Who are the Participative Stakeholders? Insights from Corporate Social and Environmental Programmes

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Abstract

This article offers three main original contributions: (a) it proposes the concept of participative stakeholders derived from an interpretation of voluntary corporate initiatives; (b) it produces a visual instrument which greatly facilitates the assessment of costs and benefits arising from the implementation of a company's social and environmental programmes; and (c) it relies on the empirical results from a micro-case study to discuss the ethical and instrumental dimensions attached to the roles and statuses of participative stakeholders. The complex methodological approach is built on the interpretative stance of grounded theory, the principles of diagrammatic reasoning and insights from accounting theory and stakeholder management. The strong point of this paper lies in its concern with practical issues and applied reasoning in conjunction with a large number of diagrams. The reader is taken step by step in this process of discovering the pivotal role of participative stakeholders.

Keywords: Social responsibility; environmental programmes; stakeholder theory; diagrammatic reasoning; pragmatist method; strategic management.

An Introduction to Participative Actions

The company as a legal fiction can enter into permanent arrangements or can be involved in occasional interactions with any other persons, groups, institutions or organizations, commonly known as corporate stakeholders.

Permanent arrangements are defined as explicit or implicit contractual relations (Jensen & Meckling, 1976), established in direct connection with the objective of the organization, or on which the firm is dependent for its continual survival (Freeman & Reed, 1983: 81). The most common groups of stakeholders to be involved in such arrangements are: shareholders, customers, suppliers and distributors, employees, governments and regulators, considering that “without [their] support the organization would cease to exist” (Bowie, 1988: 112). These ties are viable as long as the economic benefits exceed the costs of contracting, considering that incomplete or deficient contracts are the main source of agency costs when the parties assume incongruent or even conflicting goals (Eisenhardt, 1989).

Occasional interactions between the company and its stakeholders are limited in scope, but “can help or hurt the organisation” (Miller & Lewis, 1991: 55) if social actors are pleased or harmed by the company. "Everyone in the community who has a stake in what the company does" (Frederick, 1998: 361) can be considered a stakeholder: trade unions, non-governmental organisations (NGOs), activists, neighbouring households, competitors, financiers other than the shareholders, analysts, the media, accounting professionals, industry associations, tax authorities, political parties, experts, academics and artists. Occasional interactions are extremely...
diverse, and can range from tax audits to sustainability awards, sometimes having a major impact on corporate reputation. A firm chooses to manage or restore its legitimacy (Suchman, 1995), by minimizing harmful episodes (Linthicum, Reitenga, & Sanchez, 2010), and by establishing new collaborative relations with internal or external stakeholders (as described in Jaffee, 2010; Jansen, Gössling, & Bullens, 2011).

The management’s aim is to transform the results of reputation-building strategies into permanent arrangements, while supportive stakeholders are compensated for congruity of interests during occasional interactions (Heijden, Driessen, & Cramer, 2010). Therefore, a strategy of activism and a non-utilitarian ideology (Bessire & Onnée, 2010) can find their best expression in the novel concept of participative stakeholders. In Figure 1, the middle grey area has two zones of synergy. In zone A, the company and its stakeholders can establish mutually beneficial interactions which are usually integrated into the normal operations of the firm (i.e. the profit-making activities), but are outside the initial contractual arrangements (MacPhail & Bowles, 2009; Valentine, Godkin, Fleischman, & Kidwell, 2011). In zone B, participative actions are temporary or incidental, but serve as timely and purposeful responses to social or environmental causes (Zhang, Rezaee, & Zhu, 2009), in spite of economic constraints (Crampton & Patten, 2008). In either case, achieving a strategic goal requires the creation of collaborative networks between the producers, distributors and consumers of "mutual advantages" (Phillips, 1997: 63-64).

