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Stakeholder Engagement: Beyond the Myth of Corporate Responsibility

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ABSTRACT. The purpose of this article is to transcend the assumption that stakeholder engagement is necessarily a responsible practice. Stakeholder engagement is traditionally seen as corporate responsibility in action. Indeed, in some literatures there exists an assumption that the more an organisation engages with its stakeholders, the more it is responsible. This simple 'more is better' view of stakeholder engagement belies the true complexity of the relationship between engagement and corporate responsibility. Stakeholder engagement may be understood in a variety of different ways and from a variety of different theoretical perspectives. Stakeholder engagement may or may not involve a moral dimension and, hence, is primarily a morally neutral practice. It is therefore argued that stakeholder engagement must be seen as separate from, but related to, corporate responsibility. A model that reflects the multifaceted relationship between the two constructs is proposed. This model not only allows the coincidence of stakeholder engagement with corporate responsibility, but also allows for the development of the notion of corporate irresponsibility.

KEY WORDS: corporate irresponsibility, corporate responsibility, human resource management, social reporting, stakeholder engagement, stakeholder theory

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Introduction

Stakeholder engagement gives the impression of corporate responsibility. It appears evident that if an organisation shows commitment, through policy and practice, to stakeholder involvement it is acting responsibly towards these stakeholders: the more an organisation engages with its stakeholders, the more accountable and responsible that organisation is towards these stakeholders. The very notions of corporate responsibility and the responsible organisation are built upon this belief (BSR, 2006). The purpose of this article is to dispel this myth: to refute the simplistic assumption that stakeholder engagement is necessarily an act of corporate responsibility and to theorise a complex relationship between stakeholder engagement and corporate responsibility in its place. Stakeholder engagement is understood as practices the organisation undertakes to involve stakeholders in a positive manner in organisational activities. Corporate responsibility is taken to mean the responsibility of the corporation to act in the interests of legitimate organisational stakeholders.

To achieve its purpose, this article is organised in the following manner. First, the simplistic 'more is better' theme is explored through the literatures of social reporting and human resource management. Then, the construct of stakeholder engagement is teased out. The idealised depiction of stakeholder engagement gives way to the murky reality that engagement of stakeholders can mean many things to many people. A statement is made on the moral status of stakeholder engagement. Next, the responsible treatment of stakeholders is clarified. Important issues of stakeholder identification and conflicting stakeholder claims are addressed. Finally, a model of complex interaction between stakeholder engagement and corporate responsibility to replace the debunked simplistic responsibility assumption is proposed. This model includes the important possibility of corporate irresponsibility.

The responsibility assumption

There is an apparent soundness of logic to the assumption that the more an organisation engages with its stakeholders, the more accountable and responsible that it is likely to be towards these stakeholders. This responsibility assumption presumes that the act of stakeholder engagement in and of itself delivers some benefit towards stakeholders and is, therefore, an act of responsibility towards stakeholders. The supposition pervades debates regarding organisational practices that purport to be 'responsible' or stakeholder-friendly. Both the areas of human resource management and social reporting fall into this category.

High-road HRM as corporate responsibility

Employees are identified as primary stakeholders in the firm from both normative (Phillips, 1999) and instrumental (Mitchell et al., 1997) perspectives. Of particular note is that employees are relatively highly salient stakeholders (i.e. high power and high legitimacy) to whom the firm owes a perfect duty. Employees have significant influence on the firm and therefore can be identified as high power (Mitchell et al., 1997) 'influencer' (Kaler, 2002) stakeholders. Employees are closely integrated with the firm, giving them a ''peculiar role among stakeholders'' (Crane and Matten, 2004: 224). They contribute to the firm in the most fundamental ways. The employees actually ''constitute'' the firm: they are a ''resource of the corporation, they represent the company towards other stakeholders, and they act in the name of the corporation'' (Crane and Matten, 2004: 224).

In addition, employees are greatly affected by the success or failure of the firm. Employees have a continuing investment in the firm; an investment of experience and specialised skills (Maltby and Wilkinson, 1998), accrued resources and personal relationships. Employees often make a considerable investment in taking a job that may include a geographical move, change in relationships or additional training. Employees may become financial dependent on organisations. The company is likely to form the basis of their economic livelihood through their income or share ownership. Given the investment in time and effort individuals often place in their jobs and careers, they may also depend on their work for social relationships, self-identity and self-actualisation (Crane and Matten, 2004). Hence, even according to the narrowest of definitions, employees can be identified as high legitimacy (Mitchell et al., 1997), 'claimant' stakeholders (Kaler, 2002) to whom the company has perfect duties (Gibson, 2000, Kaler, 2003).

