coding also serves as a way to reduce the size and complexity of the dataset (Myers, 2020). First, open coding broke the data down into smaller fragments, making it easier to interpret the content. When multiple open codes pointed to a common theme, a code group was created. These groups describe themes at a more abstract level. Relevant open codes and group codes were ultimately used to present the results in the following chapter. An overview of all the open codes and code groups can be found in Appendix 2.

Ethics

Ensuring ethical integrity is central to this study and the integrity is ensured through several measures. To prevent plagiarism, the study will adhere to strict citation standards and proper citation of all sources of information. Fabrication, manipulation or misrepresentation of data will be prevented by following transparent procedures for data collection and analysis. Findings will be based solely on actual data and presented honestly, with member validation employed to allow participants to review their interview transcripts to ensure the data accuracy. This will help reduce the risk of misrepresentation. Regarding confidentiality, all participants will be informed of the study’s purpose, the voluntary nature of their participation, and their right to withdraw at any time. Informed consent will be obtained prior to participation, and all participants in interviews are asked for explicit consent before audio recording starts. Furthermore, all data will be anonymized, with respondents and organizations identified only by general labels. Respondents have the opportunity to review the transcripts of their interviews before the data is further processed. Data will be securely stored, with access limited to the researcher and academic supervisors, in compliance with General Data Protection Regulation (GDPR) guidelines. An AI tool (ChatGPT) was used to help improve the language of this research, while respecting research ethics and integrity. Furthermore, another AI tool (TurboScribe) was used to transcribe the conducted interviews more efficiently. By adhering to these ethical principles, the study aims to maintain the highest standards of research integrity, transparency, and confidentiality.

Chapter 4: Results

The building blocks in the organizations

This paragraph shows which technical systems, managerial systems, skills and knowledge, and norms and values the organizations use to manage stakeholder tensions. For each building block, a table has been created that clearly shows which parts of the building blocks are found in which organization. An 'X' in the table indicates that a particular system was found in the corresponding organization.

Technical systems

In the organizations studied, four types of technical systems were identified. These systems are shown in *Table 3*.

	Stakeholder information system	**Stakeholder overview system**	**Stakeholder conflict check**	**Stakeholder experience system**
C1	X			X
C2	X			
C3	X	X		
C4	X			
C5	X		X	X
C6				
C7		X		

Table 3: Technical systems in the organization

The first system identified in the organizations studied is a **stakeholder information system**. This system records the interests and needs of various stakeholders. Furthermore, it provides information on how to deal with specific stakeholders. By documenting this information and making it accessible to other members of the organization, it becomes clear to everyone which stakeholder interests the organization needs to consider. This system makes a very important contribution to the paradoxical thinking capability, as it provides the organization with the necessary stakeholder information to take their interests into account. The specific form of the stakeholder information system varies slightly between the organizations. First, it can take the shape of a shared Word file, as is the case in organization C1. Additionally, it may be a CRM system or similar type of software, where different employees can register the needs and preferences of clients. This is observed in organizations C2 and C4. Lastly, in organization C5, the system takes the form of an intranet page where information and guidelines are shared regarding how to engage with specific stakeholders.

The second system identified is the **stakeholder overview system**. This system enables organizations to gain insight into who their stakeholders are and what the potential impact of a decision in favor of one stakeholder might be on other stakeholders. This system plays an important role in managing tensions, as it provides a clear overview of relevant stakeholders. Moreover, it is essential for paradoxical thinking to understand how a decision in favor of one stakeholder affects the interests of other stakeholders. This enables the organization to take multiple perspectives into account and deal with the interests of multiple stakeholders simultaneously. In organization C7, this system takes the form of a shared Excel file. Organization C3 has developed several internal toolkits (documents containing theoretical models) that employees can use, one of which is specifically designed to help map and analyze relevant stakeholders.

The third system is the **stakeholder conflict check** system. This system performs a digital check when a new client is onboarded. The system can make an essential contribution to paradoxical thinking, as it allows stakeholder tensions to be identified at an early stage. Based on these insights, the organization can make strategic decisions that take the interest of various stakeholders into account. This system was only found in organization C5.

The last system identified is the **stakeholder experience system**. This system enables the sharing of stakeholder-related experiences within the organization. It supports the paradoxical thinking capability by providing organizational members with insights in which situation have occurred with specific stakeholders in the past and how these were handled at the time. This knowledge from previous cases can then be used when similar tensions between stakeholder interests arise in the future. In organization C1, such experiences are stored in digital documents. In organization C5, a dedicated section on the intranet allows employees share and explain past experiences. The compliance department plays a prominent role in sharing these experiences.

Managerial systems

In the organizations studied, many managerial systems were found. However, only three types of managerial systems were related to stakeholder tensions and paradoxical thinking. These three systems are shown in *Table 4*.

