STAKEHOLDERS AND SPIN DOCTORS: THE POLITICISATION OF CORPORATE REPUTATIONS

Debra King
The Velociraptor was among creation’s most ferocious predators, and its killer instinct lives on in the form of well-intentioned but deadly activist groups ready to shred and devour your company’s reputation. (Peters 1999)

INTRODUCTION

In Australia, corporations are increasingly becoming prime targets for social, political and environmental activism. Even shareholders are beginning to question the decisions of boards of directors around such issues as processes of governance and community involvement. For example, shareholders called an extraordinary general meeting of North Ltd to question their involvement in the Jabiluka Uranium Mine (Miller 1999), while Rupert Murdoch recently had to face a barrage of questions at a News Corps AGM from a person described as a shareholder activist who ‘hijacked’ the meeting to query company strategy (Spencer 1999). In addition, the rise and rise of ethical investment funds are providing new means for activists to put their money where their mouths are. And then there are the stakeholder activists, those whom Peters labels the ‘raptors’. While many corporate activists operate by exerting pressure on corporate reputations, it is the rapas that corporations fear most. Their influence on corporate behaviour is apparent in the shifts in direction taken by companies such as BP and Shell, and in the success of campaigns such as Rugmark and Fairwear. For the raptors, corporate reputations are contested territory.

From the early Luddite protests against the introduction of new technology which replaced jobs, through to more recent union demands for fair, safe and equitable workplaces, corporate behaviour has been a target for social activists. What is new about the actions of the activist ‘raptors’ is that the process is more indirect: it is

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based on the principle of ‘shaming’ and/or decreasing profitability through influencing consumer and investor behaviour. The contest over corporate reputation includes, but goes beyond, issues surrounding the implementation of technology and workplace reforms, to incorporate business ethics, environmental sustainability, community involvement, corporate governance and community development. It is a contest that has stimulated the rephrasing of questions about the responsibilities of business in society: What are corporations for? What is the extent of their fiscal, social and environmental responsibilities? To whom are corporations accountable?

There is evidence to suggest that new business practices are emerging as the gap between social and corporate expectations of business around these issues becomes increasingly evident. The aim of this paper is to discuss whether these practices facilitate, manage or deny corporate activists their goal of increasing the social and environmental responsibilities of business. The question that this paper addresses is whether corporate reputations are likely to be a useful site for bringing about social change. The paper is in three sections. The first section examines the dimensions of corporate reputation and looks at why it has become vulnerable to the demands of social movements. This is followed by an analysis of the role that stakeholder activists play in contesting corporate reputation and, finally, the corporate response to stakeholder activism is discussed in terms of what it means to be a ‘good’ corporate citizen.

CORPORATE REPUTATION

Over the past decade corporate reputation has increasingly been an issue of discussion amongst academics (Landon and Smith 1998; Russo 1997; Caruana 1996; Fombrun 1996), in market research (PricewaterhouseCoopers 1999; Burson-Marsteller 1998; Conference Board 1998; Council on Foundations 1996), and in the popular management literature (Peters 1999; and see articles in Fortune and Business Review Weekly). With the rapid expansion of global markets, the highly competitive nature of global capitalism, the growing importance of brand recognition and brand association, and the development of consumer societies that are both politically aware and sensitive to corporate irresponsibility, corporate reputation has emerged as a much more volatile asset than its predecessor, goodwill.