Employee engagement, in the form of high-commitment or high-road human resource management practices, provides another example of the responsibility assumption. High-road human resource management includes practices that elicit the knowledge, emotions or spiritual commitment of employees through valuing them and empowering them as individuals. In the 1990s, proponents of employee empowerment practices such as skills training, participation in decision-making, team work and additional responsibilities, promoted empowerment as a means by which individuals exercise self-control, self-determination and self-development (Claydon and Doyle, 1996). More recently, advocates of workplace spirituality promote practices such as chaplaincy, spiritual retreats, meditation and religious study groups, as a means of elevating the meaning of work, developing a community in the workplace and recognising the whole person (Bell and Taylor, 2003).

There is a ''moralistic theme'' in the employee empowerment literature (Claydon and Doyle, 1996: 13) and the spirituality literature (Bell and Taylor, 2003). Claydon and Doyle (1996: 16) note that ''the language of empowerment, like the HRM discourse more widely, slides between deontology and ethical egoism''. The suggestion, however, that engaging with employees through high-road HRM is an inherently responsible action on the part of the firm is fallacious. Just because an organisation attends to employees does not mean it is responsible towards them. Likewise, just because an organisation does not engage with employees does not mean that the organisation is not responsible towards them. Such assumptions do not account for the propensity of the organisation to act in self-interest, particularly where there is a large power imbalance in the favour of the organisation. Detractors of employee empowerment claim that organisations objectify and exercise domination over employees by falsely encouraging employees to believe they have control over their own lives (Claydon and Doyle, 1996). Bell and Taylor (2003: 332) observe that ''somewhat paradoxically, rather than enabling liberation from the constraints of work and modernity, workplace spirituality ensures that the search for meaning is harnessed to specific workplace purposes''. It is apparent that high-commitment HRM practices in and of themselves do not guarantee the moral treatment of stakeholders.

Social reporting as corporate responsibility

Social reporting is the reporting of a company's social performance to its internal and external stakeholders. The social reporting process is often depicted as a dialogue between the company and its stakeholder and a means by which the stakeholders can participate in the activities of the company. The act of engaging with stakeholder through social reporting is often erroneously interpreted as an act of responsibility (Roberts, 2003). The corporate responsibility report from UK national lottery licensee Camelot Group provides an example:

> Finding out what matters to our stakeholders is at the heart of Camelot's approach to acting responsibly as a business. Consultations affect the way we operate. Our key corporate responsibility commitments and actions come from listening to their concerns, and trying to understand the world as they see it. (Camelot, 2006: 23)

The case of social reporting of Royal Dutch Shell Company provides an illustration of engagement being interpreted as responsibility. Shell has shifted its reputation from a very low level in 1995 (Wheeler et al., 2002) at the time that the company was accused of being complicit in the execution of activist Ken Saro-Wira and eight of his colleagues (Obi, 1997), to a high level in 1999 when Shell was thought to be ''strong on the environment'', ''ethical'' and ''committed to human rights'' (Vidal, 1999). This transformation occurred through stakeholder engagement: the company became a leader in social and environmental reporting (UNEP, 2000). At the time of the first report in 1998, it was common opinion was that the company was under pressure to change because of the public exposure of its disastrous activities (Kok et al., 2001) and that, although the company may not be 'doing the right thing at least they are honest about it' (Sweeney and Estes, 2000). At some point, however, public commentary slipped into that of 'doing the right thing':

> There is no doubt that Shell's corporate repositioning on sustainability, CSR and stakeholder – responsiveness is real. Their international stakeholder outreach and public relations in the years since the events of 1995 have been very effective with a number of audiences.....In many ways, at the corporate level Shell is now a model company with respect to the concepts of CSR. (Wheeler et al., 2002: 313)

Shell's decision to publish an ethics report is viewed as a transformation from a defensive ''trust me'' approach to a proactive ''join us'' and assumed to be a moral activity (Kaptein and Wempe, 1998: 132). Some commentators are far more critical of ''vacuous consultant-speak with meaningless phraseology and jargon [which threatens] to displace necessary in-depth analysis of the tensions and problems encountered in holding powerful economic organisations accountable'' (Owen and Swift, 2001: 4–5). In response to the following statement made by Shell in 1998, Roberts (2003) notes that the concern expressed by the company is not for stakeholders but for how the stakeholders see the company:

> We care what you think of us. We want you to know more about how we work and how we strive to live up to our principles. This report is part of a dialogue and we will continue to seek your views. (Knight, 1998: 1)

Indeed, companies invite stakeholder to engage with them as proof of their sincere and caring nature (Livesey and Kearins, 2002). Stakeholder dialogues *per se* ''have nothing to do with ethics'' (Roberts, 2003: 256).