	Pro bono incentive system	**Training in conflicting stakeholder interests**	**Stakeholder feedback-based management system**
C1			
C2			
C3		X	
C4		X	X
C5	X	X	
C6		X	
C7			

Table 4: Managerial systems in the organizations

The first managerial system identified in the data is the **pro bono incentive system**, which is used in organization C5. This system encourages employees to consider not only the interests of paying clients but also those of other stakeholders. Respondent R10, who is also member of the firm's committee advising on pro bono activities, notes that pro bono work receives considerable attention within the firm. These activities mainly focus on sustainability and support for the cultural sector (Sustainability and CSR Report, 2024). The system works by allocating employees a set number of days per year to engage in pro bono work. These hours count toward billable targets. By encouraging employees to consider the interests of different stakeholders, the system actively supports the development of paradoxical thinking within the organization.

The second managerial system identified in the data is **training focused on conflicting stakeholder interests**. This training educates employees on how to navigate tensions between stakeholder interests, which makes it part of the paradoxical thinking capability. Organization C3 provides training that focuses on handling competing interests. Similarly, organization C6 does have mandatory training, which includes attention to managing conflicting stakeholder interest. Organization C4 delivers these trainings using professional actors to simulate scenarios in which stakeholders may have conflicting interest. This allows employees to practice how to handle such situations effectively. Lawyers who work in organization C5 are legally required to follow a training, in which ethics plays a central role. Because this training is a legal requirement for all junior lawyers, it does not count as part of a core capability. However, the firm delivers part of this mandatory training in-house, placing specific emphasis on how to deal with tensions rather than solely prioritizing the interests of paying clients. This training which the organization provides itself, can indeed be part of the capability.

The final managerial system identified in the data is the **stakeholder feedback-based management system**, which is used in organization C4. The managing director of this organization explains that feedback is systematically collected from the organization's stakeholders on an annual basis. The feedback is incorporated into internal evaluation, with the aim of achieving high satisfaction across all stakeholder groups. This system supports the paradoxical thinking capability, as employees are aware that when tensions arise between the interests of different stakeholders, the organization is evaluated based on input from multiple stakeholder perspectives.

Knowledge and skills

Three different forms of knowledge and skills were identified in the organizations studied. These are shown in *Table 5*.

	Soft skills	**Experiential knowledge**	**Explanation**
C1	X	X	X
C2	X	X	
C3	X	X	X
C4	X	X	X
C5	X	X	
C6	X		X
C7	X	X	

Table 5: Knowledge and skills in the organizations

First, several organizations indicate that **soft skills**, such as communication skills, are important in managing tension between stakeholder interests. These skills can be a key part of the paradoxical thinking capability for several reasons. Firstly, they help uncover and understand the perspectives of different stakeholders. This provides essential information that can be used to make informed decisions regarding stakeholder tensions. Secondly, these skills can be used to bring different stakeholders closer together, as is the case in organization C3. In doing so, it becomes easier to take multiple interests into account simultaneously. In organization C5 and C6, critical thinking is considered highly important in dealing with stakeholder tensions.

In addition to soft skills, **experiential knowledge** is seen as important in nearly all of the studied organizations when it comes to managing stakeholder tensions. This refers to knowledge gained through experience in previous situations. By learning from past similar situations, organization can be better equipped to deal with tensions between stakeholder interests in the future. In this way, it contributes to the paradoxical thinking capability. Within organization C4 learning from past situation includes gathering input directly from stakeholders and evaluation the way the organization managed the stakeholder tensions every year.

The final skill used by organizations to manage stakeholder tensions is **explanation**. This refers to the practice of clearly communicating the reasoning behind organizational decisions to the stakeholders who are affected by those decisions. The skill supports the handling of stakeholder tensions, as stakeholders are less likely to become dissatisfied when they receive a clear explanation of why certain choices are made. In organization C4, for example, providing explanation is used to build stakeholder support by clarifying decisions and actively involving stakeholders in the decision-making process.

Norms and values

In the studied organizations, three norms and values were identified that are important when it comes to the management of stakeholder tensions. These are shown in *Table 6*.

	Flexibility	Transparency	Informal working atmosphere
C1	X	X	X
C2	X	X	X
C3	X	X	X
C4	X	X	X
C5	X	X	X
C6	X		
C7			X

Table 6: Norms and values in the organizations

First, **flexibility** is considered a norm and value. This means that efforts are made to find a solution and to explore what is possible for the stakeholders. Flexibility contributes to the paradoxical thinking capability as it encourages the search for a choice or strategy that takes into account the interests of multiple stakeholders at the same time. In organization C5, flexibility is seen as one of the core values that has emerged from a way of thinking that is developed over the hundreds of years the law firm has existed.