Although much of the literature and research has, so far, been conducted in America and Europe, Australian perspectives are beginning to develop. Indeed, it appears that corporations operating in Australia may have to be particularly adept at managing their reputations. For example, a recent poll of 25 000 people across
23 countries, conducted under the auspices of an international committee,\(^1\) indicated that Australians ‘had the greatest expectations for companies to set higher ethical standards and help create a better society’ (Hale 1999). Of the Australian sample, 51 per cent were actively punishing (through product avoidance or ‘bad-mouthing’) companies not seen as socially responsible, with another 16 per cent considering taking action. It seems, then, that there is a real incentive for corporations to take their reputations seriously. If nothing else, it provides corporations with a competitive advantage and subsequent financial benefits. According to the management literature, the full extent of the benefits from trading on a good reputation includes obtaining higher prices for products; paying lower prices for purchases; attracting and retaining high quality employees; having more stable revenues; experiencing greater loyalty from consumers; facing fewer risks of crisis; and being allowed greater ‘latitude to act’ by stakeholders (Fombrun 1996: 73; Burson-Marsteller 1998: 3).

In analysing the literature, it appears that there are three dimensions to corporate reputation: the attributes, the perceptions of these attributes, and the corporation’s history in relation to the attributes. The attributes of corporate reputation have been delineated by senior management and are measured and compared annually in reviews undertaken by corporate magazines such as *Fortune* in the USA and *Business Review Weekly* (BRW) in Australia. Table 1 (below) compares the attributes used to measure reputation. The attributes are listed in order of importance as delineated by respondents. The main differences between the two are the higher emphasis placed on attracting and retaining talented people in the Australian sample,\(^2\) and the greater emphasis placed on financial measures in the American sample.

The annual *Fortune* and *BRW* reviews are based on the perceptions of chief executive officers (CEOs) on how corporations measure up to these attributes. The resulting measures of reputation are therefore biased toward the views of one set of corporate stakeholders. However, research conducted by Burson-Marsteller indicates that ‘reputation is in the eye of the stakeholder’ (1998: 2), with there being much less emphasis on financial performance by non-management stakeholders such as consumers.

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1. Environics International (Canada) in conjunction with The Prince of Wales Business Leaders Forum (UK) and the Conference Board (USA) conducted the poll.
2. The *BRW* attributes are listed in order of importance based on a survey of CEOs from Australia’s 1000 largest organisations. The response rate for the survey was 20 per cent (Kavanagh 1999).
Table 1: Attributes of reputation

<table>
<thead>
<tr>
<th>Fortune</th>
<th>Business Review Weekly</th>
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<tr>
<td>Quality of company’s management</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Quality of its products and services</td>
<td>Ability to recruit, develop and retain talented people</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>High quality products/services</td>
</tr>
<tr>
<td>Long term investment value</td>
<td>Innovativeness</td>
</tr>
<tr>
<td>Financial soundness</td>
<td>Effective use of technology and corporate assets</td>
</tr>
<tr>
<td>Ability to attract, develop and keep talented people</td>
<td>Strong corporate brand image</td>
</tr>
<tr>
<td>Acknowledgement of community and environmental responsibility</td>
<td>Commitment to the community, environmental and ethical issues</td>
</tr>
<tr>
<td>Use of corporate assets</td>
<td>Known potential for growth</td>
</tr>
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There are, then, differences of opinion between stakeholders about how attributes should be ranked, and how particular corporations measure up to them. In effect, corporations may have not one, but an array, of reputations (Caruana 1996: 1). Fombrun claims that each group of stakeholders will have different priorities because they have particular needs. For example, he argues that employees need corporations to be trustworthy, customers need them to be reliable, investors and suppliers need them to be credible, while communities need corporations to be responsible (1996: 62–70). The process of identifying stakeholder expectations and perceptions of corporate behaviour is becoming a growth industry, with a number of ‘how to’ strategies being delineated (Wartick and Wood 1998: 93–115; Peters 1999). In addition, a new area of corporate consultancy has developed — stakeholder management — an aspect of corporate citizenship that is discussed further later in this paper. However, before moving on, it is first necessary to discuss the third dimension of corporate reputation: history.

