WHEN AGENTS BECOME STEWARDS:

INTRODUCING LEARNING IN THE STEWARDSHIP THEORY

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Abstract: Stewardship Theory, developed by Donaldson and Davis (1991 & 1993) is a new perspective to understand the existing relationships between ownership and management of the company. This theory arises as an important counterweight to Agency Theory. Though this theory addresses some of the reductionist assumptions of Agency Theory, it suffers from being static as it considers the relationship of principal agent at a single point in time and assumes no learning of individuals as a result of their interactions. This paper brings dynamics into the picture by introducing the learning that occurs within each agent every time they interact. It is argued that individuals learn in the process of interaction and can change their preferences; not necessarily feel betrayed and frustrated. The decision-making theory of Pérez-López (1991 & 1993) gives foundations to the arguments proposed in the paper.


There has been a recent demand for theories that present a more positive view of managers and organizations (Donaldson, 2005; Nahapiet et al., 2005). Research is now forced to confront fundamental views of human intentionality and motivation in order to understand complex organizational phenomena, like social capital or cooperation (Nahapiet et al., 2005). Influential authors like Barnard (1938) or Simon (1991) have asserted that the research agenda should be led by empirically valid postulates about the nature of human beings, and what motivates those real human beings in real organizations. These postulates, though, would require a better alignment of corporate and social interests, to reconcile the economic and moral dimensions of management (Ghoshal and Moran, 1996). In this vein, Donaldson and Davis (1991 & 1993) rethought the corporate governance issue by challenging the prevailing assumptions of human
motivation that derived from Agency Theory. These authors developed Stewardship Theory, a new perspective to understand the existing relationships between ownership and the management of the company. Over the last two decades, several contributions have confronted the opposing views of Stewardship Theory and Agency Theory. Empirical studies have attempted to validate the two different theories as a “one best way” to corporate governance, assuming either one model or the other (Davis et al., 1997). Nevertheless, the challenge lies in blending the best of both models and furthering conceptual advance (Hambrick, 2005).

While Stewardship Theory arises as an important counterweight to Agency Theory, it suffers from being static, as it considers the relationship of Principal-Agent at a single point in time. While this simplifying assumption allows one to picture a comprehensive model, it does not reflect the motivation that agents may have to deviate from an agent position towards that of steward. According to this theory, when an agent and steward interact together, the first behaves opportunistically and the second feels betrayed, and this results in a situation where the two parties end up adopting an agent position. The objective of this paper is, precisely, to introduce learning and dynamics into the principal-steward relationship. It explains both the mechanisms through which an agent can learn to be a steward, and the crucial role that the principal plays in this process. After this introductory section, where we revise the main tenets and flaws of Agency Theory, the second section further explores the Stewardship Theory as the organizational counterweight to economic theories of management. The third section explains why Stewardship Theory suffers from being static, and underpins the importance of introducing learning into the relationship dynamics between principals and agents. The fourth section proposes a theory of human action that allows a better comprehension of both the dynamism in the principal-agent relationship, and the managerial mechanisms that influence an agent to become a steward. The fifth section concludes and summarizes the paper.

Agency Theory, developed in the financial economics literature (e.g., Jensen and Meckling, 1976; Fama and Jensen, 1983), has attracted organization theorists and strategic management scholars, resulting in a large number of studies over the last three decades. Agency Theory asserts that, due to the separation of ownership and control in modern corporations, there is often a divergence of interests between the parties involved: the principal and the agent (Hoskisson et al., 1999). Owners become principals when they contract with executives to manage their companies for them. Principals invest their capital in a company and design governance systems that maximizes their utility. The executive accepts the agent status when they perceive the opportunity to maximize their own utility. Agents accept the task of managing the principal’s capital because they perceive more utility with this opportunity than with other possible alternatives. The crux of this matter is that principals delegate authority to agents to act
on their behalf. It is this delegation that allows agents to act opportunistically at the expense of principals’ wealth (Davis et al., 1997). For Agency Theory the central problem of corporate governance is how the principals ensure that executives act in the shareholders’ interests rather than their own.