Which are the costs and benefits of participative actions? The answer to this question requires a method for recognizing and classifying stakeholders and their involvement in voluntary corporate initiatives. For this purpose, the research design is based on inductive reasoning, thus having a strong flavour of grounded theory. Firstly, the next two sections will provide the prerequisites for an interpretative analysis of excerpts from the annual reports of large multinational companies. Secondly, the insights gained in the analytic process will be used for advancing the theory on participative stakeholders with the support of an original diagrammatic technique. Finally, the contribution to the literature will be found in several refinements to the stakeholder mapping process, in terms of circumstantial roles, identities and business markers. Acknowledging the beneficial nature of participative actions is the task of stakeholder management, which seeks to attach a moral dimension and an instrumental value to the firm’s constituencies.

![Figure 1. Participative Stakeholders, as a Subset of the Combined Groups of Stakeholders with Permanent Arrangements and Occasional Interactions](image-url)
The case study discussed hereafter will illustrate the strategic implications of accurately mapping the nodes for the participative stakeholders, the links between these nodes and the reciprocities – costs and benefits – occurring in the context of social and environmental programmes. Eventually, the insights gained from adopting this pragmatic approach will be accompanied by a detailed review of the advantages of diagrammatic reasoning and of further explorations in this generous avenue of research. I will argue that this novel instrument is useful not only for management or lay audiences, but also for researchers testing the “axioms” and applications of stakeholder theory.

Prerequisites for a Diagrammatic Instrument

Social and Environmental Reporting

The annual reports of large business groups have three essential components: (1) a set of financial statements that present the company's performance and financial position for the reporting period, (2) a management report, which describes the income generating activities, market shares, operational strategies and the main types of business expenses and (3) a report on corporate governance, remuneration of directors and ownership structure. Obviously, this information should be sufficient for potential investors and creditors to make decisions on the economic sustainability of the business. However, firms often choose to expand their reporting on other areas adjacent to the main operations. These items are included under headings such as: social responsibility, sustainability, environment and society, sustainable development, corporate citizenship, social wellbeing, or environmental stewardship, and can be collected under the general term of social and environmental reporting.

The object of such disclosure is the social and environmental performance (Wood, 2010) of subsidiaries in the consolidation perimeter (Frostenson, Helin, & Sandström, 2011). Depending on industry membership and relevant national regulations, the disclosure of social and environmental performance has several mandatory components that can be integrated into the management report, along with various case studies of voluntary initiatives undertaken for the benefit of society or with the purpose of environmental protection (Harrison, 2003; Mallin, 2010). These narratives, which are found on company websites and in annual reports, will form the raw material for the present investigation.

As part of a firm’s voluntary reporting, case studies on environmental and social involvement can vary in length from a few lines to several pages, depending on the level of detail and complexity. The relevant elements are showcased to create a geographical, social or environmental context for understanding the identified problems and the proposed solutions. The testimonies of beneficiaries are accompanied by the enumeration of programme facilitators and partners, such as the non-governmental organizations (NGOs), the central or local authorities, consumers or volunteers. Any such case study highlights the company’s contribution and enumerates the effects of the implemented initiative.

Diagrammatic Reasoning for Case Study Analysis

The techniques which have been mobilized in the field of corporate responsibility reporting tend to rely on content analysis (Beattie, McInnes, & Fearnley, 2004; Wilmshurst & Frost, 2000) and discourse analysis (Hyland, 1998; Siltaoja, 2009). Conversely, I will present a visual instrument for “deciphering” the corporate narratives of social and environmental initiatives. The pragmatist approach adopted hereafter (Hildebrand, 2008; Pihlström, 2011) is based on the premise that knowledge must be anchored in experience, placing social practice in close connection to scientific inquiry.

Pragmatists put as much emphasis on usefulness as they do on novelty (Wicks & Freeman, 1998). Therefore, the concern
with the practical can be helpful in identifying the statuses and roles of each participant, as well as the accrued costs and benefits. Such an interpretative stance requires the development of an instrument for reasoning, which, according to Charles Sanders Peirce (1976: 47–48), is also capable to generate knowledge: diagrammatic representation. This way, the discovery process is inspired by the grounded theory method (Corbin & Strauss, 1990; Glaser & Strauss, 1967; Suddaby, 2006) and will focus on revealing the “actual production of meanings and concepts used by social actors in real settings” (Gephart, 2004: 457).