The past actions of corporations have been identified as having a significant impact on current perceptions of corporate reputation (Caruana 1996; Yoon, Guffey and Kijewski 1993; Weigelt and Camerer 1988). This has implications for research that attempts to ‘measure’ corporate reputation. For example, Caruana argues that corporations who have had a good history in terms of their reputation are able to capitalise on a ‘general impression halo’ amongst various publics, which could then provide them with some leeway in the event of an instance of poor performance in one or more of the reputational attributes (1996: 12). This is particularly relevant for corporations experiencing short-term setbacks who may be able to trade on their reputation gained from past actions rather than their current ones. While the ‘halo’ effect can be seen to produce positive effects for a

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3 BRW conducts a separate simultaneous survey on leadership qualities.
company, there appears to be little research on how corporations can overcome a negative history. If corporate reputation cannot be entirely measured on perceptions of present performance, then this means that corporations with an historically poor performance may have difficulty rising above their past actions.

It is not only the halo effect that is an issue for measurement, but so too is evidence suggesting reliance on ‘general impressions’ rather than ‘facts or reality’. This reliance on general impressions rather than the actual details of an issue means that some stakeholders could be basing their perceptions of corporations on misinformation (Caruana 1996: 13). While Caruana used his research to examine the impact of successful and unsuccessful usage of umbrella branding, it also demonstrates that present performance does not entirely dictate a corporation’s reputation.

From the above discussion it is evident that corporate reputations require a multi-dimensional analysis. If corporations are to develop and sustain good reputations, they need to not only have the right policies in place but also to be seen to be implementing these policies over the long term. The range of attributes covered by reputation means that a variety of stakeholder relationships will need to be fostered and nurtured, making corporations accountable to more than just their shareholders. These relationships are likely to become increasingly critical as companies vie for the ‘best’ corporate reputation. Corporations will, in effect, need to use these relationships to create good experiences with the company and influence how the various stakeholders construct their perceptions of the company’s reputational attributes. In addition, corporations will need to sustain simultaneous attention on all of the attributes. Focusing on some attributes over others is unlikely to work, as corporations such as the Westpac Bank are finding. As with some other corporations, Westpac is currently using its community involvement programs as a lever to improve its reputational value, a strategy that appeals to only one stakeholder group and which ignores the concerns of others, such as customers, rural communities, employees and social change organisations (cf Coates 1999; West 1999; Boreham and Hawes 1999; Boreham 1999). While Westpac’s reputation is undoubtedly being influenced by its past actions and the Australian public’s poor general impression of banks, it is also indicative of the ineffectiveness of focusing on one attribute over others.

Corporate reputations are, therefore, quite vulnerable to attack from activist ‘raptors’. As an intangible asset, reputations have financial value, a value that is susceptible to the vagaries of consumer behaviour, investor preferences and the decisions (and non-decisions) made by employees. Because reputation is as much about perception as it is about ‘reality’, this means that stakeholders external to the

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4 Umbrella branding is the ‘practice of labelling more than one product with a single name’, thereby extending an original reputation to new products and ‘mitigating uncertainties about their performance’ (Caruana 1996: 4).
corporation can wield a disproportionate amount of power. The general and business media, financial analysts, political and social activists, the rumour-mongers and gossips all play a role in shaping the perceptions of corporate reputations (Fombrun 1996: 142–158). Traditionally the impact of these external stakeholders has been mitigated by corporate spin doctors who have been employed in the public relations and marketing divisions to control the public image of the company. Increasingly, it seems that corporations are beginning to recognise that image is only one aspect of reputation, with the spin-doctor strategy only being able to provide them with short-term shifts in perception, rather than provide the multi-dimensional strategy needed to acquire reputational assurance. In wielding their power, it may well be possible that stakeholders can bring about changes to corporate behaviour, but this raises questions regarding the kind of power that stakeholders have: What is it that they hope to achieve? And which stakeholders are using corporate reputations as a site of contestation?

