Mapping the Environment for Corporate Social Responsibility: Stakeholders, Publics, and the Public Sphere

Øyvind Ihlen, Department of Media and Communication, University of Oslo

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Abstract

Purpose – This paper seeks to improve how companies map their environment in order to identify the social norms and values that exist in relation to corporate social responsibility.

Methodology/approach – A theoretical discussion is accompanied by a short case study that includes analysis of 10 sustainability reports published by the oil company Shell.

Findings – The mapping tools recommended in the literature of management and public relations have limitations. There are also weaknesses in the way that Shell, a supposed leader in the CSR movement, maps its environment. The public sphere concept is suggested as a fruitful supplement.

Research limitations – More in depth case studies accompanied with qualitative interviews are needed to back up the conclusions put forward.

Practical implications – The norms, values and expectations regarding CSR are not fixed entities, and it is thus vital for organisations to engage in ongoing listening and dialogue to keep abreast of these changing factors. Companies have to attempt to be well-informed and well-read participants in civic society. Conceptualizing their environments as made up of stakeholders and a public sphere, can help in this endeavour.

Originality/value of the paper – Points to the limitation of current environmental mapping tools, and discusses how such mapping exercises can be improved.

Keywords – CSR, Stakeholders, Publics, Public Sphere

Article type – Research paper
Introduction

The media’s attention towards corporate social responsibility (CSR) has increased, and formulating programs and policies for CSR has become de rigour for today’s corporations (Buhr & Grafström, 2006; Kjær, 2007; May, Cheney, & Roper, 2007). Still, it is worth to remember that public opinion on what constitutes ethical business behaviour is a changing entity. Not keeping a breast with such changes might cause problems like the ones the oil company Shell experienced in 1995. This year, Shell was shaken by the international reactions to its attempt to dispose of the Brent Spar oilrig at sea, and its relations with the military regime in Nigeria. The latter had executed activists who protested against Shell’s operations in the country. The two crises marked a watershed in the history of Shell, and have been dealt with in countless studies and textbook sections (e.g., Rwabizambuga, 2007; Wheeler, Fabig, & Boele, 2002).

Afterwards, Shell concluded that the company had lost touch with what society expected of the company and that more people wanted to have a say about its way of conducting business. These groups had also grown more influential (T. Henderson & Williams, 2002). If companies want to maintain their legitimacy, they should identify and react to the social norms and expectations that they are likely to encounter and do so on a continuous basis. A necessary first step is to map who and what is ‘out there’. This paper first discusses the tools, the concepts of stakeholders and publics, offered by the management and public relations literature. While previous research has argued for a broader conceptualisation of CSR in terms of the stakeholder concept (Evuleocha, 2005; Miles, Munilla, & Darroch, 2006), this paper issues a call for using the public sphere concept as an additional mapping tool. Social norms and expectations regarding business conduct are formulated and expressed in civil society. As remarked by others, however, it seems that corporations often replace ‘society’ with ‘the market’ when they conceptualise their environments (Kjær, 2007). Often it appears that the term ‘stakeholders’ is used as synonymous with ‘society’ as well. The paper
criticises this type of particularisation.

The three next sections contain literature reviews, the first focuses on the stakeholder concept, the next on the publics concept, and the third on the notion of a public sphere. Then the possible traces of such theorizing are sought in the practice of Shell, and it is asked what can be learnt from this company. A conclusion section rounds off the paper and points to the need for further research.

Management Literature: Focus on Stakeholders

The stakeholder theory was popularised by R. Edward Freeman (1984), but the term ‘stakeholder’ has been in use since the early 1960s (Moore, 2003). A typical text book definition of stakeholders is “those people and groups that affect, or can be affected by, an organisation’s decisions, policies, and operations” (Post, Lawrence, & Weber, 2002, p. 8). The stakeholder concept has its prime merit in pointing to the important relational aspects of organisations, and it functions as a useful heuristic in this sense. The basic idea is that an organisation’s success depends how it is able to manage its relationships with key groups, such as customers, employees, suppliers, communities, politicians, owners, and others, that can affect its ability to reach its goals. It becomes the manager’s job “to keep the support of all of these groups, balancing their interests, while making the organisation a place where stakeholder interests can be maximised over time” (Freeman & Philips, 2002, p. 333).