In addition to flexibility, the data shows that **transparency** is also a value recognized by several organization. Transparency plays a role both inside and outside the organization. Internally, it means that people show why certain actions are taken and how decisions are made, and that everyone feels free to speak up. Externally, it means that stakeholders are clearly informed and given understandable explanations about why certain decisions were or were not made. This contributes to the paradoxical thinking capability, because transparency increases the willingness of both stakeholders and employees to stay engaged in thinking about how working methods can be developed that satisfy all stakeholders involved. In this way, it becomes possible to take multiple stakeholder interests into account simultaneously. This is particularly evident in organization C3 and C4.

Finaly, an **informal work atmosphere** is mentioned in several organizations and is seen by multiple respondents as beneficial in managing stakeholder tensions. An open environment, informal communication, and short lines of communication make it easier to engage in dialogue with stakeholders. This improves the information the organization can gather from stakeholders and makes it easier to present decisions and ideas to stakeholders. In this way, the informal work culture indirectly contributes to a broader organizational culture that, according to respondents, supports the management of tensions between stakeholder interests.

Emergence of the building blocks

The emergence of several building blocks can be traced back to unique processes within the organizations. First, this applies to the stakeholder information systems. Respondent R9 explains that through formal systems and consultation structures, a great amount of information and knowledge is shared among employees. This is also the explicit purpose of these systems and structures. In doing so, knowledge that is essential when dealing with stakeholder tensions from different areas of expertise is combined. The knowledge codified in these stakeholder information systems is thus a collection of insights about specific stakeholders, gathered by a mix of individuals across the organization. Other technical systems, such as the stakeholder experience system, have a similar origin. By codifying the experiential knowledge of specific employees, the organization develops a system containing unique internal knowledge.

This unique character is also evident in other building blocks, for example, organization C4 has existed for several centuries and has over time developed a distinct way of thinking that it still upholds today (Corporate factsheet, z.d.). Transparency and flexibility are central to this approach. The way these norms and values influence both this, and other building blocks has therefore been shaped over many years and is deeply rooted in the history and identity of this specific organization. Finally, this study shows that the building block norms and values is not merely a separate element but plays an important role in shaping the other building blocks. This supports Leonard-Barton's (1992) idea that norms and values are deeply embedded in and influence all the other dimensions of a core capability.

Relationships between building blocks

According to Leonard-Barton (1992), the different building blocks are interrelated. In the data, several relations between the different building blocks are found. First of all, there is a connection between the experiential knowledge used within the organization to deal with stakeholder tensions and the stakeholder experience system. The knowledge the organization gains through experience is codified in this technical system. As such, the quality of the knowledge held by employees directly influences the quality of the content in the technical system. This demonstrates a relationship between the technical system and the organization’s skills and knowledge. In addition, the building block norms and values influences several of the other building blocks. For example, the skill of explanation can be traced back to some elements of the value of transparency. Furthermore, an informal working atmosphere appears to influence the technical systems. Several organizations use this informal environment to gather information from stakeholders. In this way, the informal atmosphere contributes to the development of the stakeholder information system. A final relationship between building blocks is the finding that a weak score on one building block can be compensated by a strong score on another. For example, organization C4 does not score high on technical systems, yet still performs well overall on the paradoxical thinking capability. This suggests that an organization does not need to score high in all building blocks individually, because strengths in some areas can compensate in others.

Organizational performance

The data shows that organizations C2, C6 and C7 have the fewest systems, skills and knowledge, and norms and values related to paradoxical thinking. As a result, these organizations score the lowest on the building blocks that together form the paradoxical thinking capability. These findings align with what the respondents shared during the interviews about the extent to which their organization actively engages with stakeholder tensions in a way that benefits multiple stakeholders simultaneously. Respondent R4 makes it clear that in daily operations, the main focus is on meeting customer demands. This is also explicitly reflected in the organization’s mission and vision, which emphasize the central role of the customer and user needs. In organization C6, strict systems are in place to determine whether someone can become a customer based on their financial position. These systems primarily serve the interest of the customer and the shareholders. Similarly, in organization C7, customer interests appear to take priority. This is confirmed by respondent R13, who states that the customer is king. When a customer had specific demands, little consideration is given to how this might impact the company itself or the environment.

Organizations C1 and C3 perform better in terms of the number of systems identified, skills and knowledge, and norms and values related to paradoxical thinking. Organization C1 mainly seems to use its systems to manage the interests of different clients. Tensions between client interests and those of other stakeholders were not clearly observed. According to respondent R3, profit remains an important driver for the organization, as it is a public listed company. This means that besides customer interests, also shareholder interests play a prominent role in the organization. In organization C3, there appear to be more standardized systems in place to support the management of tensions. For example, training sessions are provided that focus on how to deal with conflicts between different stakeholder interests. Still, in practice, the interests that ultimately carry the most weight seem to be those of clients and shareholders. According to respondent R6 in this organization applies: the customer is king. When employees of this organization carry out a project at another organization, a wider range of stakeholder may come into play. As respondent R7 explains, a project often involves many different stakeholders. When tensions arise between the interests of these stakeholders, the organization has a number of skills it can use to handle these situations.