“A diagram is a figure or construction of lines intended to explain or to demonstrate an assertion” (D’Alembert, 1751–65). Diagrams are information graphics that are made up primarily of geometric shapes, such as rectangles, circles, diamonds, or triangles, interconnected by lines or arrows (Nakatsu, 2010: 58). However, this definition is not complete without mentioning another basic element of diagrams: the legend that explains the meaning of the visual elements (Ryan, 2007: 14). One of the major purposes of a diagram is to show how things, people, ideas and activities are interconnected, so that understanding diagrams plays an important role in problem solving and our general sense-making of the world. Almost every discipline or study makes use of diagrams and other forms of visual aids (Fathulla, 2011: 127), but unlike quantitative charts and graphs, diagrams are used to structure the problem space by showing interrelationships in a qualitative way.

In the case of social and environmental initiatives, a diagram can result in a less ambiguous communication than a linguistic one because it forces the problem-solver to come up with a more structured representation. By necessity, its visual rules circumscribe what is and what is not allowed in the final output, underscoring its externality or objectivity (Hoffmann, 2011; Nakatsu, 2010: 58). The semantic network was chosen as the best notation system (Nakatsu, 2010: 79–81), because it consists of a graph of interconnected nodes (the participants), links (the relationships between the participants) and labels.

Visualizing the Problem Space

The Departure Point: An Exemplary Case Study

Taking into account the case selection criteria presented above, the reasoning tools will be illustrated starting with a concise excerpt from a social responsibility report of a mining company (the respective document does not contain any additional details on this matter).

In 2009 Xstrata Mount Isa Mines (copper and zinc-lead operations) awarded 16 bursaries worth $1,000 each to high performing secondary school students, to assist with their education, and they participated in work experience at our site during their school holidays. (Xstrata Copper North Queensland Division Sustainability Report 2009, www.xstrata.com/sustainability, p.44)

This company is listed in the Dow Jones Sustainability Indexes (DJSI), which serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for companies who want to adopt sustainable best practices.

While seemingly straightforward, this micro-case study is an eloquent example of a wealth of information regarding the participants involved in a corporate initiative on teenager education. The reader will notice that the expected social benefits have multiple facets, of which two are manifest and the third is hypothetical. Firstly, the donations to the students are the main cost for the company, in addition to other expenses resulting from a possible selection and award process. Secondly, the internship programme has negligible costs, but great benefits for the participants (the adolescents). A third aspect – not mentioned in the sustainability report – is the potential hiring of these persons as permanent staff of the company, after high-school or university graduation. Obviously,
this long-term perspective is not explicitly stated in the excerpt, but is a credible scenario.

**The Basic Vocabulary: Semantic Nodes and Labels**

The first step in creating a diagram for the Xstrata case study is the set-up of nodes indicating the legal status of the participants – i.e. persons, groups, organizations or institutions. In Figure 2, the two circular nodes stand for the company (no abbreviation) and the teenagers (with the label CHT), respectively. One will notice the solid black square as another type of node – a social and environmental programme – which stands for the internship (TOE) established by the company.

The visual vocabulary is thus defined to quickly convey the status of each node and several other attributes. Firstly, the reporting organization is depicted as a simple circle with a solid black fill, in contrast with other unaffiliated organizations and institutions, which are illustrated as simple circles with no fill and black labels. Secondly, the square with solid black fill and white lettering for the programme node indicates that the internship is carried out by the reporting organization. Thirdly, the reader will notice that the teenagers node has a different design (a circle superimposed on an X), which represents natural persons and groups of persons. The labels are three-letter abbreviations inscribed in the circular or square nodes.