It is said that a company has primary stakeholders, that is, stakeholders that are critical for the continued existence of the company. This group includes customers, suppliers, employees, and investors. A company also has secondary stakeholders that are affected, directly or indirectly, by the company’s decisions. These relationships occur as a consequence of business activities, and such groups might be local communities, the media, business support groups, state and local government, social activist groups, and so forth (Werther & Chandler, 2006). Mitchell, Agle and Wood (1997) argue that stakeholders can be
identified and ranked based on the salience of the traits of legitimacy, urgency, and power. Legitimacy is the perception or assumption that the actions of a stakeholder are desirable, proper, or appropriate. Urgency refers to whether the claims of a stakeholder call for attention immediately. And power might be the force, the material, financial or symbolic resources a stakeholder have. The stakeholders with all three traits present the definitive stakeholders of the organization (Mitchell, Agle, & Wood, 1997).

The stakeholder concept in itself has proved to be hugely popular, but has also been criticised on several accounts. Free-market liberalists have complained that the importance of shareholders is reduced (D. Henderson, 2001). The most common objections, however, concern the issues of who stakeholders are, why they obtain this status, how the organisation will prioritise between the different groups and issues, and how the more general principles of responsibilities can be identified. It is argued that the stakeholder theory relies on an atomistic individualism in which stakeholders are perceived to be isolatable and individual entities that can be easily identified by managers. Words like ‘vague’ and ‘flimsy’ are thrown at the theory (e.g., Argandona, 1998; Hasnas, 1998; Orts & Strudler, 2002).

In an effort to answer some of this criticism, it has been suggested that a distinction should be made between normative and derivative stakeholders. Normative stakeholders are those that the organisation has a moral obligation towards, over and above that which is due to other social actors. Employees are an example of normative stakeholders. Derivative stakeholders are groups that might have an effect upon the organisation and its normative stakeholders, and may include the news media and competitors. In a situation in which the normative and derivative stakeholders express interests and expectations that are conflicting, it is the duty of the organisation to pay the most attention to the normative stakeholders (Phillips, 2003).

However, this suggestion does not stifle all of the criticisms, such as those that relate to the issue of legitimacy. Stakeholder theorists point to the principle that people should be
respected, but it does not follow that everyone should have a say when their interests are affected. The relationship of teachers and students regarding grading is often used as an example. It has been argued that the Kantian principle of treating others as ends rather than means only implies that stakeholders should not be forced to deal with businesses, and that businesses must behave honestly (Hasnas, 1998).

Another fundamental criticism relates to the reliance of the stakeholder theory on an economic model. Critics charge that this severely limits the moral value of the theory, as it is rooted in prudent and self-interested perspectives (Hendry, 2001; L'Etang, 1995). A similar grievance is that the theory does not help to understand “the most difficult moral questions in business, such as the obligation to obey the law and to manage in an environmentally responsible manner” (Orts & Strudler, 2002, p. 227). For instance, although attempts have been made to designate the environment as a stakeholder in itself, it is obviously not possible to communicate with this stakeholder.

Despite such criticisms, the stakeholder concept has made it into common business parlance, and is also a concept used in the public relations literature. Here, however, the notion of ‘publics’ has also been discussed.

**Public Relations Literature: Focus on Publics**

In the same year that R. Edward Freeman wrote about stakeholders, James E. Grunig and Todd Hunt published their influential textbook *Managing Public Relations*. Here, public relations is defined as the “management of communication between an organisation and its publics” (Grunig & Hunt, 1984, p. 6). ‘Publics’ in turn is defined as a group of people who are faced with a similar problem, recognise that the problem exists, and organise themselves to do something about it.

When Grunig and colleagues later published *Excellence in Public Relations and Communication Management*, the stakeholder concept had been taken on board. In Chapter
One the concept was equated with publics (Grunig et al., 1992). Chapter Six, however, presented a model for strategic public relations that included a separate stakeholder stage and publics stage. Here, the difference was described as follows: “people are stakeholders because they are in a category affected by decisions of an organisation or if their decisions affect the organisation . . . The stakeholders who are or become more aware and active can be described as publics” (Grunig & Repper, 1992, p. 125). After drawing up a stakeholder map, the authors maintained that the practitioner should use the so-called situational theory with the three variables of problem recognition, constraint recognition, and level of involvement, to analyse whether or not individuals will form publics. As it is likely that practitioners will not be able to communicate with everyone, the publics approach and the situational theory help practitioners to allocate resources towards areas in which communication efforts seem to be most needed.

There are, nonetheless, also several problems with the publics concept. First of all, the ethical basis is of questionable value if the purpose is to provide an all-encompassing approach to how organisations should relate to their environment. This approach focuses on publics when it is in the strategic interest of the organisation to do so, but does not take the normative stakeholders into consideration unless they are able to ‘cause problems’ for the organisation. This is unacceptable from an ethical perspective that is based on moral duty, and it also implies a negative perspective that sees the environment as being made up of adversaries of the organisation.