The two organizations that show the highest number of technical systems, managerial systems, and skills and knowledge, and norms and values are organization C4 and C5. In both cases, the data reveals a strong presence of skills and knowledge and norms and values that support the paradoxical thinking capability. Additionally, both organizations use relevant technical systems and managerial systems. The interviews with respondents also show that these organizations actively deal with stakeholder tensions and strive to consider multiple interests simultaneously. Organization C4 regularly faces conflicting stakeholder interests and managing these tensions is core part of its operations. According to managing director respondent R9, decision-making within the organization naturally involves stakeholder management and requires alignment with all relevant parties. Unlike the previously discussed organization, organization C4 also openly communicate the importance it places on various stakeholders. The organization highlights its core values, emphasizing its commitment to the interests of visitors, ecological impact, and broader societal interests. It also shares stakeholder satisfaction scores gathered through surveys (Timeline Vierdaagsefeesten, z.d.). This demonstrates that the organization actively engages with stakeholder interests both internally and externally and strive to balance multiple interests. Organization C5 similarly shows its attention to multiple stakeholder interests through various channels. In this case, stakeholder tensions tend to occur more at the strategic level. For instance, when deciding whether or not to take on certain clients, which could either support or undermine broader societal interests. The organization clearly communicates its commitment to social and environmental responsibility by sharing its pro bono and CSR activities. This illustrates that its strategic decisions go beyond serving only paying clients but also consider societal and environmental interests. Additionally, the firm recently published a report, detailing its social and environmental achievements. The report includes information such as the number of pro bono cases handled and the reduction of carbon emissions (Sustainability & CSR Report 2024). These initiatives show that the firm is actively working to balance client needs with broader social and environmental responsibilities.

A clear similarity between organization C4 and C5 is that both have a management system in place that encourages employees to consider multiple stakeholder interests. This sets them apart from the other organization studied, where management systems are absent or where only training on conflicting stakeholder interests is provided. The data also shows that both organizations apply similar knowledge and skills when dealing with stakeholder tensions. A minor difference in terms of norms and values is that flexibility is not identified in organization C5. This aligns with the description given by respondent R10, who portrays the organization as having many different departments and working methods that are laid out in organization-wide guidelines. This contrasts with the description of organization C4 by respondent R9, where there is a small, flat organizational structure and few formal guidelines. Another difference lies in the presence of technical systems: organization C5 clearly has more technical systems in place than organization C4. Despite these differences, both organizations appear to be better equipped to manage multiple stakeholder interests simultaneously that the other organizations in this study.

Results summary

The results show that several systems, knowledge and skills, and norms and values that contribute to the paradoxical thinking capability are found in the organizations. Four technical systems were identified: stakeholder information systems, stakeholder overview systems, a conflict check system, and stakeholder experience systems. The majority of the organizations had a stakeholder information system in place, while the other systems were observed less frequently. Additionally, three types of managerial systems were found: a pro bono incentive system, a stakeholder feedback-based management system, and training on conflicting stakeholder interests. These managerial systems were clearly less observed than the technical systems. The studied organizations apply soft skills, experiential knowledge, and the ability to clearly explain decisions to stakeholders. Important norms and values include flexibility, transparency, and an informal work atmosphere.

Additionally, the results show that several building blocks of the paradoxical thinking capability originate from organization-specific processes. The research also reveals that the building blocks are interconnected. Finally, it becomes clear that organization C2, C6, and C7 show the fewest elements of the building blocks. The main focus of these organization seems to be the interests of customers and shareholders, with limited attention to broader stakeholder concerns. Organization C1 and C3 perform slightly better. They have more systems and relevant skills in place, but client and shareholder interests still dominate decision-making. Broader stakeholder engagement appears mostly in specific external projects. Organization C4 and C5 appear to perform the best. They combine multiple systems, skills and knowledge, and norms and values and explicitly strive to balance a wide range of stakeholder interests. Organization C4 does this primarily on an operational level, while organization C5 focuses more on strategic decisions.

Chapter 5: Discussion

In the final chapter of this research, the main conclusions will be presented, along with their implications for the field. After that, the study's limitations will be discussed, and suggestions for further research will be given.