Stakeholder engagement

Stakeholder engagement has been defined as practices that the organisation undertakes to involve stakeholders in a positive manner in organisational activities. In defining stakeholder engagement in this manner, it is manifest that many areas of organisational activity involve stakeholder engagement. Stakeholder engagement is not the exclusive domain of socially responsible firms, nor is it the exclusive domain of socially responsibility activities within firms.

Multiple views of stakeholder engagement

Stakeholder engagement can be understood as practices that the organisation undertakes to involve stakeholders in a positive manner in organisational activities. According to Phillips (1997), the involvement of stakeholders in a mutually benefiting scheme that marks a person or group as a stakeholder and merits them additional consideration over and above the consideration due to any human being. In ideal terms, stakeholder engagement would take the Rawlisan form of a "mutually beneficial and just scheme of cooperation" (cited in Phillips, 1997: 54). Such a view depicts stakeholder engagement as a moral partnership of equals. In reality, however, it is likely that the organisation and its stakeholders are not of equal status and that the terms of any co-operation are set by the more powerful party. Hence, the notion of stakeholder engagement is ripe for further exploration.

Given the varied set of organisational stakeholders, engagement practices may exist in many areas of organisational activity including public relations, customer service, supplier relations, management accounting and human resource management. In these contexts, engagement may be seen as a mechanism for consent, as a mechanism for control, as a mechanism for co-operation, as a mechanism for accountability, as a form of employee involvement and participation, as a method for enhancing trust, as a substitute for true trust, as a discourse to enhance fairness, as a mechanism of corporate governance.

Despite the ubiquity of the stakeholder concept (Donaldson, 2002) and stakeholder engagement activities, the engagement of stakeholders is an under theorised area. Many accounts of stakeholder activities focus on the attributes of organisations or the attributes of stakeholders rather than on the attributes of the relationship between organisations and stakeholders (Frooman, 1999; Greenwood, 2001). Ideas regarding stakeholder engagement however may be drawn from various theoretical traditions. A review of various possible depictions of stakeholder engagement from business ethics, social accounting and human resource management, grouped into themes of responsibility, managerialism and social control and construction, is presented in Table I.

From the perspective of accountability and responsibility theories, stakeholder engagement is a mechanism by which organisational accountability and responsibility towards stakeholders can be acquitted (Gray, 2002), often through the involvement of stakeholders in decision-making and governance (Van Buren III, 2001). Managerialist theories would hold that engagement of stakeholders is a means by which the organisation may glean contributions (Sillanpaa, 1998) or manage risks (Deegan, 2002) posed by influential stakeholders. Stakeholder engagement is depicted as forms of managerial control (Owen et al., 2000) and social construction (Livesey and Kearins, 2002) by critical theorists, some of whom suggest that it undermines the very ideals it purports to uphold (Bauman, 1993; Power, 2004). It is posited that not all these depictions of stakeholder engagement are mutually exclusive, although some are incommensurable. Further, it is posited that stakeholder engagement can perform several of these functions depending on the particular circumstance, even within a single organisation.

The moral status of stakeholder engagement

The argument presented here is that stakeholder engagement is, for the most part, a morally neutral practice. To suggest that stakeholder engagement is morally neutral is not to suggest that it is amoral, that is, without moral value. The very act of engaging stakeholders has moral connotations. For example, employee engagement presumes the attribution of some free will and respect to the workers, and existence of some element of procedural justice of the process (Rothschild, 2000). Clearly, unless employees are to some extent voluntary and active in the process, and the process is seen as fair and just by them, then engagement cannot be said to occur (the process would be more akin to manipulation or indoctrination). However, there are other 'moral' elements that may be assumed or implied as part of