It might be countered that the publics approach should be orientated within a framework of symmetrical communication in which practitioners seek to balance the interests of the organisation and the interests of publics in the long term (Grunig, 2001). Still, little advice has been proffered as to how this balancing act should be exercised. In this paper, it is maintained that public relations scholars would do well to reconnect with the debate in management literature about whom it is that an organisation has responsibilities towards and
The Public Sphere Concept

Many European public relations scholars have a tendency to focus on public relations at the societal level (van Ruler & Vercic, 2004). This includes discussion of the notion of the ‘public sphere’ (e.g., Holmstrøm, 1997; Jensen, 2001; Raupp, 2004). The latter concept has been thoroughly theorised by Jürgen Habermas, who defines it in this way:

The public sphere consists of an intermediary structure between the political system, on the one hand, and the private sectors of the life world and functional systems, on the other. It represents a highly complex network that branches out into a multitude of overlapping international, national, regional, local and subcultural arenas. (Habermas, 1989, pp. 373–374)

Inger Jensen has proposed to redefine the concept of the public sphere as a discursive process that takes place in complex networks of organisations and people, in which the issues that are launched are of common concern, and thus of interest to everybody. Jensen differentiates between three functions of the public sphere: the literary public sphere, the political public sphere, and a public sphere that relates to processes of organisational legitimacy and identity (Jensen, 2001). In this context, it is obviously the last function that is of most interest, as this is the sphere in which most narratives about CSR are found.

Some US public relations scholars have, however, argued that a general public is a contradiction in terms. As publics always have something in common, a general public is “a logical impossibility” (Grunig & Hunt, 1984, p. 138). They allege that the concepts of a general public and the mass audience developed as convenient terms for practitioners who use the mass media as their prime channel of communication. It is argued that public relations programmes that are directed towards a general public might accidentally build relationships with stakeholders, but that they most often do not communicate with anyone
who is important to the organisation (Grunig & Repper, 1992).

The argument that is put forward in this paper is that the publics approach and the stakeholder approach are both reductionistic, because they ignore or explicitly deny the existence of a public sphere. The main point is that there may be agents in the public sphere that cannot be identified with either the stakeholder or the public concepts. Furthermore, the latter concepts are not able to grasp the “networking, discursive, processes between the institutionalised agents and the peculiar ‘subtext’ indicating that the launched viewpoint is of common interest — indicating that it is a public sphere issue” (Jensen, 2001, p. 144). Furthermore, the publics approach is directed at the level of social groups, and thus does not truly grasp how opinions are formed in a mass media society. Raupp thus argues that the concepts of publics and the public sphere should be integrated, and that publics should be seen as groups that exist within the public sphere (Raupp, 2004).

Now attention is turned from the theoretical to the empirical with an analysis of the practice of Shell.

The Environment According to Shell

Fortune Global 500 ranks Royal Dutch Shell as the third largest company in the world. It is all the more interesting to study Shell since it is also seen as a leader in the CSR movement after it initiated a makeover in the wake of the 1995 crises. The company underwent review to change what was considered to be the traditional introspective and self-contained world of the company (T. Henderson & Williams, 2002; Shell Group, 1998). To get at society’s expectations, as well as the reputation of Shell, interviews were conducted with “7,500 members of the general public in 10 countries and 1,300 opinion leaders in 25 countries, [as well as] 600 Shell people in 55 countries” (Shell Group, 1998, p. 3).

In the literature, it is detailed how Shell used the concept of special publics in the change process. The special publics were categorised as three different types: having a commercial interest (investors, business partners, and governments that receive tax revenues), representing a public interest (lobby groups, NGOs, politicians, and the media), or having a personal interest (employees and their families, future employees, past employees). However, in a benchmark study the special publics was categorised in six: the investment community, NGOs and IGOs, the media, government and politicians, corporate peers, and academics and business gurus (T. Henderson & Williams, 2002).

Looking at the Statement of General Business Principles yet another categorisation was used. Here, Shell recognized five inseparable areas of responsibilities: to shareholders, to customers, to employees, to the entities with which the company conducts business, and to society. The latter responsibility was summed up this way:

To conduct business as responsible corporate members of society, to observe the laws of the countries in which they operate, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistent with their commitment to contribute to sustainable development (Shell Group, 1998, p. 16).