Conclusion

This study provides a better understanding of what paradoxical thinking looks like when it is enacted as an organizational capability. It explored this through the research question: "*How can organizations enact paradoxical thinking as an organizational capability?*". The organizations included in this study were confronted with the interests of various types of stakeholders. To manage these tensions, they used different types of skills and knowledge. For example, they applied soft skills to communicate effectively with stakeholders and relied on experiential knowledge gained grom past situations. In addition, the organizations used a number of managerial systems to train employees in handling stakeholder tensions and to encourage them to consider multiple interests at once. However, the number of identified managerial systems was smaller than the number of technical systems used by the organizations. Lastly, the study found that certain norm and values within the organizations, such as flexibility, transparency, and an informal working atmosphere, played an important role in managing stakeholder tensions. These norm and values also supported the development of the other building blocks of the paradoxical thinking capability.

The results also show that organizations do not need to score highly on all building blocks in order to develop a well-functioning paradoxical thinking capability. Even when technical systems are limited or absent, an organization can still perform well in terms of this capability overall. The data suggest that the presence of managerial systems can make a significant difference. These systems appear to play a key role in an organization's overall score on paradoxical thinking. In fact, the two organizations that actively encourage employees to consider the interests of multiple stakeholders through a managerial system achieved the highest scores in terms of the paradoxical thinking capability.

Theoretical implications

Whereas paradoxical thinking has often been studied at the individual level in management literature, this study contributes to the field by offering more insights into how paradoxical thinking functions as an organizational capability. All four building blocks proposed by Leonard-Barton (1992) emerged in this research. By providing empirical insights into how paradoxical thinking is organized, this study offers a valuable extension of existing theoretical insights. *Figure 1* illustrates that these building blocks are interconnected, as they together form the capability. This is in line with what is suggested in the literature (Leonard-Barton, 1992). The findings of this study support this idea. This becomes particularly clear when looking at the relationship between managerial systems and technical systems. The lack of technical systems in one organization did not result in a low overall score on the paradoxical thinking capability. Instead, the presence of a strong managerial system, which encourages employees to consider multiple stakeholder interests, was able to compensate for the absence of technical systems. This confirms what Leonard-Barton (1992) argues: the building blocks are interrelated and reinforce each other.

This research also suggests that certain elements of the building blocks have emerged through organizational processes. This finding aligns with what has been describe in management on core capabilities (Teece, Pisano & Shuen, 1997). The fact that these building blocks have developed over time through a combination of organization-specific processes gives them a unique character. This uniqueness makes the building blocks difficult to imitate, providing a clear indication that these constitute core capabilities (Leonard-Barton, 1992).

Practical implication

This study highlights several practical implications for managers and policymakers aiming to foster paradoxical thinking as an organizational capability. First, given the crucial role of managerial systems, it is important to implement reward or incentive systems that actively encourage employees to consider multiple stakeholder interests when tensions arise. A well-designed managerial system can also compensate for the absence of strong technical systems, emphasizing the need for management to stimulate this type of behavior across the organization. Second, organizations don't necessarily need the most advanced technical systems to build a strong capability. However, it is recommended to have at least one system where stakeholder information can be stored and easily accessed. In this study, the organizations that lacked such a system scored the lowest. If technical systems are missing or underdeveloped, it becomes even more important to invest in the other areas, such as having a strong managerial system that supports employees in navigating tensions.

Since the data shows that experiential knowledge is a valuable form of knowledge when tensions arise between stakeholder interests, it is important to ensure that this knowledge is codified when it exists within individuals in the organization. This way, the knowledge does not disappear from the organization when these employees leave. Managers or policymakers should make sure that this codification takes place. One way to achieve this is by implementing a technical system in the form of a stakeholder experience system, where experiential knowledge can be systematically stored and shared. Lastly, norms and values like flexibility and transparency were seen as key elements in organizations that deal well with tensions. Managers and policymakers should make sure these values are actively promoted and kept alive in daily practice. This can be done by encouraging employees to look for solutions that benefit multiple stakeholders and by leading with openness themselves. Creating an informal and approachable work culture also helps, making it easier to gather information from stakeholders and to share knowledge internally. This kind of culture can be supported not only through behavior and team dynamics, but also through the way the offices and teams are physically set up.

Limitations and further research

The limitations of this study also point to several directions for future research. These are discussed together in the following section. First, it was not possible to interview multiple respondents from each organization. In some cases, only one person was interviewed, which raises the risk that their personal interpretation does not accurately reflect the broader reality within the organization. Future research could address this by including more respondents per case, making the findings more representative of the organizations as a whole.

A second limitation is that this study focused solely on organizations operating primarily within the Netherlands. However, it would be valuable to explore what a paradoxical thinking capability looks like in organizations operating in other countries. This is particularly relevant because this study found that transparency and an open working atmosphere are important norms and values. These elements may not be equally common in all cultural contexts. Further research could therefore expand its scope to different countries to examine how cultural contexts influences the nature and development of this capability.

