

The Risks in Relying on Stakeholder Engagement for the Achievement of Sustainability¹

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This paper examines the vaunted potential of stakeholder engagement for achieving sustainability, in theory and in practice. It identifies considerable risks inherent in relying on stakeholder engagement for the achievement of sustainability including misguided assumptions around stakeholder priorities in respect of sustainability, and around business interests in always acting to resolve stakeholder concerns. Stakeholder engagement is argued to be a mechanism that in a normative sense may be able to assist business in rethinking its interests in favor of sustainability, but if oversold or implemented instrumentally merely to legitimate 'business as usual', it is shown to represent an ill-fated panacea.

Introduction

Sustainability, with its challenge to business to measure its performance against not just the financial bottom-line, but also its social and environmental impacts, implies a revision of the traditional business model with its primary focus on short-term profits and meeting shareholder concerns (Elkington, 1997; Ehrenfeld, 1999 Welford 1995; 1997 & 2000). Increasingly, stakeholder engagement is being proffered as a means of achieving sustainability, not least in the business context (Hart & Milstein, 2003; Hart & Sharma, 2004; Sharma & Starik, 2004). It is this potential solution that we problematize in this paper through an exposition of some of the inherent risks we see associated with its being oversold or over-relied upon.

In theoretical and practical terms, stakeholder engagement can be conceived of as having achieved a modicum of popularity in its own right. Stakeholder theory - from which the idea of stakeholder engagement emanates - is regularly written about in the academic literature (e.g Clarkson, 1995; Donaldson & Preston, 1995; Mitchell, Agle & Wood, 1997; Jones & Wicks 1999; Stoney & Winstanley, 2001) and routinely taught in business schools – albeit often as a normative or instrumental complement to the prevailing shareholder model. Somewhat less although increasing attention has been given to descriptive stakeholder theory that focuses on whether and to what extent managers attend to various stakeholders and act in accord with their interests – and how they engage with rather than manage these stakeholders. Instrumental reasoning appears to prevail, however. Stakeholders have more recently been defined by the contribution they make to corporate wealth creation or destruction: that is that they “contribute either voluntarily or involuntarily to [the corporation’s] wealth-creating capacity and activities and are therefore its potential beneficiaries and/or risk bearers” (Post, Preston & Sachs, 2002, p. 19). Terms like stakeholder capitalism (Kelly, Kelly & Gamble, 1997), stakeholder democracy (see Special Issue of *Business Ethics: A European Review*, 2005), stakeholder engagement and dialogue have become more commonplace. In the face of challenges to organizational legitimacy, these modes of engagement offer hope of mutually acceptable solutions, and a sense of shared responsibility and even understanding on the part of stakeholders not least where sustainability is concerned (Doppelt, 2003).

The general agreement that appears to exist around the benefits of stakeholder engagement can hardly be seen to be reflected in the case of sustainability, however. There is little consensus in the developing theory around sustainability and even less so in practice where particular ideologies inform action (or inaction) around it. And yet these two domains - stakeholder engagement and sustainability - are increasingly linked, in terms of the former being part of the solution to achieving the latter. This stance arises in the context of stakeholders being seen earlier to be particularly instrumental in inducing greater ecological responsiveness by business (Starik, 1995; Berry & Rondinelli, 1998) and in enhancing business legitimacy in the sustainability arena. Stakeholders in this new view play a significant role as watchdogs and guardians of what is presumed to be the public interest in sustainability.ⁱⁱ Some writers have argued that a focus on organizational relationships with stakeholders provides a more relevant basis upon which to assess corporate social performance (Clarkson, 1995; Donaldson & Preston, 1995). More recently, fringe stakeholders have been regarded as potential sources of competitive imagination (Hart & Sharma, 2004). The potential risks of stakeholder engagement and dialogue are, however, not often analyzed in the literature (Crane & Livesey, 2003)

In this paper, we first examine relevant theory around sustainability and stakeholder engagement. In the case of stakeholder engagement, we draw from our base disciplines in management and communication where theory has developed largely in silos without the benefits of cross-fertilization. We then reveal some flaws in the logic that links stakeholder engagement by business to the achievement of sustainability. Throughout the paper we offer both well-known examples of stakeholder engagement by business and others that have been shared with us in discussions with business people and a variety of stakeholders. We conclude that stakeholder engagement may be a useful adjunct to other institutional arrangements, but on its own and without caveats, it appears to us insufficient to the task of achieving sustainability.

Stakeholder Engagement in the Context of Sustainability

One of the challenges in academia is to bridge discipline silos in order to forge new understandings. We draw on the rich literature streams in the management and communication disciplines related to stakeholder theory. Our objective is to build the two streams into a model of stakeholder engagement related to sustainability providing more potent explanatory power.