STAKEHOLDER ACTIVISTS

Stakeholders are the individuals and groups that have a vested interest in a corporation, and to whom the corporation regards itself as being accountable. Some stakeholders have always had power, namely those with a fiduciary interest in a corporation such as shareholders and owners. In recent years, however, the notion of who corporate stakeholders are has been undergoing a radical, albeit uneven, transformation. While some corporations adhere to the traditional views of stakeholder responsibilities, perhaps extending it to incorporate customers and employees, others are recognising the need to consider a much wider sphere of stakeholder interests.

Categorising and ‘mapping’ a corporation’s stakeholders involves identifying particular stakeholder interests, their bases of power, and their relationship to the corporation (Wartick and Wood 1998: 98–104). Each of these aspects of stakeholder mapping is important in terms of how corporations respond to particular demands. Wartick and Wood, for example, differentiate between six types of stakeholder interest: material, political, affiliative, informational, symbolic and spiritual (1998: 98). For corporations, recognising the particular interests of stakeholders means being able to form a more constructive stakeholder relationship, one which attempts to address the needs of both the stakeholders and the corporation.

Despite having a variety of interests, stakeholders have only three power bases from which to influence corporate behaviour. Traditional stakeholders (shareholders, directors, executive managers) hold formal power within the corporation and can influence decisions via their voting rights. Stakeholders such as customers, suppliers, creditors and employees have economic power inasmuch as they are able to influence the cost and revenue structure of a corporation; while pressure groups, activists, governments and the community hold political power by
influencing the social and political conditions under which a corporation operates (Wartick and Wood 1998: 100).

Wartick and Wood recognise that some stakeholders have multiple power bases, and that being able to identify the source(s) of a stakeholder’s power will influence how the stakeholder relationship is ‘managed’ (1998: 101). At its most basic it is necessary to differentiate between primary and secondary stakeholders: primary stakeholders are viewed as essential for the survival of the corporation, while secondary stakeholders can only exert indirect influence over a corporation’s activities (Wartick and Wood 1998: 101-103). Perhaps most important, from a corporation’s perspective, is being able to predict the level and form of stakeholder activity. This, argues Wartick and Wood, is an effect of the combination of three key attributes:

- the legitimacy of the group’s standing as a stakeholder or of its claim on the firm, the power of the stakeholder to influence the firm’s behavior, and the urgency of the stakeholder’s claim on the firm and its management. (1998: 111–112, emphasis in original)

When stakeholders have all three of these attributes they are considered to be immediate core stakeholders. Wartick and Wood argue that stakeholders with two of the three attributes are likely to attempt to get the third attribute if they feel that their needs are not being met (1998: 113).

For activist stakeholders this model provides an interesting way of conceptualising the likelihood of the success of their campaigns and the strategies that corporations might take to build or resist building relationships with them. When Chevron Overseas Petroleum Inc received 300 letters opposing its plans for exploration in a Papua New Guinea rain forest, it invited the World Wildlife Fund (WWF) to develop a sustainable development plan and enter into a partnership agreement (Chevron 1999). The decision brought the WWF into the core immediate stakeholder category. Already having the attributes of legitimacy and urgency, the approach by Chevron provided the WWF with the power to influence corporate behaviour. However, the strategy has also been beneficial for Chevron. In selecting a stakeholder group that had legitimacy it was able to quieten the protests surrounding its activities. It has also been able to capitalise on this partnership to improve its reputation, and in the 1999 Fortune survey of ‘Most Admired Companies’ Chevron ranked fourth in its industry group (Fortune 1999).

For the WWF the partnership has had both good and bad effects. Its close links with Chevron has limited its ability to work with the traditional landholders and owners of the resources. It has also been subjected to criticism from within the environmental movement, with claims that the WWF have allowed Chevron to ‘greenwash’ the project with very little expense to the corporation as the US$4 million investment in the WWF was tax deductible (Earthbeat 1999b). In effect the
WWF has been blamed for legitimising Chevron’s ‘dubious’ activities and facilitating the destruction of a wilderness area (Earthbeat 1999b). With the stakeholder relationship model of corporate management still in its early stages of development, the WWF experience signals some of the costs and benefits to activist stakeholders. If, however, Chevron was going to expand into PNG with or without the WWF, then the partnership has possibly delivered a more environmentally sustainable operation.