A third limitation is that one of the high-scoring organizations holds a certain position of power over some of its stakeholders. Based on the General Local Regulation (APV) of the municipality of the city it operates, the foundation is the only entity authorized to issue permits during the event. As a result, several stakeholders, like hospitality businesses, are dependent on this foundation. This means that these stakeholders cannot turn to a competitor, making a competitive advantage less of a necessity for this foundation. However, a competitive advantage is considered an important characteristic of a core capability (Leonard-Barton, 1992). Further research can investigate the same sort organizations, but without the monopoly.

The findings of this study indicate that a low score on a specific building block can be compensated by a high score on another building block. However, within, within this research, this only appears to apply to a low score on technical systems. It remains unclear whether the same compensation effect applies to low scores on other building blocks. Furter research could therefore expand its focus on organizations which score low on other building blocks to investigate if there is also a compensation effect.

References

Barney, J. B., & Harrison, J. S. (2018). Stakeholder Theory at the Crossroads. *Business & Society*, *59*(2), 203–212. https://doi.org/10.1177/0007650318796792

Bleijenbergh, I. L. (2015). *Kwalitatief onderzoek in organisaties*. Boom Lemma Uitgevers.

Bosse, D. A., Phillips, R. A., & Harrison, J. S. (2008). Stakeholders, reciprocity, and firm performance. *Strategic Management Journal*, *30*(4), 447–456. https://doi.org/10.1002/smj.743

Bridoux, F. M., & Vishwanathan, P. (2020). When Do Powerful Stakeholders Give Managers the Latitude to Balance All Stakeholders' Interests? *Business & Society*, *59*(2), 232–262. https://doi.org/10.1177/0007650318775077

Carroll, A., & Buchholtz, A. (2008). *Business and Society: Ethics and Stakeholder Management*. Cengage Learning.

Choi, J., & Wang, H. (2009). Stakeholder relations and the persistence of corporate financial performance. *Strategic Management Journal*, *30*(8), 895–907. https://doi.org/10.1002/smj.759

Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review*, *20*(1), 92. https://doi.org/10.2307/258888

Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, *20*(1), 65. https://doi.org/10.2307/258887

Dunham, L., Freeman, R. E., & Liedtka, J. (2006). Enhancing Stakeholder Practice: A Particularized Exploration of Community. *Business Ethics Quarterly*, *16*(1), 23–42. http://www.jstor.org/stable/3857725

Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *Academy of Management Review*, *14*(4), 532. https://doi.org/10.2307/258557

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from Cases: Opportunities and challenges. *Academy of Management Journal*, *50*(1), 25–32. https://doi.org/10.5465/amj.2007.24160888

Ethiraj, S. K., Kale, P., Krishnan, M. S., & Singh, J. V. (2004). Where do capabilities come from and how do they matter? A study in the software services industry. *Strategic Management Journal*, *26*(1), 25–45. https://doi.org/10.1002/smj.433

Freeman, R. E. (1984). Strategic management: a stakeholder approach. Pitman.

Festinger, L. (1962). *A Theory of Cognitive Dissonance*. Stanford University Press.

Fischer, E., & Reuber, R. (2007). The Good, the Bad, and the Unfamiliar: The Challenges of Reputation Formation Facing New Firms. *Entrepreneurship Theory and Practice*, *31*(1), 53–75. https://doi.org/10.1111/j.1540-6520.2007.00163.x

Fombrun, C., & Shanley, M. (1990). What's in a Name? Reputation Building and Corporate Strategy. *Academy of Management Journal*, *33*(2), 233–258. https://doi.org/10.2307/256324

Gibson, K. (2000). The Moral Basis of Stakeholder Theory. *Journal of Business Ethics*, *26*(3), 245–257. https://doi.org/10.1023/a:1006110106408

Gioia, D. A. (1999). Response: Practicability, Paradigms, and Problems in Stakeholder Theorizing. *Academy of Management Review*, *24*(2), 228. https://doi.org/10.2307/259077

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2012). Seeking qualitative rigor in inductive research. *Organizational Research Methods*, *16*(1), 15–31. https://doi.org/10.1177/1094428112452151

Haffar, M., & Searcy, C. (2015). Classification of Trade-offs Encountered in the Practice of Corporate Sustainability. *Journal of Business Ethics*, *140*(3), 495–522. https://doi.org/10.1007/s10551-015-2678-1

Halttunen, K., Slade, R., & Staffell, I. (2022). "We don't want to be the bad guys": Oil industry's sensemaking of the sustainability transition paradox. *Energy Research & Social Science*, *92*, 102800. https://doi.org/10.1016/j.erss.2022.102800

Harrison, J. S., Bosse, D. A., & Phillips, R. A. (2009). Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal*, *31*(1), 58–74. https://doi.org/10.1002/smj.801