In reviewing the parallel more critical streams of communication and management literature on stakeholder engagement, we find strong consensus in the proposition that stakeholders are engaged with the purpose of building the legitimacy of organizations. We interpret this proposition as stakeholder engagement thus being instrumentally employed to sustain organizations. In light of this overarching purpose, we question the capacity of stakeholder engagement to serve the wider societal and planetary interests of sustainability that would often seem to be in conflict with business sustainability. We expand this argument below.

Stakeholder Theory from the Communication and Management Disciplines

In both communication and management literature, most authors follow the fairly broad definition of stakeholders derived from Freeman (1984). Stakeholders are considered to be those with a stake or an interest in an organization, including anyone

who may be impacted by or have an impact on the firm including employees, suppliers, customers, the local community and the environment. As we note below, there is no universal agreement however on who – or what – constitutes a legitimate stakeholder (Donaldson & Preston, 1995).

The emphasis in the two disciplines is different yet complementary. Communication literature in particular provides a strong focus on stakeholder engagement strategies, which focus on mutual responsibilities and the need for dialogueⁱⁱⁱ rather than management (Andriof, Waddock, Husted & Rahman, 2002). An example of participatory stakeholding where involvement in the decision-making processes of the organization extends beyond the formal owners (Jacobs, 1997) is the co-determination model of governance implemented in Germany whereby boards of directors include a union representative. Other more voluntary examples of both stakeholder participation and firm uptake of ideas include business advisory boards, community/neighborhood panels and ad hoc consultative exercises. Notably, efforts to emphasize ongoing relationships and communication between firms and stakeholders are becoming more apparent in both communication and management literature, although the latter privileges less of the underlying communication theory in respect of achieving dialogue.

The dialogue approach has served as the foundation to what has long been held as “excellent public relations” (Grunig & Hunt, 1984), based upon two-way symmetrical rather than two-way asymmetrical communication. Both of these models are “two-way” in that they involve research into the views of stakeholders. Asymmetrical communication is so named because the research is used to shape the messages targeted to those stakeholders in an effort to manipulate outcomes in favor of the disseminating organization. Two-way symmetrical is said to consist

more of a dialogue than a monologue. If persuasion occurs, the public should be just as likely to persuade the organization's management to change attitudes or behavior as the organization is likely to change the public's attitudes or behavior. Ideally, both management and publics will change somewhat after a public relations effort (Grunig & Hunt, 1984, p. 23).

However, in both communication and management literature, the underlying premise that consultation and dialogue with stakeholders will lead to better outcomes for all participants has been recently subject to critical analysis, as we explore later in this paper.

Within the management literature, stakeholder theory has been advanced and justified in three interrelated, but distinct approaches: descriptive, instrumental and normative (Donaldson & Preston, 1995) – which although debated continue to provide a convenient summary for the purposes of the current argument.

Instrumental approaches The instrumental approach within the management literature suggests that firms that are responsive to stakeholders will be more successful than those which are not (Maltby, 1997). The basic justification underlying the adoption of a stakeholder approach to management is that it can contribute to the long-term survival and success of the firm (Clarkson, Donaldson, Preston & Brooks, 2000), not least through enhanced legitimacy. Recent research

taking an instrumental perspective encourages firms to extend stakeholder engagement beyond the primary groups critical to a firm's survival to the "fringe" groups, including radical environmentalists and rural poor. The proposition is that these groups can enable firms to anticipate future sources of problems and identify imaginative new business ideas leading to sustained competitive advantage (Hart & Milstein, 2003; Hart & Sharma, 2004). New product ideas for undeveloped markets are one example.

An instrumental approach is also found within the communication literature, particularly in the public relations area of issues management. Issues management, broadly defined, is the practice of identifying potential problems and working to deflect or defuse them in order to minimize their impact on an organization or business. As we saw, although perhaps belatedly, in the case of Shell's attempts at public consultation over the options for decommissioning the superannuated Brent Spar oil platform, it is exercised with a view to ensuring long-term business survival by winning public understanding and approval.

That issues management is a strategic management function of public relations is widely agreed, although the management and communication literature is rarely compared or brought together. Much of the earlier issues management theory, in particular, regards governments as key stakeholders and is, thus, closely linked to public policy. Toth (1986), for example, includes within the public policy dimension of issues management both government affairs and strategic communications, "coordinating all images and messages reflecting basic organizational policy or strategy" (p. 29). Argenti (1998) notes the prevalence of government affairs departments within American corporations, developed to counter, or at least moderate, the influence of government on business through regulation. The concern with public policy is for the prevention of the introduction or alteration of government legislation that might impinge upon a business's ability to conduct itself in its own preferred manner and in the interests of its key stakeholders (Heath, 1997). Such instrumentalist approaches are centrally concerned with the viability of an organization or business; other approaches both complement and expand this 'mandate'.