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2 The first three reports had titles that included the publishing year while they detailed activities form the previous year. From 2002 and onwards, Shell turned to normal reporting practice: The report published that year was called “The Shell Report 2001.”
survey and the terms ‘the general public’ and ‘special publics’ surface in this connection. The latter notion is exemplified as follows: “people in government, the media, universities” (Shell Group, 2003, p. 11), “financial community, media, non-governmental organisations and government” (Shell Group, 2005, p. 26), and “media, NGOs and the business community” (Shell Group, 2006, p. 35).

In the first report Shell also states that it has responsibilities to the “society at large” (Shell Group, 1998, p. 58). Nonetheless, the overall trend in the reporting is clear: ‘society’ is mentioned less and less. On average, the word is used 22,7 times, most in the 1998-report (48 times), fewest in the report for 2006 (10 times).

The stakeholder concept, on the other hand, is found on average 24 times in each publication. The overall use has increased from 1998 (12 times) to 2006 (23 times), while a zenith was reached in 2001 (43 mentions). In the report for 2003, engaging stakeholders is directly linked to profitability: “We remain convinced that engaging with stakeholders and integrating social and environmental considerations better throughout the lifetime of our projects makes us a more responsive, competitive and profitable company, in the long and short term” (Shell Group, 2004, p. 7). This year, the company also introduced what it called “a minimum standard for stakeholder engagement” (p. 8). The report issued the following year, states the importance of “listening to our stakeholders, so that we understand society’s changing expectations and learn to see our business through a wider lens” (Shell Group, 2005, p. 6). The report for 2005 explicitly recognises that different stakeholders have different needs:

To meet the needs of shareholders, we have included significantly more environmental and social information in our Annual Report/20-F in 2005. For staff, we provide a Sustainability Review, focused on what our commitment means for them in practice. We now target our Sustainability Report and supporting websites at other external stakeholders. (Shell Group, 2006, p. 37)
The closest to a definition of a stakeholder, is found in the reports for 2001 and 2002: “We affect – and are affected by – many different groups of people, our stakeholders” (Shell Group, 2002, p. 17; 2003, p. 40). No more precise indication is given, but the report for 2002 do provide some examples:

We work with a wide range of stakeholders. For example we work with governments, customers, suppliers and auto manufacturers to improve our products’ performance and reduce their environmental impacts. We work with our employees individually and via unions, work forums and staff councils on issues affecting them [...]. We also work with communities around the world to manage the impacts of our projects and share the social benefits [...]. In 2002, we actively worked with numerous international NGOs and academic institutions. (Shell Group, 2003, p. 40)

This formulation is followed by a row of names, before it is stated that stakeholders also exist on the local level, and readers are urged to consult with the webpage www.shell.com/workingtogether.

From 2000 Shell asserts that the sustainability reports are prepared within “the spirit” or “the broad framework” of the guidelines from Global Reporting Initiative (GRI). Still, the company does not really attempt to specify this. Readers are instead referred to the website www.shell.com/gri, and a short report collecting links and pointers has also been produced addressing the company’s compliance with GRI guidelines (Shell Group, 2007b).

Four of the GRI guidelines on ‘Governance’ addresses the stakeholder concept specifically and ask companies to present the following elements: 1) “List of stakeholder groups engaged by the organization,” 2) “Basis for identification and selection of stakeholders with whom to engage,” 3) “Approaches to stakeholder engagement, including

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3 GRI is a not-for-profit entity that works to develop guidelines for reporting on economic, social and environmental issues. http://www.globalreporting.org/Home, downloaded, November 23, 2007.
frequency of engagement by type and by stakeholder group,” and, 4) “Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting” (Global Reporting Initiative, 2007, s. 24).

In the GRI report for 2006, Shell claims “full score” for the second indicator, while the three others were “partially reported” on (Shell Group, 2007b, p. 12). In all instances, the reader is referred back to the sustainability report, as well as different sections of the website on Environment and Society. Nonetheless, even after consulting this website, it is difficult to find hard definitions or sophisticated criteria for identification and selection of stakeholders, let alone, developed descriptions of the other indicators.

From other sources, however, it can be culled that Shell’s so-called Social Performance Management Unit and ‘community liaison officers’ help identify, prioritise, and engage stakeholders. It is said that a “range of tools and informal and formal mechanisms exists” to help in these endeavours (Schouten & Remme, 2006, p. 376). Looking at an article written by a manager in the Shell Group, however, it seems that these tools are mainly geared towards performance and identifying issues and impact (Fossgard-Moser, 2005). Again, who a stakeholder is, remains rather elusive.