TABLE I

Understandings of stakeholder engagement

Engagement as a form of....	Engagement becomes a mechanism for....	Based on the ideas of....
Responsibility		
Fiduciary duty	Acquitting the moral duty of the firm	Evan and Freeman, 2004
Consent	Enhancing voluntary explicit consent, ameliorating unfairness	Van Buren III, 2001
Corporate governance	Allowing stakeholders access to decision-making, enhancing stakeholder voice	Freeman, 1984 Van Buren III, 2001
Participation	Allowing stakeholders to participate in the firm	Arnstein, 1969
Fairness	Fulfilling the obligation to stakeholders	Phillips, 1997
Cooperation	Enhancing trust-based cooperation	Peccei and Guest, 2002
Accountability	Enhancing the accountability of the firm	Gray et al., 1996
Managerialist		
Unitarism	Encouraging unity of values, suppressing dissent, discouraging informal communications	General managerial literature
High-commitment HRM	Eliciting employee contribution,becoming an 'employer of choice'	Peccei and Guest, 2002
Non-financial accounting	Measuring and valuing non-financial, intangibles of the firm e.g. intellectual capital, social capital	
Strategic management	Managing the firm in response to the interests of the stakeholders	Freeman, 1984
Continuous learning	Involving stakeholders so that the company can continuously learn and improve	Sillanpaa, 1998
Legitimisation	Legitimising the firm to its stakeholders	Deegan, 2002
Risk management	Deflecting criticism	Deegan, 2002
Social control and construction		
Trust-distrust	Substituting for trust or mitigating distrust	Swift, 2001
Managerial capture	Enhancing managerial control	Owen et al., 2000
Social construction	Constructing an image of the firm	Livesey and Kearins, 2002
Fatal remedy	Undermining democratic goals by attempting to control the immeasurable and making it rational and objective	Power, 2004
Knowledge appropriation	Transforming stakeholders' tacit knowledge to explicit knowledge	Kamoche, 2006 Power, 2004
Immorality	Suppressing moral instinct	Bauman, 1993

engagement process (employee involvement as being necessarily 'good' for employees) that are not necessarily present.

The intent of the actors may be taken for granted erroneously. Just because someone communicates or consults with another does not mean that they have any interest in fulfilling the other's desires or wants. In the organisational setting, employee participation in decision making may not be undertaken to achieve the goals of the employees, but rather done to further the objectives of the organisation. Likewise the virtue of the actors may be incorrectly assumed. Just because a manager acts in a fair and respectful manner in an engagement process does not mean that these are virtues that they value or nurture. Finally, it is often incorrectly assumed that the outcome sought is that which will provide the best utility for all parties involved. A conflation between the justness of the process (procedural justice) and the justness of the outcome (distributive justice) may occur. Thus it is claimed that the engagement process per se should be considered as independent of the intentions of the actors, the virtue of the actors and the fairness of the outcomes and, as such (with the qualification identified earlier), can be depicted as largely morally neutral or unaligned (as opposed to amoral or value-free).

Hence, it is posited that stakeholder engagement is a morally neutral practice. It is morally neutral in that it may underpin exchange relationships based entirely on rational factors and devoid of moral factors. Stakeholder engagement may be used in a moral way or used in an immoral way, but it is not necessarily either of these; rather, it has the potential to be either of these. It may be a morally positive practice when it enables co-operation in the context of a mutually benefiting relationship. However, it may also be a morally negative (immoral) practice used as a deceptive control mechanism when masqueraded as corporate responsibility.

The responsible treatment of stakeholders

The engagement of stakeholders does not ensure the responsible treatment of stakeholders. The responsible treatment of stakeholders has been defined in this article as the organisation acting in the interests of legitimate stakeholders. This definition, however, is necessarily restricted by two notions fundamental to normative stakeholder theory (Donaldson and Preston, 1995). First, there is the issue of who is a legitimate stakeholder and what makes them such. Second, there is the issue of how the company balances inevitable conflicts between stakeholder claims. Without these limitations on the responsible treatment of stakeholders, the demands upon the organisation would be so great as to render such responsibility meaningless (Phillips, 2003).

Identifying legitimate stakeholders

The issue of which groups or individuals are identified as organisational stakeholders is central to debate in stakeholder theory (Mitchell et al., 1997). Rigid identification of the exact persons who qualify as stakeholders may be misplaced (Buchholz and Rosenthal, 2005), but identification of what counts as a stakeholder claim is vital because of its implied assumptions about the moral relationship, or lack thereof, between an organisation and its stakeholders. From a theoretical point of view, stakeholder identification is fundamental to any debate about the nature of the relationships between organisations and stakeholders. From a practical point of view, it is an immediate and observable way of ascertaining the broader posture of an organisation towards its stakeholder relationships (Miles and Friedman, 2002).