Two agency problems arise under circumstances of incomplete information and uncertainty: adverse selection – the principal cannot assess if the agent fulfills his ability for the job for which he is being paid, and moral hazard – the principal cannot be sure if the agent has exerted his maximum effort (Eisenhard, 1989). Both individuals are motivated by opportunities for their own personal gain, and conflict occurs when the interests of the agent diverge from those of the principals (Jensen and Meckling, 1976). The interest divergence among the two actors may lead to losses for the principal, who ends up imposing control structures upon the agent to mitigate the potential abuse of delegation and information asymmetry (Eisenhardt, 1989). The objective of Agency Theory is, precisely, to reduce the agency costs derived from the principals’ internal controls to keep the agent’s self-serving behavior in check (Jensen and Meckling, 1976). Agency Theory prescribes several governance mechanisms to protect shareholders’ returns and facilitate principal-agent interest alignment. Some of those mechanisms are financial incentive schemes, such as long-term rewards for the agent tied to company performance, or the design of an appropriate governance structure for the company, such as increasing the number of outside board members to perform audits and evaluations (Daily et al., 2003).

The ‘model of man’ underlying Agency Theory is that of a rational actor who seeks to maximize his or her utility with the least possible expenditure (Jensen and Meckling, 1976). Agency Theory assumes that a human being is rational, self-interested, and opportunistic (Eisenhardt, 1989); a calculating individual who seeks to attain rewards and avoid punishments, especially financial ones (Donaldson and Davis, 1991). The company is conceived as a nexus of contracts, and it is assumed that contracts can motivate, reward and supervise agents’ efforts (Hoskisson et al., 1999). An economics view of the organization has often been criticized for its reductionist model of human motivation, an over-simplification for mathematical modeling (Perrow, 1986; Ghoshal and Moran, 1996). Despite this reductionism, the validity of a model in science has traditionally rested on the utility of its predictions, not on the accuracy of its assumptions (Donaldson, 1990); that is why a simplistic model of human motivation like that of Agency Theory has been considered scientifically valid. The problem lies in the fact that these reductionist assumptions of human motivation guide both organizational and managerial theory building, and serve to produce behavior in the organization that is consistent with those assumptions (Ferraro et al., 2005). Moving towards a more humanistic managerial perspective like Stewardship Theory may not readily yield sharp and testable propositions (Ghoshal, 2005),
but nor does it provide simple and reductionist managerial propositions. This is the attempt of Stewardship Theory that we describe next.

2. **Stewardship Theory: Main Tenets and Assumptions.**

Stewardship Theory has been framed as the organizational behavior counterweight to rational action theories of management (Donaldson and Davis, 1991 & 1993). This theory holds that there is no conflict of interest between managers and owners, and that the goal of governance is, precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Donaldson, 1990). Stewardship Theory holds that there is no inherent problem of executive control, meaning that organizational managers tend to be benign in their actions (Donaldson, 2008). The essential assumption underlying the prescriptions of Stewardship Theory is that the behaviors of the manager are aligned with the interests of the principals. Stewardship Theory places greater value on goal convergence among the parties involved in corporate governance than on the agent’s self-interest (Van Slyke, 2006). The economic benefit for the principal in a principal-steward relationship results from lower transaction costs associated with the lower need for economic incentives and monitoring. Researchers, in general, have tended to ignore the principal as the agent and have overemphasized the role of the manager as the agent.