The Shell companies retain a wide freedom of action. Shell Norway, for its part, defines its stakeholders as employees, associations, the government, partners, international, regional and local politicians, the media, NGOs and the local community in which they operate. It is claimed that it is the latter that is prioritised. A public affairs middle manager put it this way: “because it is here [in the local community] that we are visible, and several [people] expect that we engage ourselves where it is needed” [translated] (as cited in, Rui, 2004, p. 100). Hence, Shell Norway sponsors local organisations and sports clubs.

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To sum up, Shell uses terms like ‘the general public’, ‘special publics’ and ‘stakeholders’ without particularly precise public definitions. The company do, however, conduct analyses of its impact on stakeholders and derives some categories from this. As laudable as this is, the company, nonetheless, stands to miss the larger picture that use of the public sphere concept might help to construct an understanding of.

**Conclusion**

Shell has experienced crises despite the changes introduced after 1995. In 2004, the company was hit with a pollution claim of USD 1.5 billion from the Nigerian authorities. Shell admitted to 262 oil spill incidents in Nigeria in 2002 alone (Macalister, 2004). Probably just as damaging for the reputation in financial circles was the revelation that the company had wilfully overestimated its proven oil reserves (Tran & Orton–Jones, 2004). Clearly, actions such as spilling oil and overstating oil reserves fall within the category of unethical corporate behaviour. You would not need to conduct particularly sophisticated mapping of your environment to understand this. In other instances, however, the responsibilities of corporations do not seem as clear-cut. For example, how far should a corporation intervene in the conditions of a host country? In 2004, Iran prepared to execute a mentally challenged 19-year old woman for sexual relations outside marriage (Smith, 2004). Norwegian oil companies operating in Iran declined to protest, despite pressure from Amnesty (Egenæs, 2004). It might be argued that such protests should be left to governments, not business. However, if this type of non-action starts to hurt the reputation of the company it, nonetheless, could have to reconsider. It has been pointed out that companies, and in particular petroleum companies, may have to divert their organisational resources away from “efficiency management strategies to strategies designed to restore or maintain the legitimacy of the enterprise” (Estrada, Tangen, & Bergesen, 1997, p. 42).

What is considered to be proper corporate conduct is a social construction that varies
according to culture and time. At one time in Western history pollution was seen as the price to pay for progress and it is a price that some developing countries seem willing to pay today. ‘Signature bonuses’ are often used in the petroleum sector, and are accepted in several countries, for instance in Africa. However, critics of this practice charge that ‘signature bonus’ is a euphemism for corruption (Ihlen, 2007). To enable companies to monitor and respond to the changing expectations of such practices and the responsibilities of companies, the first step must be to construct a picture of the society they must relate to.

It has been shown how Shell maps its environment without really presenting proper definitions. Still the company do make use of the stakeholder concept. The prime value of this notion is its use as a heuristic when an organisation wants to analyse and negotiate its relations with its environment. The stakeholder concept is also appealing in that it makes mapping more manageable for practitioners. The most serious shortcoming of the stakeholder concept is perhaps that it can lead an organisation to ignore the societal level of opinion processes. It is not necessarily the case that all of the relevant agents can be identified with this concept, and it cannot grasp the networking that takes place between agents. People, who do not seem like stakeholders at the present, might choose to take an interest in a company at a later stage.

On the other hand, the concept of publics as suggested in the public relations literature also has shortcomings. The publics construct in itself is insufficient as an ethical foundation, given its strategic and problem-orientated focus, and it is suggested that the use of this approach may cause certain stakeholders to be ignored if they are not part of a public. Instead it is argued that the field of public relations needs to reconnect with the debate in the field of management as to the nature of stakeholders, and the ways in which they can be prioritised.

Public relations practitioners ought to listen to the narratives in the public sphere that relate to the responsibilities and identities of organisations. This must necessarily fall short of getting a full picture, which is unobtainable anyway, but is still a necessary activity. There is
a need to reintroduce some notion of a public sphere to relate the analysis of the practice of public relations to the wider civil society, rather than particularised stakeholders or publics. Some public relations scholars and practitioners might argue that issues management is the corresponding activity that will reveal how, for instance, attitudes towards CSR change (Heath, 1997). However, it is still the stakeholder concept that forms the basis of this activity, and hence the criticism that is levelled at the stakeholder concept can also be aimed at the issues management approach.

The public sphere concept and ‘listening’ may seem a little elusive for instrumental purposes. It remains a challenge for practice-orientated scholars and practitioners to identify systematic ways of approaching this task. Perhaps the closest practitioners will get is to attempt to be well-informed and well-read participants in civic society.
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