Stakeholder theory offers a ''maddening list of signals'' on how the questions of stakeholder identification can be answered (Mitchell et al., 1997: 853). These include stakeholders identified as primary or secondary; as owners and non owners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as right holders, contractors or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influencers; and as legal principles to whom agent-managers bear a fiduciary duty (Mitchell et al., 1997). The methods by which stakeholders are defined reflect particular views of the stakeholder conception. For example, a classic definition of a stakeholder as ''having something at risk on the firm'' is both derived from, and forms the basis of, Clarkson's risk-based stakeholder model (Phillips, 1999: 33).

In a bid to make sense of this assortment of ideas regarding stakeholder identification, the various definitions have been categorised. Freeman (1984) suggested that definitions of stakeholders could be described as 'narrow' or 'broad'. The narrow definitions included groups who are vital to the survival and success of the organisation (Freeman, 1984).

The broad definition included any group or individual that can affect or is affected by the corporation (Freeman, 1984). It is tempting to see the broad definition of stakeholders as the more moral or responsible definition. The inclusion of the category of stakeholders who are affected (as opposed to those who merely affect) the organisation suggests a moral relationship absent in the narrow definition. However, Phillips (1999: 32) holds that that "stakeholder theory is meaningless unless it is usefully delineated". Demarcation of stakeholders is necessary to allow for a moral relationship between the organisation and its stakeholders by excluding those stakeholders without a moral stake.

Rather than conceive of stakeholders in either a narrow or broad sense, it may be more useful to consider definitions as depicting the stakeholder as either moral or strategic. Kaler (2002: 91) argues that, by dividing definitions of stakeholders into "claimant" definitions and "influencer" definitions, the moral duties of the organisation can be greatly clarified. Definitions of stakeholders as claimants imply that the business owes perfect or imperfect duties to these stakeholders and, as such, are seen as 'moral' definitions. In the terminology used in the landmark model of stakeholder salience (Mitchell et al., 1997) claimant stakeholders are high on attribute of legitimacy rather than power or urgency. In contrast, influencer stakeholders have the attribute of power and/or urgency rather than legitimacy. Definitions of stakeholders as having an influence on the organisation, as being influenced by the organisation, or as mutually influential, hold only strategic considerations and thus are seen as morally neutral[1] (Mitchell et al., 1997). It should be noted that according to this classification, Freeman's original definition of stakeholders as being "any group or individual who can affect or is affected by the achievement of organisation objectives" (Freeman, 1984: 46) is clearly an influencer definition. Slinger (2000: 68) asserts that this definition is "does not say all he (Freeman) would like to say" and is "simply not strong enough".

Adjudicating stakeholder claims

Acceptance of the contribution of a stakeholder imparts upon the organisation a moral duty towards that stakeholder. This raises the fundamental challenge of stakeholder theory; how should the myriad of stakeholder claims (and corresponding organisational duties) be prioritised. Instrumental models of stakeholder salience (Mitchell et al., 1997), no matter how convincing, do not help (Moore, 2004). It has been noted earlier that the ability to affect the firm is not a sufficient condition for a moral claim. The fact that managers do pay attention to more powerful stakeholders does not necessarily mean that they should. Several writers have given plausible responses to this problem. Phillips (1997) uses the principle of fairness to determine that obligations should be in proportion to the benefit accrued. Gibson (2000) suggests that the organisation show ethical partiality to stakeholders in the same manner that individuals show partiality to others, that is based on reciprocity, reparation and gratitude (Moore, 2004). Rowan (2000) holds that where duties conflict, the organisation should fulfil the duty that will show the greatest respect for persons.

Whichever principle is used to prioritise between stakeholder claims, it seems apparent that there exists a hierarchy of claims and corresponding duties. Kaler (2003) and Gibson (2000) differentiate between general and specific duties, and perfect and imperfect duties, whereby stakeholders owed perfect general duties take precedence over others. Any priority given to the owner stakeholders over non-owner stakeholders could only be justified on these grounds. The extension of fiduciary duties to "all others engaged in a joint endeavour or economic exchange" (Hosmer, 1995: 393) is a hallmark of stakeholder theory.