Hillebrand, B., Driessen, P. H., & Koll, O. (2015). Stakeholder marketing: theoretical foundations and required capabilities. *Journal of The Academy of Marketing Science*, *43*(4), 411–428. https://doi.org/10.1007/s11747-015-0424-y

Laszlo, C., Sherman, D., Whalen, J., & Ellison, J. (2005). Expanding the Value Horizon. *Journal of Corporate Citizenship*, *2005*(20), 65–76. https://doi.org/10.9774/gleaf.4700.2005.wi.00009

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, *13*(S1), 111–125. https://doi.org/10.1002/smj.4250131009

Lewis, M. W. (2000). Exploring Paradox: Toward a More Comprehensive Guide. *The Academy of Management Review*, *25*(4), 760–776. https://doi.org/10.2307/259204

Lewis, M. W., & Smith, W. K. (2014). Paradox as a Metatheoretical Perspective. *The Journal of Applied Behavioral Science*, *50*(2), 127–149. https://doi.org/10.1177/0021886314522322

Maignan, I., & Ferrell, O. C. (2004). Corporate Social Responsibility and Marketing: An Integrative Framework. *Journal of the Academy of Marketing Science*, *32*(1), 3–19. https://doi.org/10.1177/0092070303258971

Miron-Spektor, E., Ingram, A., Keller, J., Smith, W. K., & Lewis, M. W. (2017). Microfoundations of Organizational Paradox: The Problem Is How We Think about the Problem. *Academy of Management Journal*, *61*(1), 26–45. https://doi.org/10.5465/amj.2016.0594

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *Academy of Management Review*, *22*(4), 853. https://doi.org/10.2307/259247

Myers, M. D. (2020). *Qualitative Research in Business and Management*. SAGE Publications Limited.

Neville, B. A., & Menguc, B. (2006). Stakeholder Multiplicity: Toward an Understanding of the Interactions between Stakeholders. *Journal of Business Ethics*, *66*(4), 377–391. https://doi.org/10.1007/s10551-006-0015-4

Oliver, C. (1991). Strategic Responses to Institutional Processes. *Academy of Management Review*, *16*(1), 145. https://doi.org/10.2307/258610

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & De Colle, S. (2010). Stakeholder Theory: The State of the Art. *Academy of Management Annals*, *4*(1), 403–445. https://doi.org/10.1080/19416520.2010.495581

Schreyögg, G., & Kliesch-Eberl, M. (2007). How dynamic can organizational capabilities be? Towards a dual-process model of capability dynamization. *Strategic Management Journal*, *28*(9), 913–933. https://doi.org/10.1002/smj.613

Smith, W. K., & Lewis, M. W. (2011). Toward a Theory of Paradox: Adynamic equilibrium Model of Organizing. *Academy of Management Review*, *36*(2), 381–403. https://doi.org/10.5465/amr.2011.59330958

Sundaramurthy, C., & Lewis, M. (2003). Control and Collaboration: Paradoxes of Governance. *Academy of Management Review*, *28*(3), 397–415. https://doi.org/10.5465/amr.2003.10196737

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, *18*(7), 509–533. http://www.jstor.org/stable/3088148

Westenholz, A. (1993). Paradoxical Thinking and Change in the Frames of Reference. *Organization Studies*, *14*(1), 37 -58. https://doi.org/10.1177/017084069301400104

Zollo, M., & Winter, S. G. (2002). Deliberate Learning and the Evolution of Dynamic Capabilities. *Organization Science*, *13*(3), 339-351. https://doi.org/10.1287/orsc.13.3.339.2780

Appendix 1: Interview guideline

INTERVIEW GUIDE

Beste, dank voor uw bereidheid om mee te werken aan dit interview voor mijn masterthesis aan de Radboud Universiteit. In dit gesprek wil ik graag met u verkennen hoe uw organisatie omgaat met spanningen tussen verschillende stakeholders—denk aan situaties waarin belangen of verwachtingen van stakeholders niet op één lijn liggen.

Het interview richt zich op concrete ervaringen en op hoe jouw organisatie dit soort situaties aanpakt.

SECTION 1: Context and Background

- Kunt u in het kort uw rol binnen de organisatie beschrijven?
- Kunt u zich een recente situatie herinneren waarin uw team een evenwicht moest vinden tussen tegenstrijdige eisen van belanghebbenden
    - Wat was de situatie, en wie waren de belanghebbenden?
    - Wat waren de verschillende behoeften of eisen die met elkaar in conflict waren?