The ‘model of man’ in Stewardship Theory is someone whose behavior is ordered such that pro-organizational behaviors have higher utility than individualistic behaviors (Davis et al., 1997). This model of man is rational as well, but perceives greater utility in cooperative behaviors than in self-serving behaviors. A steward’s utility function is maximized when the shareholders’ wealth is maximized. The steward perceives that the utility gained from interest alignment and collaborative behavior with the principal is higher than the utility that can be gained through individualistic, self-serving behaviors (Davis et al., 1997). Stewards are motivated by intrinsic rewards, such as reciprocity and mission alignment, rather than solely extrinsic rewards. The steward, as opposed to the agent, places greater value on collective rather than individual goals; the steward understands the success of the company as his own achievement. Therefore, the major difference between both theories is on the nature of motivation. Agency Theory places more emphasis on extrinsic motivation, while Stewardship Theory is focused on intrinsic rewards that are not easily quantified, such as growth, achievement, and duty.
Stewardship Theory is mainly concerned with identifying the situations in which the interests of the principal and the steward are aligned (Donaldson and Davis, 1991 & 1993). According to this theory, there are situational and psychological factors that predispose individuals to become agents or stewards. On the one hand, there are situational factors that influence the executive to become a steward. These situational factors refer to the surrounding cultural context, rather than to an organization’s work environment. Some of the situational factors that predispose an individual towards stewardship are working in an involvement-oriented management system, as opposed to a control-oriented management system; a collectivistic culture, as opposed to an individualistic one; a low-power distance culture; or when corporate governance structures give them authority and discretion (Donaldson and Davis, 1991). On the other hand, there are psychological factors that predispose the executive to become a steward. Some of these factors include having higher-order motivations, better disposition to identify with the objectives of the firm, value commitment orientation, and greater use of personal power as a basis to influence others (Davis et al., 1997). To sum up, the psychological and situational characteristics of the principal and the manager are antecedents for their rational choice between agency or stewardship relationships (Davis et al., 1997).

According to Davis et al., (1997), the process through which the parties decide to be agents or stewards can be synthesized as follows: First, this is a decision made by both parties of the relationship. Second, the psychological characteristics and the cultural background of each party predispose the individuals to make a particular choice. And finally, the expectation that each party has about the other will influence the choice between agency or stewardship relationships. Davis et al., (1997) remain silent, however, about the specific interactions of antecedents in the prediction of Stewardship versus Agency Theory. When the factors that surround the individual, both psychological and situational, are aligned to make him decide to be a steward or agent, the situation is clear as there is no conflict inside the person. The problem arises when there are conflicting forces between the psychological and the situational factors. For instance, some of the psychological attributes of the individual may predispose him to become an agent - such as when the manager is solely motivated by extrinsic motives - whereas situational mechanisms such as empowerment management systems orient him to become a steward. This mismatch between the management philosophy of the company and the psychological characteristics of the manager remains rather unexplored under current Stewardship Theory. In the existing literature on Stewardship Theory it is not evident which are the underlying mechanisms that make an individual opt for one position or the other, what sort of situational factors - if any - can influence the person to transcend his own self-interest, and how the individual resolves his internal inter-motivational conflict. This paper contributes to the explanation of how to resolve the dilemma of conflicting factors within the agent.
Another point that needs further exploration in Stewardship Theory is the assumption that becoming a steward or an agent is the result of a rational process. In this rational process, the individual evaluates the pros and cons of one position versus the other. For instance, there are contributions in stewardship literature that argue that stewards are not altruistic, but that there are situations where executives perceive that serving shareholders’ interests also serves their own interests (Lane et al., 1998). In this situation, agents would recognize that the company’s performance directly impacts perceptions of their individual performance. In other words, in being effective stewards of the organization, they also manage their own careers (Daily et al., 2003). This underlying argument raises an important question: How can an individual rationally decide whether his nature is that of a steward or an agent? What role does motivation play in this picture? We believe there is still a lot of work to do in terms of the underlying assumptions and mechanisms that define the Stewardship Theory, and further theoretical perspectives are needed to help to explain its predictions. The following sections attempt to advance in this direction.