Descriptive approaches Descriptive approaches to stakeholder theory examine which groups firms identify as stakeholders and how those relationships are managed (Jawahar & McLaughlin, 2001). Included in these approaches are typologies of stakeholders wherein researchers attempt to classify stakeholder groups to understand their influence on an organization (Carroll, 1989; Clarkson, 1995; Freeman, 1984; Mitchell, Agle & Wood, 1997). The idea here is that because businesses do not have the resources to respond to all stakeholder demands, it is crucial that they prioritize stakeholder groups according to their respective power (Madsen & Ulhoi, 2001). But who is a "legitimate" stakeholder continues to be an area of debate. For example, Starik (1995) in an article entitled "Should trees have managerial standing?" caused a furor when he suggested the natural environment be integrated into the stakeholder frame.^{iv}

Practitioners and theorists of issues management face similar dilemmas. Nasi, Nasi, Phillips, & Zyglidopoulos (1997) find strong evidence that "managers will respond to the demands of the most powerful stakeholders. As stakeholder groups gain and lose power, managerial activities will change focus" (p. 316). Mitchell, Agle and Woods's

(1997) analysis of stakeholder attributes suggests that those of power, legitimacy and urgency combine to determine the salience of a particular stakeholder group. If this position is accepted, then shareholders, in line with the dominant economic paradigm, are generally often regarded as the most powerful, urgent and, thus, salient group for firms, effectively bringing a stakeholder approach back into line with a 'business as usual' approach to social and environmental issues.

Normative approaches Normative approaches to stakeholder theory bring in ethical reasons as to why business should consult with stakeholders. Scholars taking these approaches argue that business managers should engage with stakeholders based on underlying moral or philosophical principles (Donaldson & Preston, 1995). Their perspective allies with the imperatives some see as inherent in calls for sustainability. Accepting that equity, equality and futurity are fundamental requisites to sustainability (Welford, 1995) is not far removed from accepting that an understanding of these issues requires familiarity with the differing perspectives and positions of various stakeholders including those whose voices may not be readily heard.

The concept of legitimacy is fundamental to the normative approaches to stakeholder engagement. Legitimacy is determined by the alignment of organizational values and behavior with social norms (Habermas, 1976, 1996) and, more specifically, of societal perceptions of the appropriateness of business behavior (Suchman, 1995). From a normative perspective, business legitimacy is in need of constant renewal as public opinion shifts over time. Failure to monitor shifts in public opinion can lead to discrepancies between what a business is perceived to be doing and what is expected of that business, resulting in a "legitimacy gap" (Sethi, 1979). Such a gap can threaten the future wellbeing of the business.

More recent theorization of issues management calls for attention to a much wider range of issues and stakeholders than those directly linked to economic objectives. It reasserts the significance of legitimacy as a key imperative of issues management practice. Associated with that call is the rise in public demand for businesses to reflect upon their roles and responsibilities within society and to demonstrate that their practices are environmentally and socially sustainable (Roper, 2005). As public expectations shift and attention is drawn to new issues, businesses must address questions of their own legitimacy, without which their ability to exist and conduct their operations is at risk (Metzler, 2000). Proctor & Gamble ending the use of animal tests, Home Depot phasing out sales of "old growth" wood and Frito-Lay Inc., ending its use of "genetically altered corn" are three examples of firms facing a wider range of issues due to stakeholder demands (Hendry, 2004).

The complexity of the practice of stakeholder management from a normative perspective grows with the complexity of the business and the diversity of interests of its stakeholders. Multiple stakeholders, including employees, mean that multiple perceptions or images are held of any one business (Dowling, 1988). Furthermore, because of the variety of ways in which people can interact with a business, a single individual can hold multiple images of that business, with any one of them becoming more or less salient at a given time (Moffitt, 1994 & 2001). The above problems we return to later in addressing some of the practical implications that arise in the context of stakeholder engagement for sustainability.

We found significant overlap, albeit differences in focus and emphasis, between the two literature streams reviewed. Both the management and communication literature have come to more typically recommend engagement and dialogue with stakeholders rather than management. However instrumentalist approaches appear to hold sway within stakeholder theory (Freeman, 1984 & 1999). According to the communication literature, dialogue with stakeholders is simply good public relations where the management literature finds it may be the source of competitive advantage. However, the underlying premise that stakeholder dialogue or engagement will lead to better outcomes for all participants is undergoing increased scrutiny in both the management and communication disciplines. The issue of self-interest is a key reason stakeholder engagement is suspect for achieving truly radical change such as would be required for sustainability. The modeling in the next section parses out sustainability and self-interest.