In contrast, other corporations have sought to exclude stakeholder activists by delegitimising their claims or ensuring that their access to power is limited. As part of their protest over the development of Jabiluka Uranium Mine in Kakadu National Park, the Jabiluka Action Group (JAG) developed a corporate campaign targeted at North Ltd (the parent company of Energy Resources Australia). This campaign involved using both investor and consumer power to influence corporate behaviour. In terms of the stakeholder attributes, JAG had plenty of urgency, and worked on gaining more legitimacy and power in order to position themselves as immediate core stakeholders. Initially the campaign looked as though it was working. A group of investors agreed to call an extraordinary general meeting and call for an independent report on the effect of North Ltd’s involvement in Jabiluka and to develop a set of principles for responsible development (Miller 1999). In response, North Ltd challenged the shareholders’ legitimacy by seeking advice from the Supreme Court of Victoria as to whether they would have to comply with their shareholders’ demands. One of their arguments was that this particular group of shareholders were not ‘real’ shareholders, as their investigations had revealed that some owned as few as 1 share in the company (Earthbeat 1999a). While the court challenge failed, the shareholder activists were unable to convince other shareholders to support their demands (ABC News Online 1999). In the meantime ERA’s share price had dropped more than 65 per cent since 1997 when the project was approved, and even with 66 per cent of Australians opposing the development (Miller 1999), North Ltd was prepared to take a gamble on its reputational value.

One of the issues that the comparison between Chevron and North Ltd illustrates is the different strategies of stakeholder ‘management’. North Ltd’s adversarial style was quite different from the cooperative engagement that Chevron developed with the WWF. Nevertheless, the language of ‘management’ implies a level of manipulation, or at the very least highlights the unequal relationship between corporations and their stakeholders. Negotiations and consultations that occur within this paradigm are unlikely to result in policies and practices that are, ultimately, unproductive for the corporation. An area that would be interesting to research would be how these corporate–stakeholder partnerships are being constructed:5 in Peters’ terms, who gets to take the lead in the waltz with the

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5 Some research in this area has been conducted. Palmer and Robertshaw, for example, conducted action research with United Utilities/North West Water, a British utilities company with international operations (1998).
activist ‘raptors’? Indeed, a waltz may well be the dance of choice for corporations, but would it be what stakeholder activists would choose? Why not a tango, the jive or the more anarchic rock and roll?

While stakeholder theory has provided activists with a certain legitimacy in negotiating with corporations, some of the dilemmas that stakeholder activists face are inherent in the theory itself. The theory behind stakeholder capitalism is based on particular notions of citizenship and inclusion: diversity and pluralism, an active civil society and local democracy, the proper representation of all groups and interests; and a symbolic politics of representation and decentralisation (Kelly, Kelly and Gamble 1997: 250–251). The difficulty is that major tensions are embodied in these principles, two of which are particularly relevant for the management of corporate stakeholders. One of these is the tension between the individualist and collective notions of the stakeholder (Kelly, Kelly and Gamble 1997: 239–241) and how to bring these competing ideas together. For corporations to manage stakeholder relationships as if stakeholders were only individuals would be to miss the point, for many activist stakeholders only become stakeholders by dint of their membership in particular communities and organisations. What they might be seeking is not an improvement in their personal ‘human capital’, but a restructuring of institutions and capitalist society. While this is a tension that mainly operates between corporations and their stakeholders, the tension between the principles of social justice and the accumulation of wealth also operates within the stakeholder groups. To a large extent, stakeholder theory accepts a principle of economic efficiency that incorporates both the accumulation of wealth and its fairer distribution (Kelly, Kelly and Gamble 1997: 243–244). Judging the areas and the levels at which the trade-off between wealth and social justice take place will undoubtedly be a contentious issue for many stakeholder activists. It seems, then, that while stakeholder theory opens up opportunities for activists it is also likely to involve having to deal with new (and not so new) dilemmas. These will need to be more openly discussed if stakeholder activists are to sustain constructive relationships with corporations rather than acquiescing to having the relationship ‘managed’.