![Figure 2. The Three Semantic Nodes in the Xstrata Case Study: The Two Participants and the Social Programme](image)

In practical applications, a single participant node can be represented through a combination of labels, indicating the main status and one or more circumstantial statuses for the participants. The former is the way in which the company would identify the participants irrespective of any social or environmental initiatives, while the latter are circumstantial and limited to the case study under consideration. Building compound statuses is the main morphological challenge for the designer of diagrammatic representations and is contingent upon the classification of social identities and interactions from the perspective of the company.

Through the managerial lens, it is important to differentiate between: (1) business markers for participants which have implicit or explicit contractual relations with the company (e.g. suppliers, customers, employees, unions or volunteers); and (2) identity markers, revealing the gender, age, occupation, and the legal or humanitarian status of the participants, independently of the firm's operations (e.g. women, children, students, the government, NGOs, local businesses, disabled persons or disaster victims). The distinction between identity and business markers will be embedded in the definition of corporate stakeholders, and is translated in the following compound statuses:

- **Identity marker + business marker** (e.g., local businesses as suppliers for the firm);
- **Identity marker + other identity marker** (e.g., women as local entrepreneurs);
- **Business marker + other business marker** (e.g., employees as shareholders); or
- **Business marker + identity marker** (e.g., suppliers as disaster victims).
Defining a compound label for one participant node follows a strict morphology: in binary formats as those listed above, the former element is the main status and the latter is the circumstantial status, which justifies the undertaking of a certain corporate programme.

**The Basic Syntax: Donation Links**

An organization is defined as a legal fiction (Jensen & Meckling, 1976: 311) or an accounting entity separate and distinct from its owners or any other persons and organizations (Riahi-Belkaoui, 2004: 212). Therefore, any expenditure incurred from social and environmental initiatives can be recorded and presented accurately. In this respect, a donation link between two nodes is any relation between the donors (i.e. the company or any participants which recognize an expenditure or payment), and the recipients (i.e. persons, groups, organizations or institutions which enjoy the respective benefits). The company can also be a beneficiary in certain situations, such as when receiving subsidies from the government for social or environmental programmes.

A typical donation link is illustrated in Figure 3. The arrow pointing to the beneficiaries – the students – has two distinct labels: (a) the costs of the social initiative (label above the link, normal typeface), incurred by the company and representing the actual donation (in cash or in-kind); and (b) the social or environmental benefits (label below the link, italic typeface) which accrue to the beneficiaries and are generally not measurable in monetary terms.

![Figure 3. The Donation Link between the Company and the Students as Beneficiaries (CHT)](image)

In order to have a complete visual treatment of this donation link, one must focus on the arrowhead: the label above (“1”) indicates that this scholarship consists of a single instalment; and the label below (“2009”) is the period for which the scholarship is awarded. The reader has noticed the unusual line arrowhead, which indicates that the respective social initiative is outside the normal business operations of the firm. Identifying the normal business operations (i.e. mining activities in our case) and deciding if they are connected to any one instance of social or environmental involvement is usually a straightforward task. Thus, if a certain initiative is integrated into normal operations, we will use a solid arrowhead. But there are some cases in which these distinctions are blurry, and the reader must judge if a certain social and environmental initiative is an organic part of the normal business activities. The contribution of participants to the economic performance of the firm reflects the instrumental aspect of social and environmental responsibility.

**The Basic Syntax: Programme Nodes and Links**

The Xstrata case study features two additional syntax elements which greatly extend the capabilities of diagrammatic reasoning: the programme nodes and links. A programme is typically a collaborative enterprise that is carefully planned to achieve a particular aim with measurable results. In our perspective, a social or environmental programme has a coordinator which invests effort and material resources towards a goal that would create social or environmental
benefits (such as technological improvements).