Modeling Sustainability and Self-Interest

Definitions of sustainability are contested in theory as they are in practice. Along with its Brundtland-inspired cousin 'sustainable development', sustainability is a commonly-contested concept, seen as imbued with ambiguity (WECD, 1987; Barbier, 1987, 1989; Pearce, Markandya & Barbier, 1989; Redclift, 1991; Turner 1993). Despite attempts to measure (progress toward) sustainability and sustainable development in scientific terms, these concepts also have strong ethical and political dimensions that pose philosophical problems (Peterson, 1997). They warrant investigation precisely because of the ongoing socio-political struggle over meaning (Newton & Harte, 1997; Hajer, 1997) and what that might mean for their achievement.

A range of different models has been offered to bring to bear an understanding of the different constituent dimensions of sustainability. Here we focus on three models that are salient to our later argument that centers on the potential and risks associated with business engagement with stakeholders in particular to bring about sustainability. Thus we look particularly at those models that suggest that sustainability can be seen as spanning a spectrum from high to low self-interest. This spectrum, we note, has been described according to complementary and overlapping models and terminology.

The first model has as its high self-interest point pristine capitalist or a radical right political view (Gray, Owen & Maunders, 1988) of the rights and freedoms of the individual, as typified by Friedman (1962). Pristine capitalism describes the neo-liberal, pure market approach to business whereby the only responsibility of business is to return a profit to its shareholders. At the opposite end of this ideological spectrum is the notion of deep ecology, which encapsulates the belief that any development – inherent and fundamental to capitalism – is detrimental to the environment.

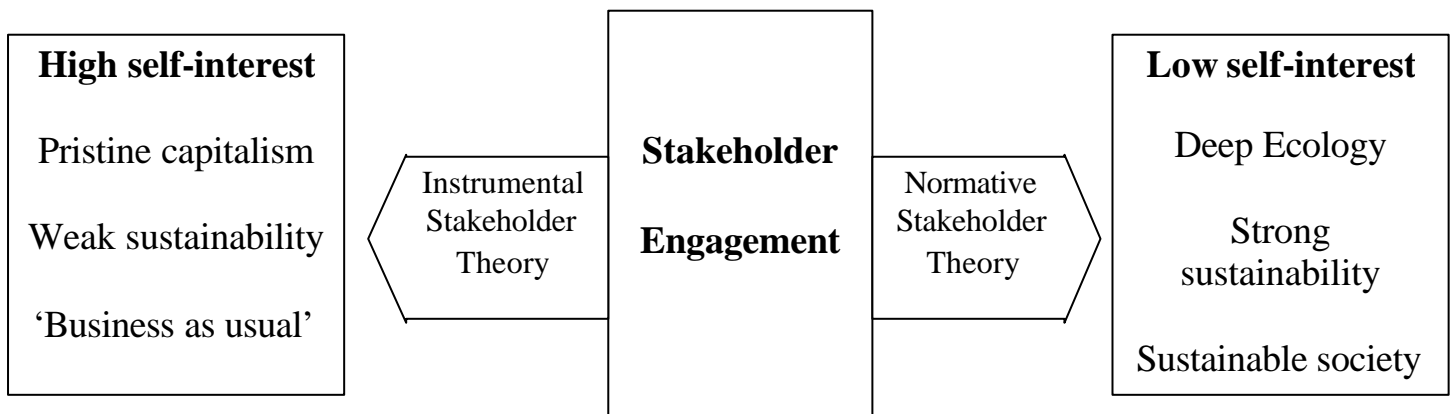
A second model that has been put forward is that which spans from very weak sustainability to strong sustainability (Turner, 1993). Like pristine capitalism, very weak sustainability at the high self-interest end of the spectrum privileges economic over social and environmental concerns for business, although some limits are set on natural capital usage and the principle of safe or minimum standards applies. Strong

sustainability privileges the environmental and social and does not countenance tradeoffs, for example between natural and other types of capital.

A third model is one that places a ‘business as usual’ approach to sustainability at the high self-interest end and, at the low self-interest end, the concept of a sustainable society and biosphere wherein the scale of economic activity is assumed to be relative to ecological life support systems. Supporting the ‘business as usual’ position is what has come to be referred to as the business case for sustainable development that is predicated on continued economic growth being required to ultimately serve the needs of the world’s poor, with the market allocation mechanism being seen as able to ultimately resolve problems of limited resources.

In the middle of each of the three models, in a position holding some intuitive promise at least as a bridging concept between the more extreme positions, we place the various modes of stakeholder engagement that have their basis in collectivism and democratic dialogue. Conceptually at least, the engagement of stakeholders has been proffered as a means of opening business to the possibility of becoming less self-interested and more responsive to a range of other demands, including social and environmental requisites for strong sustainability. We provide a synthesis of these models in Figure 1 below.