3. Introducing Dynamism and Learning into the Problem.

We argue that one of the situational factors that most influence the manager in becoming an agent or a steward is his direct relationship with the principal. Davis et al., (1997) represent this relationship with their Principal-Manager choice model (see Figure 1) which reflects the dilemma that the two parties face when they interact. According to these authors, the quadrant where parties position themselves depends on the level of risk that is acceptable to each individual and his willingness to trust the other party. In this dilemma, the parties find themselves with four possible situations. When both the principal and the manager choose an agency relationship, the result is a principal-agent relationship. This situation benefits from a low risk of betrayal, as the principal puts in place the mechanisms to monitor the agent’s behavior and the costs are controlled – quadrant 1. When both the principal and the manager choose a stewardship relationship, the principal decides to invest in an involvement-oriented and empowering situation because he trusts in the behavior of the manager. The situation of principal-steward benefits from the highest joint utility, and mutual gains are maximized - quadrant 4. The dilemma occurs when the parties diverge in their choice - quadrants 2 and 3. This is the case when the principal decides to be a steward while the manager decides to act as an agent. According to Stewardship Theory, the principal will feel betrayed because the manager acts opportunistically and takes advantage of the lack of control, so the principal will start monitoring and withdrawing empowerment. In a nutshell, when mixed-motive choice
exists, the party choosing stewardship is betrayed, and the party choosing agency benefits from opportunism. The relationship necessarily develops over time in a situation where both parties opt to behave like agents.

Figure 1. Principal-Manager Choice Model

This Principal-Manager choice model, as Davis et al. (1997) state it, reflects two individuals choosing to become either a steward or agent at a single point in time. While this simplifying assumption allows a clearer picture of the model, a strong implication is that if one party is betrayed, the resulting relationship moves inevitably toward an agency model. The theory suffers from being static. This is the case because, when time and relationships’ dynamics are not considered, individuals don’t have any incentive to invest in a long-term relationship characterized by trust and reciprocity. The authors themselves notice this limitation, and ask for further research exploring the choice of agency versus stewardship relationships over time. By introducing variables in the analysis that help to capture the dynamics of this relationship, the model gains realism. Agents become individuals capable of learning and changing their preferences as they interact throughout time. In summary, Davis et al., (1997) argue for the necessity of future research deepening in the dynamism of the interaction between agents and stewards.

The objective of the next section is to propose a theory of human interaction that describes the dynamism in the principal-agent relationship, and allows a broader comprehension of the different elements - besides pure rationality - that influence an individual to become an agent/steward. This theory brings into the analysis both the learning of the parties when they
interact, and the stewardship development that results from that learning. It explains how managers can change over time from a position of agent towards a position of steward, and the importance of the principal’s role in that learning process. While the principal can be considered a situational factor around the manager, it detaches from the cultural aspect that some of the factors proposed by Davis et al., (1997) have, and allows us to escape from the deterministic flavor that dominates existing literature.

The theory proposed in this article is based on the assumption that stewardship relationships rely heavily on the trust and reciprocity developed between the principal and the manager through a history of interactions. It is argued that when the principal’s relationship with the manager is characterized by honesty and uprightness, he is helping the manager to learn how to value the consequences of his decisions in others’ welfare, and they may help to change his preferences and develop identification with the company. Up to now, the debate of stewardship formation has been dominated by rationality; however, we will argue that there are elements that transcend rationality, such as evaluative learning and transcendent motives, and that they are crucial to understand why individuals are disposed to move beyond an opportunistic position.

The logic of this theory can be stated in economic terms. In a principal-steward relationship, the principal invests significantly in time to manage the relationship in a collectively interested manner. While this may have associated costs in the early stages of the relationship, it is an appropriate means of controlling managerial opportunism in the long run. What we are suggesting is that the agency problem is not uniform throughout the life of a relationship. It is likely that, at a first stage, Agency Theory is most applicable. However, transaction costs may decrease as the parties comprehend the other’s motives. Agency concerns rapidly decline when followed by potential upswings and increasing reciprocity among the parties. This means that Agency Theory offers little explanation concerning behaviors after alignment of interests is achieved (Jensen, 1983). In the long run, there will be benefits associated with a principal-steward relationship, because there won’t be costs associated with the necessity of continuous revision of the contract and strict monitoring controls. Such a cost reduction not only benefits the company, but also the steward, who benefits from a higher involvement in contract definition and less exposure to monitoring costs (Van Slyke, 2006).