The examples of Chevron and North Ltd not only illustrate the different ways in which stakeholder activists are engaging with corporations, but also the issues inherent in taking on large corporations. These issues include the imbalance of power favouring corporations, the different attitudes that corporations hold regarding their reputation, the possibility that stakeholder values and principles may have to be compromised, the difficulty of building constructive relationships between stakeholder groups, and the frustration of subjecting themselves to criticism from stakeholder groups alienated from any corporate partnership. Despite this, stakeholder activists continue to challenge corporate behaviour by using reputation as the lever. Far from bringing about fundamental changes to global capitalism, however, this strategy has its limitations. At best, it is possible
that stakeholder activists could shape capitalism, making it more humane and environmentally sustainable. Considering that the strategy is based on challenging individual corporations, it is probable that even attaining this goal will be a matter of uneven progress over a very long term. Nevertheless, as one strategy amongst others, using corporate reputations to influence corporations to become better citizens could well be a significant step toward bringing about social change. Indeed, it is this notion of corporate citizenship that is shaping the corporate response to the demands of stakeholder activists.

**CORPORATE CITIZENSHIP: THE RESPONSE**

Although there is pressure on businesses to become better corporate citizens, the notion of corporate citizenship is not unproblematic. The meaning of the term is widely debated amongst activists and academics, and neither business nor the government can agree on what constitutes a good corporate citizen. There is little doubt that stakeholder activists aim to turn corporations into ‘good’, or at least ‘better’, corporate citizens. They address issues relating to workplace reform, corporate governance, environmental sustainability, social justice, human rights and ethics. In the process they are also questioning strategies of corporate accountability, and extending democratic principles into corporate behaviour. Arguing for a bottom line that includes environmental, social and financial sustainability, stakeholder activists are challenging the neo-classical economic paradigm within which business operates. Given the reputational effects associated with being seen to be good corporate citizens, it is not surprising that businesses have begun to think about what their roles and responsibilities are in society.

Stimulated by the contestation over reputation, pressure to adopt corporate citizenship principles now also comes from within the corporate sector itself. Indeed, there appears to be a corporate citizenship industry developing comprised of organisational change consultants, ethical investment agencies, institutes of research, corporate peak body organisations,⁶ corporate citizenship awards, and advocates of social and environmental accounting procedures. Combined with pressure from both non-government organisations and governments to rethink their citizenship activities, corporations are finding it increasingly necessary to engage with the issues and ideas emanating from this field. The question for corporations is which model of corporate citizenship will be the most beneficial?

In practice there are numerous forms of corporate citizenship. However, there appear to be three basic models which influence the positioning of corporations in relation to the corporate citizenship principles to which they adhere: economic,

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⁶ These organisations include the UK’s Business in the Community, the USA’s Business for Social Responsibility, and Canada’s Centre for Business in the Community. As yet Australia does not have this level of organisation, although it seems likely that one will develop in the near future.
philanthropic or strategic (Diagram 1). The economic model of corporate citizenship adheres to the principle that good corporate citizenship is related to maximising the financial return to society through shareholder dividends, taxes and wages. Milton Friedman, the oft-quoted proponent of this view of citizenship, argues that the only social responsibility of business is to make a profit (1970). It is this form of citizenship that most closely relates to neo-classical economic theory with its principles of profit maximisation, liberal individualism and the ‘trickle-down’ effect. Although undoubtedly dominant within Australian corporations through the recent era of economic rationalism and deregulation, there are signs that some corporations are recognising the limitations of a view of business that sets itself apart from the rest of society.