A programme link connects a programme node to a participant node and is very similar to a donation link. It features the costs supported by the participant (label above the link, normal typeface) and the social or environmental benefits expected to arise from the programme (label below the link, italic typeface). In contrast to the donation link, the cost and benefit labels are optional, but recommended. In Figure 4, besides the description of the advantages drawn from this programme ("work experience at company site"), the Xstrata case study explicitly nominates the beneficiaries: the 16 bursary recipients which are visually enclosed in a dashed rectangle, representing the extent of the programme’s social impact. The CHT node is separated from the TOE programme node, because the students are only the target group: a programme of this kind may also involve the existence of tutors, dedicated seminars, material expenses and a prearranged schedule with the approval of the managers.

![Figure 4. A Training and Apprenticeship Programme (TOE) Implemented by the Firm for the Benefit of Secondary School Students (CHT)](image)

The solid black fill with white lettering indicates that the programme is implemented by the company; for other programmes coordinated by unaffiliated third parties, a square shape with black outline and no fill is used. This distinction is very important because these narratives are analysed from the perspective of the firm; for this reason, unaffiliated participants (i.e. institutions and organizations not controlled by the company) and the projects coordinated by these participants must be visually distinguished from the firm and its own initiatives, respectively. Note that natural persons and groups of persons will always be presented as unaffiliated participants, because the notion of corporate control over human beings is meaningless.

One last aspect is very important to clarify in Figure 4: the inclusion of the internship (training) programme into the normal business operations of the firm. “Work experience” suggests that the students are, for a limited time, witnesses to and part of the company’s organizational culture. This is signalled in our diagram by a solid arrowhead pointing to the training programme (TOE).

**Visually Assembling Two Initiatives with the Same Beneficiaries**

The diagrammatic representation developed in the present paper is capable to represent more than atomic transactions (such as a one-time donation, or the development of a limited-scale project). Whenever the same persons, organizations or institutions are beneficiaries of related corporate programmes, or when a programme has multiple dimensions, such as both environmental and social components, a more complex diagram can be constructed to accommodate these elements. As in any conventional representation, the creator must be aware of the trade-off between the semantic complexity of the diagram and the intelligibility of the visual output. Thus, one should resist the temptation to bring “as
much as possible” into one single diagram, because this may hinder its very message; in our case, the diagram as a tool of reasoning is destined to decipher the conglomerate of corporate narratives, not to rival with them in terms of intricacy.

The Xstrata case study is a perfect example of how a few lines of text can contain a wealth of ideas which are elliptically expressed. The diagrams in Figure 3 and Figure 4 have been designed to explicitly convey the subtleness of the quoted narrative, but they cannot function separately. The reader may feel the need to see a full treatment of the case study, because the students are beneficiaries in both situations, albeit in different postures. The diagram in Figure 5 is the answer to such an integrative necessity. The reader will notice that this diagram contains no new syntactic elements, except for the rhomboidal connector in the vicinity of the company node. The edge between the company node and the rhomboidal connector is called a **generic link**.

![Diagram](image)

**Figure 5. A Complete Representation of the Xstrata Case Study, with the Company in the Role of a Donor and Organizer of an Internship Programme (TOE) for Students (CHT)**

**Representing Hypothetical or Future Statuses of Participants**

Diagrammatic reasoning is not constrained by the legal aspects deriving from issuing corporate reports. The creator of such a diagram can propose alternative scenarios, or can speculate on the statuses and roles of participants, thus bringing more depth to the narratives under scrutiny. One such extension of conventional reasoning is the inclusion of hypothetical or future statuses for participants. In most cases, the companies will not recourse to such strategies, which usually imply a commitment which may not be feasible (such as hiring a number of people in the future).