A model of stakeholder engagement

Having argued for the separation of stakeholder engagement from responsible treatment of stakeholders, and the depiction of these two variables as distinct, it is appropriate to consider the possible relationship between them. The model presented herewith (see Figure 1) explores the relationship between two variables: the engagement of stakeholders and stakeholder agency.

The axes of the model

The x-axis of the model is labelled *Stakeholder engagement*. Stakeholder engagement is a process or

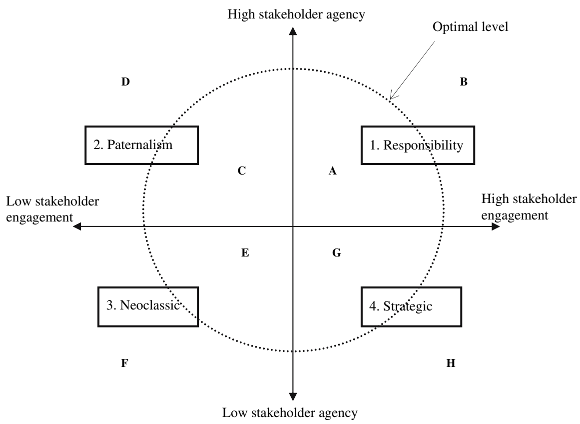

Figure 1. A model of stakeholder engagement and the moral treatment of stakeholders.

processes of consultation communication, dialogue and exchange. High engagement is where these activities are numerous and/or these activities are of high quality. Low engagement is the opposite of high engagement. No engagement is theoretically possible, but highly improbable.

The y-axis of the model is labelled *Stakeholder agency*. Stakeholder agency is a proxy for the responsible treatment of stakeholders. Stakeholder agency is the number and breadth of stakeholder groups in whose interest the company acts. Single stakeholder consideration is where the organization considers one or a small number of stakeholders (most often owners or senior managers). Multiple stakeholder consideration is where the organization considers a larger number and/or a broader range of stakeholders. Multiple stakeholder obligation can be distinguished by the extent to which responsibilities towards non-shareholders are considered equivalent to those towards shareholders; the extent to which the duties towards non-shareholder stakeholders are considered 'perfect' duties; the extent to which responsibilities towards non-shareholder stakeholders are role-specific; and, the extent to which the fulfilment of responsibilities towards non-shareholder stakeholders are presumed to be the ultimate objective of corporate activity (Kaler, 2003: 77).

The quadrants and segments of the model

The model is divided into four quadrants and eight segments. The segments are formed as each quadrant of the model is divided in two by a hypothetically placed line representing the notion of an optimal level. Drawing from the concept of optimal trust (Wicks et al., 1999), it is suggested that optimal levels exist for both the constructs of engagement and moral treatment of stakeholders. In fact, it is suggested that the extreme ends of the spectrum for these variables may be problematic. Of particular interest to this thesis is extremely high stakeholder engagement in both conditions of high stakeholder agency (segment B) and low stakeholder agency (segment D). A description of each of these segments is provided in Table II.

Quadrant 1 is labelled 'responsibility'. Where stakeholder engagement combines with high stakeholder engagement we can refer to corporate responsibility (Figure 1). Under these circumstances, the company balances the interest of legitimate stakeholders in a manner in keeping with justifiable moral principles (for example Kantian principles (Evan and Freeman, 2004), the principles of justice (Phillips, 1997) or feminist principles (Wicks et al., 1994). This corporate responsibility (segment A, Table II) forms the foundations of stakeholder theory (see the original principles of stakeholder theory (Evan and Freeman, 2004). Critics of stakeholder theory may dispute whether or not responsibility towards stakeholders is indeed the appropriate manner in which business should fulfil its responsibility towards society (see Sternberg (1999) for a comprehensive 'no' argument). However, opponents and proponents of stakeholder theory alike would criticise action that took the notions of stakeholder engagement and stakeholder agency to an extreme (segment B, Table II). Labelled as anti-capitalism, activities that involve disproportionate stakeholder participation, or involve stakeholder who cannot be said to have a genuine moral claim, would undermine the purpose and nature of the corporation.