**Diagram 1: Positions of corporate citizenship**

While both the philanthropic and strategic models of corporate citizenship locate business within society they do so quite differently. The philanthropic model is based on the view that social/community investment is not only the ethical way to conduct business, but it is good for business. This is the model being promoted by the federal government in its policies relating to social coalitions and community partnerships. Other OECD countries also have ‘percent clubs’ whereby corporations donate a certain percentage of their pre-tax profits to meet community needs. There is a range of strategies associated with this model including

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7 These policies were developed out of the Prime Minister’s Business and Community Partnerships Round Table held on 25 March 1998, and followed up with financial incentives in the 1998–99 budget. Information on these policies can be found at <http://www.facs.gov.au/partners/>.
sponsorship, donations, employee volunteer programs, cause-related marketing and foundations. While the model raises a number of questions relating to the changing role of government, the impact on non-profit organisations and the provision of welfare services, there is no doubt that a number of corporations adhere to this model of corporate citizenship. In Australia, a survey of corporations conducted by Moon and Sochaki (1996) indicated that just under one third of the companies who responded were involved in community activities related to unemployment and job and enterprise creation (1996: 17). Debate still rages about whether this model is a ‘real’ ethical shift in business practice, or merely another way for business to extend its reach into new areas of society (Edgar 1999): to what extent, ask the sceptics, will business adhere to its ethics during a period of fiscal crisis? Nevertheless, judging by the articles, promotions and media attention given to this model (see, for example, the special ‘Corporate philanthropy’ section in The Australian 1999), it appears that it is one that has been at least partially endorsed by some corporations in Australia (see also Moon 1995).

Of the three models, however, it is the strategic form of corporate citizenship that offers the most promise for any substantial shift in corporate culture and social change. This model is based on the principles of sustainability (Dunphy and Griffiths 1998) and the triple bottom line (Elkington 1997): financial, social and environmental. Within this model, business is viewed as being given the privilege of a ‘licence to operate’ by society and ‘should respond to constituencies beyond its market-based partners, fulfilling a corporate social responsibility’ (Doig 1999: 1). Amongst those advocating this model as being the future of corporate citizenship (Dunphy and Griffiths 1998; Tomer 1999; Handy 1997), there are a number of common themes:

- the development and management of collaborative and mutually beneficial relationships with key stakeholders;
- the creation and integration of a strong corporate identity which signifies the ethics, values and commitments of the corporation;
- a commitment to act as a responsible citizen and be accountable to the wider community;
- ensuring that CEO and corporate performance is measured in terms of its social, environmental and financial objectives.

While there are few corporations that comply fully with this model of corporate citizenship, their numbers appear to be increasing. Shell, BP and Rio Tinto are

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8 The survey was conducted on 2200 companies that were either listed on the Australian Stock Exchange or were overseas-owned companies operating in Australia. The response rate was 15.3 per cent (Moon and Sochaki 1996: 16)
three of the larger ones prepared to take leadership in this area. The extent to which stakeholder activists influenced this course of action amongst these corporations is largely undocumented (but see Shell 1999a, 1999b, 1999c). However, each of these companies has been under pressure from NGOs to change its corporate behaviour (Marsden and Andriof 1998). The attention placed on building stakeholder relationships in the strategic model certainly places stakeholder activists in a more powerful position to influence the kinds of changes that they are pursuing. One of the difficulties, however, might well be that corporations will have to consider stakeholder groups with diverse agendas, so that NGOs will not only find themselves needing to convince corporations of their arguments, but also a number of other organisations and groups, some of which may be directly opposed to their values and objectives. It is therefore likely that NGOs and other stakeholder activists may have to develop different ways of operating to maximise their effectiveness within the strategic corporate citizenship model. Nevertheless, the main difficulty relating to this model is in getting corporations to adopt it on a long-term and substantial basis, to the extent that its positive benefits will not be over-ridden by the pressures of the international financial market (Korten 1995).