Figure 1: Stakeholder engagement in the context of sustainability



The neo-liberal free market view that has been normalized in countries like our own New Zealand since the process of economic deregulation of the 1980s and 90s, has privileged high self-interest (and arguably therein a less collectivist stakeholder-interest orientation within business). Although the business environment appears more dynamic and more competitive, there is a marked tendency toward preserving

the status quo, or relatively small incremental change in the context of the sustainability challenge. The privileging of the possibility that incremental change is sufficient has occurred through the promulgation of win-win or market-based environmentalism in particular (e.g. Schmidheiny, 1992; Porter & van der Linde, 1996). 'Business as usual' is essentially about the continuation of current practices, without the radical changes to business processes and products that some commentators see as fundamental to the achievement of sustainability (Shrivastava & Hart, 1995; Ehrenfeld, 1999; Welford, 1995, 1997 & 2000; Banerjee, 2003). Some critics (e.g., Gladwin, 1993; Beder, 1997; Livesey & Kearins, 2002; Prasad & Elmes, 2005; Milne, Kearins & Walton, in press) see managerial capture of sustainability occurring, with 'business as usual' being bolstered by impression management tactics such as sustainability reporting aimed at legitimating the status quo, and possibly pre-empting more stringent regulation of business activity in the interests of the environment or society (Newton & Harte, 1997).

High self-interest is further reflected in reluctance to make substantial changes due to perceived negative impacts on profitability. That perception is linked to the expectation that higher costs are likely to be incurred by covering what had traditionally been conceived of as externalities. Citizen-stakeholders (including future generations) who might previously have been unwitting recipients of the negative effects of business activities through the socialization of 'bads', may not necessarily be prepared to pay for the remediation of these aspects were they included in the costs of goods. O'Connor (1997) argues that the free market system does not work to preserve the natural processes that support its development and that development of this kind is unsustainable.

Underlying the linking of stakeholder engagement to sustainability has been the idea that appeasing stakeholders will result in societally-justified ethical limits upon business behavior, as well as of course enhanced business legitimacy. A variety of authors indicate that stakeholders can influence businesses to conduct themselves in a more sustainable manner. Hart and Milstein (2003) suggest, "by constructively engaging stakeholders, firms increase external confidence in their intentions and activities, helping to enhance corporate reputation and catalyze the spread of more sustainable practices within the business system at large" (p. 61). Hart and Sharma (2004) contend that stakeholder engagement holds out the promise of increasing both the competitive advantage of business and delivering a path towards a sustainable future.

There is a strong focus in the literature on the management of stakeholder interests from the profit-seeking point of view (e.g., Freeman, 1984; Clarkson, 1995; Huse & Eide, 1996; Rowley, 1997), but also some literature supporting a balancing of interests approach (Freeman & Evan, 1990) that suggests stakeholders might influence organizations so as to achieve their interests, perhaps at the expense of profit-seeking businesses. Certainly stakeholder engagement fits with the emergence of different organizational forms and a shift from more direct methods of management, "based on prescription, command and control, to empowerment, teamwork and networked relationships" (Clegg, Clarke & Ibarra, 2001, p. 34) involving new stakeholders. Whether stakeholder engagement as opposed to stakeholder management is tantamount to a new business paradigm that supports sustainability requires further exploration.

We noted at the beginning of this section that sustainability is a contested concept. We do not attempt here to resolve the definitional confusion; rather the task at hand is in unmasking the obfuscation that has occurred through managerial capture of concepts of sustainability. The business case for sustainability, which privileges high self-interest in the concern of perhaps not pristine capitalism, but something relatively close to it, results in very weak sustainability and 'business as usual'. We argue that fundamentally the achievement of strong sustainability requires radical change and substantive action not least on the part of business. If business engagement with sustainability proves to be more rhetorical than substantive, long-term risks to sustainability remain. Stakeholder engagement may be seen as holding promise in expanding business horizons beyond self-interest, but it is not without its own inherent problems.

Critiques of Stakeholder Engagement

There have been numerous critiques of stakeholder theory, from a variety of perspectives. In this journal, Weiss (1995) rejects the descriptive and instrumental usage of stakeholder theory and concludes that the normative use "might be too limited and its foundation too weak to be considered either useful or valid." Further critiques suggest that business interests tend to be paramount in both identifying stakeholders and prioritizing their demands (Thomas, 1999; Banerjee, 2000). Business understanding of stakeholder needs, as Banerjee (2001) points out, can be limited especially where stakeholder groups have very different social, cultural and political agenda. Much critique has been directed at the level of engagement with stakeholders – token consultation rather than genuine dialogue and an exchange of ideas. For example, Bendell (2003) offers a typology of talking levels including dialogue as manipulation and dialogue as placation.