As stated in previous sections, there has not been a clear theory so far that explains how and why an individual decides to act as an agent or as a steward. Our theory is that it is the dynamism pervading the interaction between two parties that determines the attitude chosen by each of them. To propose an explanation of the dynamics between two parties we rely on the work of Perez Lopez (See Perez Lopez 1991, 1993; Rosanas 2008 and Argandoña 2008).

If, on the one hand, it has been widely argued that Agency Theory relies on rather reductionist assumptions regarding human nature, it is also true that the assumptions of human nature under the Stewardship Theory can be described as simplistic. Each person acts with some degree of selfishness together with some degree of altruism. So it is difficult to find a single person that acts purely like an agent or purely like a steward. It is more realistic to assume that each person is located within a continuum where the agent and the stewardship behavior are the two opposite extremes of the continuum.

Stewardship Theory also assumes that each party chooses in each relationship how to act, as agent or steward; and the same person in a situation can choose the agent behavior and in another situation take the role of steward. We believe that the person is as he is and takes the same role - until he changes through learning - in all the situations he faces in a given moment in time. So we have to explain how a party initially chooses where to locate within the Agent-Steward continuum, and the learning process by which he moves along the continuum towards the agent or the steward behavior.

It is the successive interactions between two parties that determine the relationship between them and the evolution of this relationship over time. For an interaction between two parties we understand a decision of one of them (that we call Active Agent (AA) following the Perez Lopez notation) that leads to an action (a) that affects the other party (that we call Reactive Agent (RA)). The Reactive Agent in turn produces a reaction that affects the Active Agent. Figure 2 depicts this situation. In our framework the principal can be considered the Active Agent and the manager the Reactive Agent. Any decision made by the principal can be considered the action, and the response of the manager the reaction. As they interact over time, they alternate the role of active and reactive agents. The historical interactions between both parties determine the state and the quality of the relationship between them. To understand how this relationship evolves over time we need to introduce a classification of the outcomes of a decision made for any of the agents.
What motivates an agent to initiate an action is problem-solving. We assume the action chosen affects a second party (the reactive agent) otherwise it has no organizational interest. This action has three kinds of results or outcomes that we call extrinsic, intrinsic and transcendental results:

- **Extrinsic results**: the action of the active agent and the reaction of the reactive agent. They are observable outcomes.
- **Intrinsic results**: all the things that happen within the active agent as a consequence of the action undertaken; the changes that the action produces in the active agent. As a consequence of these changes, the decision rule of the active agent changes. These intrinsic results are not observable from the outside as they occur within the active agent. They are inferable in the long term as they affect future decisions of the active agent and the relationship with the reactive agent.
- **Transcendental results**: they are all the things that happen within the reactive agent - whoever he may be - as a consequence of the active agent’s action. All the things said of the intrinsic results with respect the active agent can be said of the transcendental results with respect to the reactive agent, with the only difference being that the intrinsic results are caused by the active agent upon himself while the transcendental are caused on the reactive agent by the other party.

Defined in this way, the intrinsic result of an interaction is whatever learning the interaction produces in the Active Agent. Likewise transcendental results are the learning that the interaction produces in the Reactive Agent. This learning can be operative learning or relational learning. Operative learning enables the agent to produce actions or reactions she was not able to produce before, such as learning a language; learning how to drive a car or use a new software package. On the other hand, relational learning is whatever learning one party has about the motives and intentions of the other party when they both interact. The interactions
between the two parties are a reflection of the underlying motivations of each. These motivations can be inferred from these interactions. This learning about the other’s motivations is what we call relational learning. This learning will be present in, and condition future interactions between both parties. Rosanas (2008) develops these notions of learning more deeply. Part of the relational learning that a sequence of interactions produces in one of the parties is the condition of agent or steward chosen by the other party.