Quadrant 2 is labelled 'paternalism'. By separating engagement from responsibility we allow for the possibility for a company to act in the interests of stakeholders without necessarily engaging with them (Figure 1). This more traditional version of social responsibility may take the form of paternalistic management practices towards employees or philanthropic donations to the community. Whether the company can know or respond to the interests of

TABLE II

The segments of the model

	Title	Stakeholder engagement	Stakeholder agency	Relationship between stakeholder engagement and stakeholder agency
A	Responsibility (traditional corporate social responsibility)	Comprehensive engagement of stakeholders	Acts in the interest of legitimate stakeholder	Optimal level of engagement with optimal level number of stakeholders, enhancing responsibility.
B	Anti-capitalism	Excessive engagement with stakeholders	Acts in the interest of all stakeholder including illegitimate	Participation of so many (including illegitimate) stakeholders that the purpose of the firm is compromised.
C	Limited Paternalism	Little stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders with limited consultation
D	Strong Paternalism	No stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders without consultation to the point of interference and reduction of liberty.
E	Market	Little stakeholder engagement in response to market demand	Does not act in the interest of legitimate stakeholder	Low engagement to further the interests of the owners. Organisation and stakeholders as economic entities
F	Illegal (outside the boundary of the law or accepted custom)	No stakeholder engagement as determined by agents in control of the company	Does not act in the interest of legitimate stakeholder	Agents act in their or principals interests either illegally or outside moral minimum norms. Could include fraud, theft, and abuse of human rights.
G	Reputation/ Legitimacy	Engaging with legitimate stakeholders to further shareholder interests.	Appears to act in the interest of all stakeholders	Engaging stakeholders enhances strategic alignment, reputation and legitimacy with stakeholders.
H	Irresponsibility (bad faith)	Excessive engagement without accountability or responsibility towards stakeholders	Appears to act in the interest of only influential stakeholder s	Engaging with stakeholders under deceptive conditions, acting "as if" the aim is to meet stakeholders' interests.

stakeholders without consulting them is highly questionable. It is commonly believed that responsible management practices should incorporate stakeholder consultation and go beyond acts of benevolence. This quadrant is divided into two segments. Paternalistic style management would normally take the form of weak paternalism whereby there would be some minimal stakeholder engagement and the company would limit its interventions (segment C, Table II); technically the company would be permitted to interfere only to protect stakeholders from harm under circumstances that the stakeholders were not fully able to act on their own behalf (Ten, 1980). However where there is high intervention and no engagement whatsoever, the action could be considered strong paternalism and, as such, carry the risk of improperly impinging on the stakeholders' autonomy and capacity for self-determination (segment D, Table II)

Quadrant 3 is labelled 'neoclassical'. Where an organisation has little interest in engaging its stakeholders and acts accordingly we can assume an economically based view of the firm. Examples of management practices which would fit such a model would be outsourcing of services such as human resource management, employment of contract labour rather than permanent staff and use of multiple low cost suppliers. Relationships with stakeholders would thus be viewed as an economic exchange and there would be no desire on behalf of the company to build comprehensive relationships with such stakeholders (segment E, Table II). Substantive moral arguments exist to support such a construction of the firm (Friedman, 1970; Jensen, 2002). Such arguments would not allow behaviour considered illegal or outside that which is morally accepted by society (Friedman, 1970). If organisations were to treat stakeholders instrumental to the point that the stakeholders were defrauded or their rights were abused (segment F, Table II) this would be considered legally and morally indefensible. The activities of companies such as Enron can be viewed as a case in point.

Quadrant 4 is labelled 'strategic'. Where an organisation responds to the needs of stakeholders with the aim of furthering the goals of the organisation, the management of stakeholders would be understood as strategic in nature (segment G, Table II). Rather than acting with the intention of fulfilling the interests of the stakeholders, the organisation acts in its own interests, and the stakeholders are merely a vehicle for doing so. Any advantage derived by the stakeholders is an unintended coincidence of interests or investment by the company in its own long-term benefit. It could be surmised that many of the stakeholder engagement practices that pass under the label of corporate social responsibility are in fact forms of strategic management. Again, moral arguments are readily available to justify this stance. As a form of enlightened self-interest these arguments would be similar to those used by the neo-classical stance. The major differences between the two perspectives is not in their assumptions regarding the proper objectives of the firm, but rather in how these objectives should be met (i.e. whether engagement of stakeholders is necessary). The strategic management of stakeholders only becomes a moral risk in the presence of deception and manipulation. Where organisations engage with stakeholders under the pretext of acting in the stakeholders' interests they may stand accused of immoral and irresponsible behaviour (segment H, Table II). This possibility will be discussed in greater detail in the next section.