The diagram in Figure 6 illustrates the hypothetical implications of the internship programme. The reader may agree that the scenario of hiring the high-school students after their graduation is not improbable, although not explicitly formulated in the annual report. This extension diagram proposes a future status considered as a long-term consequence of the internship and training programme. The visual morphology is marked by the presence of the additional hypothetical status (employees, EMP – dotted circle) attached to the actual status (teenagers, CHT – normal circle) of the respective participants. Also notice that the future or hypothetical status cannot be connected to other participants through a donation, programme or any other type of link to be discussed henceforth.
The cases featured in the next two sections have been selected for a double purpose: firstly, to extend the diagrammatic vocabulary and syntax, and secondly, to derive the conceptual framework of participative stakeholders from the content of report excerpts and from the output of diagrammatic reasoning. Thus, each case study will be linked to a theoretical aspect developed from stakeholder theory, and will revolve around three crucial aspects: the participants, the links and the reciprocities arising in the implementation of corporate social and environmental initiatives.

The Advantages of Using Diagrams and Further Explorations

The diagrammatic instrument builds on storytelling as a pivot of organization studies, and allows for the centrality of humans as creators and interpreters of meaning in corporate communication (Daft, 1983; Gilbert, 1992; Rorty, 1989). In relation to company constituencies, the managers seek to legitimize their actions post factum through increased, whether it is about increased dividends, community programmes or pollution abatement (Aerts & Cormier, 2009; Cho & Roberts, 2010; Dragomir, 2012). With a bird's-eye view over the contribution of diagrammatic reasoning, the reader may have already noticed that there are obvious advantages to using this type of instrument for "solving" the narrative puzzle exhibited in corporate documents.

Firstly, the involvement of participants is confined to circumstantial roles (i.e. beneficiaries, donors, programme coordinators and contributors, facilitators, or creditors), so that the creator of a diagram can play with interpretations on their scope and impacts within a particular initiative. Several diagrams exploring alternative scenarios can thus be drawn for the same case study, considering that participants’ roles are fluid and may change with respect to the stage of programme implementation, the involvement of other stakeholders, and the existence or disappearance of certain costs or benefits. Moreover, the reader has noticed that the companies always benefit in some way from a social or environmental initiative; these benefits can be marginal, but can also be decisive in promoting corporate responsibility (Dahlsrud, 2008; Lee, 2008).

Secondly, these diagrams will help their creator distinguish the essential from the peripheral in the implementation of a social or environmental initiative. Since we are talking about annual reports, companies are tempted to overestimate their role in such a programme, or to underestimate the costs, so as to appear that the money was well spent. These tendencies can be easily identified and corrected using diagrammatic reasoning, whose attribute of parsimony demands the inclusion of only those participants whose role is essential for the implementation of an initiative. Whenever the company plays a peripheral role or when it classifies accrued expenses as actual donations, the process ends with a rebuttal of the case study reported by the company.

Thirdly, diagrammatic representation may change the reader's perspective on corporate initiatives. The annual reports
are carefully drawn documents with a legal dimension, but the diagrammatic reasoning is not constrained by the disclosure medium or external factors such as investor expectations. The interpretative effort in creating a diagram also has a strong critical component, which may provide new insights into the scale and importance of a certain social and environmental programme. Additional research and verification, such as the consultation of project-specific web pages or independent sources, is a decisive step for successful diagrammatic reasoning.

Finally, equivocality is one of the features we encounter when analysing the interplay of meanings and participant roles or statuses in corporate communications. Although the selection of narratives for the purpose of this paper has sought to avoid multiple interpretations, it is reasonable to assume that ambiguity of disclosures can be a preferred channel for obscuring meaning. As discussed before, diagrammatic reasoning can deal with equivocality up to a certain point, from where it is extremely difficult to find the "correct" interpretation and to distinguish the roles properly.

Stakeholder management can use diagrammatic reasoning as a better way to understand longer-term implications of corporate actions, considering that businesses "can and should serve the interests of multiple stakeholders" (Preston & Sapienza, 1990: 361). Prioritizing stakeholder interests, establishing fairness in corporate actions and devising strategic postures are an integral part of an effective stakeholder management, whose goal is to put firms in a stronger position to adapt to external demands from the society as a whole (Freeman & Evan, 1990).

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