Corporate citizenship can therefore be seen to have different meanings, with each of the three models relating to a different role for business in society; a particular kind of relationship between a corporation and its stakeholders; and a different view of the scope of a corporation’s responsibilities. Using reputation as a lever to induce corporations to become better citizens will need to take into account these differences. Unless stakeholder activists begin to clearly enunciate and work toward a particular model, then calls for corporations to improve their citizenship programs could end up being futile. In order to do this, stakeholder activists will need to be proactive in developing their own framework for a form of social change in which corporations play an active role. This is quite different to previous notions of (left-leaning) social change in which corporations have often been viewed as ‘the enemy’. The challenge for stakeholder activists will be to maintain their integrity, identity and power base while working with corporations in a socially productive way.

By way of illustrating this point, it is noted that in America stakeholder activists have formed formal alliances with each other in groups such as the Stakeholder Alliance which has developed the Sunshine Standards for Corporate Reporting to Stakeholders (1999). At the same time a number of alternative visions for the business–society relationship are being proposed. These visions are based on such notions as connected capitalism (Gates 1998), stakeholder capitalism (Kelly, Kelly and Gamble 1997) and distributive capitalism (Mathews 1999), each of which challenges the view of corporations as a purely economic entity. On the other hand, there is no challenge to capitalism in itself; each of these ‘alternatives’ operates within a modified capitalist framework, raising questions as to the extent
to which they could be sustained. Economic history shows us, however, that not all revolutions involve decisive breaks in one system and the total transformation to another. Some revolutions are living: they happen more slowly and unevenly. Perhaps this is the kind of revolution that stakeholder activists are aiming for!

CONCLUSION

In questioning whether corporate reputations are likely to be a useful site for bringing about social change, it has been necessary to place the notion of stakeholder activists into a broader context. Although the spin-doctor strategy of managing corporate image in isolation from its practices and policies may well become redundant in the era of reputational value, the shift to a stakeholder model of the corporation is not without its own problems. While there may well be advantages of the stakeholder model — both for corporate reputations and for social change — they are by no means guaranteed. Corporations still wield immense power. In the face of this power, stakeholders may need to ask whether we, as a society, have a commitment to developing the forms and levels of human and social capital required to sustain the kind of active civil society and involvement in civic institutions and culture that is required to make stakeholder influence effective.

If stakeholder activists are going to enter into successful, constructive relationships with corporations it will require them to engage with the theories, models and practices that corporations appear to be rapidly developing. They will need to examine the language and discourses being used to define these relationships and popularise them to the field of management and business. They will need to deconstruct the strategies that corporations are using to ‘manage’ stakeholder relationships, and find ways of reconstructing the relationship in mutually beneficial ways. They will also need to be able to recognise and exploit the differences between corporations in terms of their particular reputational strengths and weaknesses, their understandings of stakeholders, and their positioning with respect to corporate citizenship. It may also be necessary to recognise that these differences occur within corporations as well as between them, and to build alliances with sympathisers within these corporations and work from both the inside and the outside. Although these strategies will increase the likelihood of bringing about the kind of social change aimed for by stakeholder activists, there is a problem: resources. Unlike corporations, which are capable of freely dedicating resources to investigating their stakeholders, stakeholder activists are often unable to do the same. This may well be a new field for the critical social sciences to enter.

Social movement theorists are only just beginning to view corporations as ‘their territory’, and they are well placed to develop a constructive, critical analysis of the engagement between stakeholders and corporations. However, unless this trend develops further, and keeps apace with changes in the corporate sector, it is
unlikely that the use of corporate reputations as a lever to facilitate social change will be effective.
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THE HAWKE INSTITUTE

The Hawke Institute undertakes research and fosters debate on democratic participation in political, economic and social life.

The central themes of the Institute’s work are

• the social, cultural and economic aspects of globalisation and its sustainability;
• issues of participation, equity and citizenship in working life, in education and in society; and
• questions of identity, of cultural production and representation, and of our place in the international community and specifically in Asia.

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