It should be noted that these segments have been presented as discrete for heuristic purposes only: the likelihood that they meld and overlap is high. Both the axis of stakeholder engagement and stakeholder agency are continua and, therefore, each quadrant should also be a continuum. Thus, it is posited that an organisation may be characterised by more than one (or possibly all) engagement types across its various divisions and/or over time.

Corporate irresponsibility

Corporate irresponsibility occurs when the strategic management of stakeholders does not remain responsibility-neutral practice but becomes an immoral practice based on the deception and manipulation of stakeholders (segment H, Table II). Decades ago, Friedman (1970) noted what he saw as potential fraud on behalf of the company:

> There is a strong temptation to rationalize actions as an exercise of 'social responsibility'... for a corporation to generate good-will as a by-product of expenditures that are entirely justified in its own self-interest....I can express admiration for those (corporations) who disdain such tactics as approaching fraud.

In purporting to care for the interests of many stakeholders, with the true intent of furthering the interests of only one stakeholder group (owners), management risks acting in a deceitful and manipulative manner. Such action would violate the basic principles on which stakeholder theory has been developed: the right of the stakeholder to pursue their own interests, and the responsibility of the corporation to ensure that the outcomes of corporate action benefit the stakeholders.

This concern has been noted in several areas of organisational critiques. Windsor (2001: 227) voices disquiet about the increasing domination of the academic conceptualisation of corporate social responsibility by wealth-oriented practitioner views: ''What amounts to the counter-reformation in academic theories of responsibility adopts a narrowly economic conception of responsibility readily aligned with shareholder value creation strategies''. Ten Bos and Willmott (2001) highlight and challenge the dominance of rationalist assumptions in business ethics. Keenoy's parable of the wolf in sheep's clothing, hard HRM philosophy masquerading behind a veneer of soft HRM practices, has become common wisdom in the critical and ethical study of human resource management (Legge, 1995). Owen et al. (2001: 264) express concern about the ''managerial capture'' of social accounting and the broader social agenda: that is, ''the means by which corporations, through the actions of their management, take control of the debate over what CSR [corporate social responsibility] involves by attempting to outline their own definition which is primarily concerned with pursuing corporate goals of stakeholder wealth maximisation'' (O'Dwyer, 2003: 524).

In general, however, the focus of mainstream corporate social responsibility literature is on the positive. Scherer and Palazzo (2007) ''the contemporary positivist framework of CSR [corporate social responsibility] leads to a merely instrumental interpretation of corporate responsibility that fits perfectly into an economic conception of the firm''. Whilst the emphasis on normative ethics in ''post-positivist CSR'' presents a critical view of the mainstream (Scherer and Palazzo, 2007), there is negligible discussion of the notion of corporate irresponsibility[2]. Even though fraud and other illegal activities undertaken by companies have been identifiable as irresponsible behaviours, control of stakeholders and the stakeholder project under the guise of social responsibility, has not been identified as such. Upholding the veneer of responsibility through stakeholder engagement, yet disregarding the stakeholders' interests, is tantamount to deception and manipulation. Hence, the beginning of the development of a theoretical understanding of corporate irresponsibility is offered herewith.

Conclusion

This article has explored the construct of stakeholder engagement and its relationship with corporate responsibility. It has argued that the simplistic assumption that stakeholder engagement is directly linked to the responsible treatment of stakeholders is, just that, simplistic and an assumption. The logic of this argument is based on an analysis of the moral status of stakeholder engagement which showed that, although stakeholder engagement has moral elements, it is primarily a morally neutral activity. This conclusion is further supported by reality that organisations can engage its stakeholders in order to further corporate objectives rather than out of any sense of moral obligation. Stakeholder engagement may coincide with the moral treatment of stakeholders, but it also may run counter to moral behaviour. In order to fully understand these possible aspects of stakeholder engagement it is necessary to theorise the complex relationship between engagement and corporate responsibility. A model that proposes a probable relationship has been presented. This model allows for the possibility of corporate irresponsibility and offers a stepping stone for further theoretical and empirical exploration of this multifaceted relationship.

Notes

[1] Claimants can of course be influencers/influenced indeed, it may be argued that claimants must affect or be affected by the organisation in order to be claimants (Kaler, 2003).

[2] A search in the academic database in ''Business Source Premier'' for the term 'corporate irresponsibility' or 'corporate social irresponsibility' returns in 22 results,

whereas a search in the same database under the same conditions for the term 'corporate responsibility' or 'corporate social responsibility' returns 3065 results.

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