Critical perspectives from both management and communication perspectives go further to suggest that stakeholder engagement is a fixed game that ignores very real power imbalances among participants. Stoney and Winstanley (2001, p. 613) argue that it is quite misleading to imagine that "stakeholding can change the corporate balance of power without the support of wider societal reform". Kerr (2004) claims that it is unrealistic in business to expect 'rational' managers used to hoarding power and resources to easily give them up for messy and time-intensive processes such as stakeholder engagement that may even be detrimental to traditional measures of business performance. Such processes, Kerr points out, do not sit well with the way most companies are set up and function. Levy (1997) takes a Gramscian approach in arguing that corporate environmental management is largely symbolic. Material changes extend only so far as necessary to undermine the strength of the challenge and restore hegemony. The question that needs to be asked is in whose interests are concessions in business strategy made? In the context of business engagement with stakeholders in the area of social and ethical accounting, auditing and reporting, Owen, Swift and Hunt (2001, p. 264) find what they describe as "an overwhelming concern with promoting the business case" along with a profound reluctance to address issues of power.

Similarly, communication scholars have critiqued the notion of two-way symmetrical communication as "excellent public relations" (Grunig, 1992). Two way symmetrical communication is said to be characterized by a willingness of a business to listen and respond to the concerns and interests of its key stakeholders: "Excellent organizations

‘stay close’ to their customers, employees, and other strategic constituencies” (Grunig, 1992, p. 16). Implied here is an equality of stakeholders and business in negotiating issues of mutual interest and a desire for “public good”. That assumption has been critiqued in terms of an inequality of resources and negotiating power (for example, see Cheney & Christensen, 2001; Leitch & Neilson, 2001).

In assessing whether or not a business is exercising “excellent” public relations through a two-way symmetrical approach to communication, we also need to examine the extent of the concessions made to external stakeholders. Are they “just enough” to restore legitimacy and so quiet public criticism, allowing essentially a ‘business as usual’ strategy to remain in force? Are they allowing the continuing co-operation between business and government, preventing the introduction of unwelcome legislation -- and at what price? It has long been considered that voluntary self-regulation by businesses, from an issues management perspective, is preferable to legislated regulation. By sufficiently restoring legitimacy, organizations can undermine resisting groups’ demands for more restrictive legislation. Grunig acknowledges that: “the symmetrical model actually serves the self-interest of the organization better than an asymmetrical model because organizations get more of what they want when they give up some of what they want” (Grunig, 2001, p.13; Grunig & White, 1992, p. 39).

What both the management and the communication literature, from a critical perspective, are saying is that business adoption of some ideas and practices in the name of stakeholder engagement needs to be regarded with skepticism. In failing to account for fundamental power imbalances (while appearing to be able to placate stakeholders), stakeholder engagement by business is not the vaunted panacea to the self-interest inherent in capitalism; it may serve to bestow a mere veneer of legitimacy and be instrumental at best. Taking the argument further, the ability of business to avoid more radical action required for strong sustainability is supported by the belief, perhaps strategically perpetuated, that stakeholder engagement will, in itself, result in sustainability. Thus stakeholder engagement can be used instrumentally to serve firms’ self interest in ‘business as usual’.

Some Practical Implications for Sustainability

Regardless of disciplinary orientation - management or communication - the critique of the substantive issues remains vested in ideas surrounding self-interest and instrumentality. The question we ask is why should the theoretical critiques of stakeholder engagement be any less valid in the context of stakeholder engagement for sustainability? Here our answers come from an extension of the dual theoretical problematization we have outlined above into an analysis of some of the experiences that have been shared with us by business practitioners and stakeholders. These examples are illustrative of the categories inherent in Figure 1, although clearly they do not range across all the possible types of practical dilemmas that might occur. Further research is required to investigate these phenomena in more depth.

Stakeholders construct sustainability very differently

Discussions with a wide range of business leaders, thought leaders and influencers across New Zealand have revealed, as we might have expected, quite differing conceptions as to what constitutes sustainability and sustainable business (Byrch,

Kearins, Milne & Morgan, 2005). If we were to typify these according to any of the models synthesized in Figure 1 above, they would range across the entire spectrum. As one prominent New Zealand business proponent argues: “Everyone is for sustainability; no one is for unsustainability”. The necessary addendum to this comment is that what people are actually for can be quite diverse, and even often in conflict. Not all stakeholders conceive of an ecological dimension to sustainability. Some in business shared with us that they see the concept as rather unfortunately “taken over” by environmentalists, whereas for them it has to do with business longevity or sustaining the business. The “business case for sustainable development” connotes only very weak sustainability.