At this point, three different kinds of motivation arise as a logical consequence of the classification of the results of a decision. An agent may make a decision by pursuing an extrinsic result, an intrinsic or a transcendental one. Depending of which of them he pursues we say that he acts out of extrinsic, intrinsic or transcendental motivation. So depending on the objectives that move a person to act, we say that that person has one of these three types of motivation. Of course, in a specific decision the most normal thing is that one pursues the three kind of different results; the motivation to act is, in general, a combination of the three different kinds of motivations. When a physician performs heart surgery he may do it to make money (extrinsic motivation) as well as to get professional recognition or a qualification (intrinsic motivation) and to cure the patient (transcendental motivation). There is only a motivation to act, but this motivation is the composite of the extrinsic, intrinsic and transcendental motivations.

This classification of motivation helps to understand the choice that individuals make when deciding whether to behave as agents or as stewards, or better to decide where to locate within the Agent/Steward continuum. People who attach a high importance to the extrinsic results and have more extrinsic motivation tend to choose a role closer to that of the agent, whereas people who value more transcendental results and have more transcendent motivation tend to act more as stewards. It is very often observed that agents only pay attention to the extrinsic results as they are the only observable from the outside, and those are the results that solve - or not - the problem that originated the action. This is the reason why we observe many principal-manager relationships like a principal-agent one. But the transcendental results determine the quality of the relationship between two parties and the intrinsic results determine the capacity of the active agent to engage in a better or worse relationship with any other reactive agent. So a necessary condition for someone to choose a steward attitude is that he includes a component of transcendental motivation in his motivation to act.

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1 Although in his paper he calls evaluative learning what we call here relational learning
So the decision to act more like an agent or a steward depends on the relative weight of the different kinds of motivation that the person has. Their characteristic behavior is more likely to motivate a person than a decision.

It is through a chain of interactions - actions followed by reactions - that the relationship between two parties - principal and manager - is forged. If one party, the principal, does not pay attention to the transcendental results, it makes the other party, the manager, less likely to pay attention to the transcendental results too, resulting in a lack of trust, a need to monitor both parties, and a situation in which Agency Theory will explain their behavior. On the contrary, if one of the parties, the principal, pays attention to the transcendental results of his decisions, he is helping the other party, the manager, to pay attention to the transcendental results of his decisions too.

At this point three things may happen. The first is that the other party (the reactive agent or manager in our scheme) was already motivated to pay attention to the transcendental results of his decisions; in this case a steward relationship is developed very quickly and easily. The second is that this reactive agent was initially not considering the transcendental results of his decisions but paying attention to the decisions made by the active agent. The way this active agent takes into account the transcendental results and the impact of his decisions in the reactive agent causes him to start thinking of the transcendental results of his own decisions. In this way, the active agent is starting to act more like a steward and to develop a steward relationship with the reactive agent. Initially the reactive agent had only the capacity to develop agency relationships with anybody but, through the learning produced by the interactions with the active agent, develops up to the point of being able to engage in a steward relationship. If we apply this logic to our discussion, we realize that a Steward-Agent relationship, after a sequence of interactions, may end up in a Steward-Steward relationship if the steward manages to produce positive relational learning in the agent. It may also end up in an Agent-Agent relationship if the Steward cannot improve the motivational quality of the Agent and he ends up behaving as an agent. The third case is when the active agent considers the transcendental results of his actions; he is trying to make the reactive agent aware - through his interactions - of the transcendental results of his decisions, and nevertheless the reactive agent keeps considering only the extrinsic results of his decisions. In such a case it is not possible to develop a steward relationship between both parties. Although the motivational quality of the active agent makes him a steward, his relationship with the reactive agent will be an agency relationship.

We see that the relational learning produced in the agents by their interactions with other agents produces their capacity or incapacity to enter into relationships beyond those prescribed by
Agency Theory. This ability or inability is precisely the main intrinsic outcome of the decisions of an agent. A steward or agency relationship is developed through the relational learning produced in the agents in the successive interactions between them about the intentions and motivations of each other.