SECTION 2: Technical Systems

- Hebben jullie specifieke systemen, methoden of raamwerken om de spanning daarmee om te gaan? (Zoals CRM, project management Software, knowledge bases, communicatie platformen. Noem dit pas als ze er zelf niet opkomen)
    - Hoe zien deze eruit (hoe is dit ontstaan)?
- Hebben deze systemen, tools of processen je geholpen bij het omgaan met de beschreven spanning tussen de belanghebbenden?
- In hoeverre zijn die systemen daadwerkelijk gebruikt (bijv. in het voorbeeld die organisatie aangeeft)?
- Hoe transparant en toegankelijk zijn deze systemen tussen afdelingen of teams? (Gebruikt iedereen hetzelfde systeem?)

SECTION 3: Managerial Systems

- Hebben jullie specifieke management tools, technieken en/of managementsystemen om met de beschreven spanningen om te gaan?
    - Waren er richtlijnen of instructies vanuit het management over hoe om te gaan met dit soort situaties?
- Hoe zien deze tools, technieken of richtlijnen eruit? En hoe helpen deze?
- Hoe werden belangrijke beslissingen genomen tijdens dit proces – besloot jouw team hier zelfstandig over, of was goedkeuring van hogerhand nodig?
- Zijn die systemen daadwerkelijk gebruikt?
    - Heeft u daar een voorbeeld van? (zelf evt. benoemen als resp. er niet op komt)

SECTION 4: Skills & Knowledge

- Welke vaardigheden, kennis of eerdere ervaringen hebben jullie geholpen om om te gaan met de situatie die je hebt beschreven?
    - Hoe zien deze er dan uit? En hoe helpen deze?
- Had je enige training of achtergrond (professionele kennis, technische knowhow, etc.) die van pas kwam bij het omgaan met deze spanning?
    - Hoe zien deze er dan uit en hoe helpen deze?
    - Zijn deze daadwerkelijk gebruikt?
- Worden bepaalde vaardigheden of kennis binnen jouw organisatie als bijzonder waardevol beschouwd voor het omgaan met spanningen?

SECTION 5: Norms & Values

- Wat vinden jullie belangrijk wanneer er een spanning opgelost moet worden?
- Hoe beïnvloedden de cultuur of waarden van jouw organisatie de manier waarop je met deze situatie/spanning omging? Waaruit blijkt dat?
    - Hoe zien die normen en waarden er dan uit?
- Waren er in dit specifieke geval bepaalde ongeschreven 'regels' die je beslissingen of aanpak hebben gestuurd? Zo ja, welke?
- Hoe vullen systemen (zoals tools of rapportages) en de cultuur (zoals normen en waarden) elkaar aan in uw organisatie?

SECTION 6: Slotvragen

<u>!!Hoe hangen deze building blocks met elkaar samen?</u>

- En wat van wat we besproken hebben vinden jullie het belangrijkst? En waarom dan (als ze alles belangrijk vinden)?
- Wat was de uiteindelijke uitkomst van de beschreven situatie? (Vraag naar de oplossing, hun beoordeling daarvan en die van de stakeholders.)
- Wat heeft het meest geholpen bij het behandelen van deze situatie?
- Werken de cultuur, systemen en skills van de medewerkers complementair aan elkaar?
- Hebben jullie dit (bij elk systeem) altijd al zo gedaan?

Afronding

Heeft u nog vragen, opmerkingen, of extra toevoegingen?

Afsluiten en bedanken.
Opname stoppen.
Mening over interview / feedback vragen

Appendix 2: Open codes and code groups

Technical systems	
Open codes	**Groups**
Delen van stakeholder informatie	***Stakeholder information system***
Gebruik van informatiesysteem	
Verzamelen van stakeholder informatie	
Stakeholder mapping	***Stakeholder overview system***
Input overzicht	
Stakeholder conflict check	-
Lessons learned	**Stakeholder experience system**
Ervaring op intranet	

Managerial systems	
Open codes	**Groups**
Training met aandacht voor meerdere belangen	***Training in conflicting stakeholder interests***
Training belangenconflicten	
Adviesorgaan pro bono werk	***Pro bono incentive system***
Waarde gehecht aan pro bono werk	
Stakeholder enquêtes	***Stakeholder feedback-based management system***
Ambitie beter scoren	

Skills and knowledge	
<u>Open codes</u>	**<u>Groups</u>**
Omgaan met mensen	***Soft skills***
Verbale communicatie	
Communicatief sterk	
Kritisch denken	
Leren van voorafgaande situaties	***Experiential knowledge***
Ervaring	
Evaluatie	
Explanation	-

Norms and values	
<u>Open code</u>	**<u>Groups</u>**
Zoeken naar een oplossing	***Flexibility***
Kijken naar wat wel kan	
Openheid	***Transparency***
Toegankelijke informatie	
Transparent systeem	
Benaderbaarheid	
Open sfeer	***Informal working atmosphere***
Informele communicatie	
Korte lijntjes	