Given the differences in construed meaning of the concept, the question might arise as to whether we should return to a major preoccupation with defining sustainability that occurred in many business forums in the late 1990s. Most people we have spoken to have not expressed much willingness to repeat these experiences. We suspect, however, that going forward with a preoccupation on “operationalizing sustainability”, without having forged substantive agreement at a conceptual level beyond the ‘business case’ (which may well be impossible, given firmly rooted ideological foundations and vested interests) will serve mostly to support only incremental change, or mildly greener/better ‘business as usual’.

Stakeholders have their own self-interests

If asked, stakeholders are unlikely to be for unsustainability. But do they really care enough to engage and to continue to act for sustainability ahead of other life priorities? Rational utility maximization would suggest self-interest has a strong tendency to prevail unless there are counter-forces. Stakeholders are of course seen as the counter-force to business self-interest, but presuming this proposition as fact tends to blind one to the obvious self-interest stakeholders themselves have, starting with business managers as influential stakeholders.

A discussion with senior executives of a leading business in sustainability reporting rankings wherein extensive planning horizons were being talked about with enthusiasm, brought home the vested interests managers have in their own careers, suggesting to us a motive of “career sustainability”. Managers saw some of the more modest suggested changes their business could make in relation to sustainability as akin to political suicide. Their own more carefully nuanced changes supported their own careers in the short-to-medium-term, leaving the longer-term issues appearing to be dealt with but still to be resolved ultimately by their successors. This often unacknowledged framing - that stakeholders may well care mostly about issues to do with their own self-interest or ‘rights’ - is apparent in debates over resource use, particularly where there are a number of interested parties contesting the access and use of scarce resources. Low self-interest and a concern for the common good would seem to be prerequisites for sustainability, and rather less so, attributes of stakeholders.

A further illustration of the intrusion of self-interest on the part of stakeholders occurred over the issue of climate change. The New Zealand government undertook wide stakeholder engagement before deciding to ratify the Kyoto Protocol in 2002. Submissions made to government were almost overwhelmingly against ratification, because of the perceived economic interests of various stakeholders. Farmers, for

example, united in their opposition to ratification because they did not want to face an emissions tax on their methane producing livestock. They used tactics such as discrediting the science behind climate change and placed enormous lobbying pressure upon the government not to ratify, and not to impose any form of tax. In reality, the long term viability of farming in New Zealand, as elsewhere, is threatened by the effects of climate change. In this case, then, “public good” – the basis of normative arguments for stakeholder engagement – was not given equal weight in the discussion (Roper and Toledano, in press).

Power, interest, time and resources of stakeholders vary

Businesses, particularly large corporations, may exercise significant power. Some routinely manage stakeholders in ways that yield the business continued license to operate, appeasing stakeholders while not achieving sustainability. We have come across instances of stakeholders being financially compensated where environmental outcomes are less than optimum.

Some stakeholders may, on the other hand, lose significant time and money from their investment in the engagement process, and still not achieve favorable sustainability outcomes. It is not just businesses engaging stakeholders. We have found evidence of government using techniques, such as coordinating ahead of time at the central, local and departmental level, so that its various representatives come into the stakeholder engagement process in one solid block, which is very hard for fragmented and under-resourced stakeholder groups to counter. In order to get a fair hearing, these community groups sometimes have to face expensive legal alternatives. But the resource imbalance and the risk of losing significant financial investment means these groups rarely want to proceed. It is difficult to find evidence that engaging stakeholders will necessarily restore a sustainable balance of economic, social and environmental concerns.

Exercising one’s stakeholding responsibilities can be arduous. In order to participate meaningfully, stakeholders must be knowledgeable or have the means by which to become knowledgeable about particular issues. Commercial priorities of business do not always extend to making relevant information available to stakeholders in a timely and appropriate manner. Some stakeholder representatives suffer from an inability to represent the diverse views of their constituent groups even when that information is made available. Some suffer engagement fatigue. A telling example in our experience here is that of an elderly Maori man who was continually called upon to present a Maori perspective in matters involving business, community and local government. The situation arises in part because of legislative demands that Maori be consulted as the indigenous peoples of New Zealand. He certainly had skills and status, and the backing of his tribe. But the demands on his time – to read proposals, to make submissions, to attend meetings etc – were so significant that he could not realistically meet them all. Local business and governmental consultation timeframes did not always allow him time to refer matters back to his tribe. Over time, he became tired and disenchanted. Additional representation from the tribe, he contended, could lead to fragmentation of effort, and to a hard pro-sustainability line not being adhered to, as politics of engagement might mean younger, less experienced tribal members being preferred. Further these people’s own careers could have faced disruption if they were to put in the time and effort needed.

Businesses are not necessarily prepared to act in favor of sustainability

Business purposes can be at odds with anything beyond weak sustainability. A preoccupation with sustaining the business may well privilege instrumentality above all else. Using stakeholder engagement as a means of mining ideas for future competitive advantage from stakeholders (such as ideas for new products) might well run counter the ideals of strong sustainability where excessive consumption is at issue. The check-book management of stakeholders alluded to earlier points to high self-interest in continuing 'business as usual'. Stakeholder engagement can be refined to an even higher art, however. Take for example the business installation that through subsidized resource input, provides considerable local employment and well-paid jobs in an otherwise disadvantaged local economy. Much is made of nature conservancy partnerships involving relatively small amounts of money with national environmental activist organizations brought on board, while the wider impacts of its activities on society and the environment are downplayed. The act of engaging with stakeholders can bestow businesses enhanced legitimacy, but mislead participating stakeholders into thinking they will have a fair hearing of their views and that those views will necessarily be acted upon when clearly that will not always be the case.

Conflicting stakeholder views can perpetuate 'business as usual'

If all stakeholders pursue a self-interested approach to conflict management, working towards common good, sustainability-oriented resolutions become impossible. Strategically, encouraging participation of a wide range of conflicting highly self-interested stakeholders could serve business issues management objectives of minimizing legislation. From a less cynical view, conflicting stakeholder engagement may not be strategically manipulated, but nevertheless facilitates a 'business as usual' outcome. For example, in the United States new environmental legislation is increasingly stalled by stakeholders' unwillingness to compromise. As a result, there is a growing reliance on voluntary programs, which does not assure the same level of environmental protection as a mandated approach.

Concluding Thoughts

A coming together of business and stakeholders in dialogue - a form of stakeholder engagement rather than management - is often seen as providing the platform for sustainability. But despite the positive spin it is often given, stakeholder engagement has yet to deliver widespread sustainability, for all manner of possible reasons. These include assumptions that stakeholders hold an ecologically and socially-oriented perspective on sustainability and recognize and care about these issues strongly enough to engage with business to press for their achievement. Further, that such stakeholders have skills, time and resources with which to engage at a meaningful level, without being subverted by business interests. Given considerations of self-interest and instrumentality on the part of business, prospects of open dialogue and uptake of stakeholder priorities as part of any engagement processes appear to us as overly optimistic. Conflicting demands by stakeholders provide business yet another potent excuse for not engaging in fundamental change toward sustainability. At the same time stakeholder engagement holds for business the promise of more understanding on the part of stakeholders and enhanced legitimacy while often making mainly only incremental changes to business fundamentals in the name of sustainability.

Relying on stakeholder engagement by business as a key means of achieving sustainability is, as our arguments and examples show, risky despite some of the intuitive promise it would seem to hold in perhaps mitigating the excesses of a capitalist business model that supports high self-interest. Stakeholder engagement may indeed take us some distance from relative unsustainability, but it may serve to mask some real issues to do with a lack of fundamental agreement and common interest as to what is actually required for sustainability at a systems level.

These are at base ideological matters. Stakeholder engagement may have potential in bringing to business attention alternative ideologies, but to date it has not been a force for fundamental and radical change. Increasingly privileged is the business case for sustainability that remains predicated on an instrumentalist view of both people and natural resources. We simply cannot assume that business – nor indeed all stakeholders whether engaged or managed - will act in the interests of the greater good of societal and ecological systems and support strong sustainability.

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ⁱ In this paper, in common with writers across a number of disciplines, we position sustainability as a systems concept (Starik & Rands, 1995; Gladwin, Kennelly & Krause, 1995), spanning well beyond

considerations to do with business sustaining itself to include the sustainability of the communities and ecologies with which it interacts. We note that on the surface at least there is evidence that some business has 'bought' into this view in the sense of at least wanting to be seen to associate with it.

ⁱⁱ . For example, the nongovernmental organization, Rainforest Action, acted as a watchdog when it targeted Home Depot's use of so-called "old-growth" wood, eventually pressuring Home Depot to phase out sales of products using old-growth wood (Hendry, 2004). Royal Dutch Shell's stakeholder dialogue approach adopted after the Nigerian and Brent Spar episodes epitomizes the use of stakeholders as guardians of the public interest.

ⁱⁱⁱ Attributes of effective dialogue are said to comprise a respectful attitude, freedom of all parties to initiate and maintain communication together with agreement on and satisfaction with the rules governing dialogue (Pearson, 1989). The ideal is an open and equal exchange, which clearly can be difficult to realise in practice.

^{iv} Others have also suggested this possibility: Freeman (1984) holds that considering the Earth as a stakeholder was a normatively legitimate position. Jacobs (1997) argues for explicit recognition of the environment and future generations, key dimensions of sustainability.