At this point we need to introduce the notion of virtuousness. From the concepts discussed so far it might make the reader think that the choice between being an agent or a steward relies on the rational knowledge that the parties have about what is the best attitude to choose when making decisions. One may think that, once one party rationally understands what the best attitude is, they can then choose the preferred one. But things are not so simple. It is one thing to rationally understand what the most convenient attitude is and quite another is to embrace it. To embrace an agent role may be simple, but to act as a steward is normally more difficult. The reason is selfishness. When acting as an Agent one is pursuing a selfish attitude and so the motivation to act like that can be said to be a spontaneous one. On the other hand to act as a steward may often mean overcoming the selfish attitude of pursuing personal goals in order to achieve transcendental results. To choose to follow a transcendental result does not lead to a spontaneous action. It requires, in addition to a high enough rationality, the understanding that someone else’s goal is worthy to pursue; that there is sufficient virtue. Virtuousness can be defined as the capacity to control the spontaneous impulse to pursue our own goals, in order to pursue the transcendental results that rationality tells us are worthy of pursuing. Without virtuousness, without virtue, one can find it difficult to act as a steward, regardless of conscious the decision. The lack of virtue impedes the undertaking of the actions needed to act as a steward.

5. Conclusions: Long-Term Relationships Influence the Choice of Stewardship Roles.

Davis et al., (1997), in order to advance in the dilemma of choosing between an Agency or a Stewardship relationship, adopted the simplifying assumption of a choice at a single point in time. While this simplifying assumption allows us to picture a comprehensive model, it does not reflect any motivation that agents may have that cause them to deviate from an agent position towards a steward one. This is, with a single point in time approach, the inevitable progression of a conflicting relationship toward an agency solution. According to this theory, when an agent and steward interact together, the first behaves opportunistically and the second feels betrayed, which results in a situation where the two parties end up adopting an agent position. The theory suffers from being static; it does not consider that the role of a long-term relationship is central to the choice of stewardship roles. This paper attempted to bring dynamism into the picture by
describing how the dynamic relationship between Active Agent and Reactive Agent evolves over time. It is argued that when two parties approach a principal-manager relationship with a long-term perspective, they may deviate from their initial position - either steward or agent - as a result of the learning that takes place when they interact. For instance, if one party behaves like a steward but is betrayed by the other party - who acts as an agent - he may be willing to invest further efforts and time in order to change the attitude of his counterpart, and not necessarily behave like an agent too. In short, introducing time and evolving relationships allows a better understanding of why agent-steward interactions do not necessarily result in an agent solution.

According to Stewardship Theory, there are situational and psychological factors that predispose individuals to become either agents or stewards. Current literature is able to explain the equilibrium that results when the psychological and situational are aligned to make an individual decide to be a steward or agent. However, existing literature says nothing about a situation where there are conflicts between the psychological and the situational factors. This is the case, for example, where there is a mismatch between the management philosophy of the company and the psychological characteristics of the manager. According to the work of Davis et al., (1997), this situation will inevitably result in an agency relationship. Our proposal, rather than a deterministic approach, was oriented to understand how an individual can change their internal state, i.e., from agent to steward, by interacting with his counterpart. It is argued that agents can learn to become stewards by shifting their internal motivation, from extrinsic towards transcendent motives. More concretely, we focused on how agents, with the interaction with stewards, may change over time and learn to value the consequences of their decisions in other individuals. In this way, a conflicting situation between certain negative personal traits and positive situational factors - such as when a principal values the transcendent results of his decisions - may result in a steward relationship.

According to existing stewardship literature, becoming a steward or an agent results merely from a rational process. We have questioned how an individual can rationally decide whether his nature is that of a steward or an agent. In the existing literature on Stewardship Theory it is not evident which are the underlying mechanisms that make an individual opt for one position or the other. It is necessary to understand what kind of inner force drives the person to transcend his own self-interest and resolve his internal inter-motivational conflict. This paper outlined the role that virtuousness plays to explain how an individual may move from an agent position, oriented towards extrinsic results, towards a steward position, oriented towards transcendent results. It has been argued that virtuousness complements rationality by controlling the spontaneous impulse to pursue pure extrinsic results, as opposed to transcendent results.
References:


