

POVERTY AND CAPITAL - UNIVERSITY OF

MANCHESTER: 2 – 4 July 2007

THE POLITICS AND INSTITUTIONALISATION OF CAPITALISM

STAKEHOLDER CAPITALISM: PANACEA OR PROBLEMATIC PRETENDER?

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INTRODUCTION

Advocates proclaim corporate social responsibility (CSR) and stakeholder capitalism as ‘capitalism with a human face’. Outcomes for citizens and communities, however, invariably diverge from outcomes secured by stakeholders where ‘stakeholdership’ overrides citizenship in claim to entitlement (see Sharp, 2006). This paper explores how opportunities presented by stakeholder capitalism are skewed, considering the characteristics of those entities able to exert leverage over corporate entities – the ‘winners’ as heralded in CSR discourse – and analysing the implications of stakeholder capitalism and its progeny, CSR. It asks whether stakeholder capitalism in this sense is a panacea, delivering the inclusiveness and leverage as sometimes asserted, or simply a pretence, masking structural flaws of capitalism and corporate ascendance.

The paper briefly outlines the context from which this discussion emerges. It then turns to one aspect of capitalism as currently manifested: corporate social responsibility (CSR) and stakeholder theory. Discussion explores the parameters and

limitations of corporate responsiveness to stakeholder demands, drawing on empirical examples to examine how companies define what or who constitutes their 'stakeholders'. It reflects on the divergence between those stakeholders able to secure responsiveness from companies and those entities without such leverage, and some of the implications of this dichotomy. The paper concludes by cautioning that commodification of political action subordinates the rights of citizens to those of consumers or groups with some other form of market influence. Citizens unable to position themselves as stakeholders through these means will be excluded from touted 'win-win' relationships that develop between stakeholders and companies.

CONTEXT

Capitalism, albeit in many variations, seems to have prevailed over alternative methods of economic organisation in many economies and societies. The emergence of CSR and stakeholder capitalism is one facet of, and perhaps even a result of, this growing dominance of capitalism. Characteristics of the expansion of capitalism include commodification, contracting out and rolling privatisation (see, for example, Harvey, 2005). Moreover, relationships are increasingly premised on monetary values: for example, the market seems to emerge as a 'ballot box' through which consumerism becomes a means of political expression, while, as seen below, companies increasingly utilise stakeholders for corporate benefit, with 'stakeholdership' determining allocation of resources.

These processes illustrate the ostensible decline of the state's capacity and willingness to act to protect citizens' wellbeing in many instances. Poverty, homelessness, and social discontent demonstrate that current configurations of capitalism and democracy

do not address the interests of all groups of citizens. While such ‘downsides’ of globalisation and capitalism increase citizen demands on the state, they concurrently limit state capacity to respond through social services. As Boehm (Boehm, 2005) highlights, ‘state budgets (for education, health, welfare, and economic development) have been cut’ (also Van Den Berg et al., 2003: 87 and Moss Kanter, 1999). Williams and Windebank (Williams and Windebank, 2000) in turn observe a widespread acceptance that all the needs of a population are not met by the welfare state. Furthermore, in relation to corporate activity, state inaction results in ‘citizen strategies aimed at changing a corporation’s behaviour [that] are often a response to the ineffectiveness of the states in ensuring implementation of regulations regarding corporate activity’ (Garvey and Newell, 2005 and Newell, 2005).

It is therefore important to analyse those social and economic participants beyond the state that have an impact on individuals, communities and the direction of society. Their role as significant economic entities, and the social and political influence this brings, makes companies an important focus of consideration. Corporate actions, however, affect many who are not privy via formal parliamentary processes to their internal decision-making. Governments often seem unable or unwilling (ideologically) to directly shape the behaviour of corporations as expected by some groups or individuals who are impacted by corporate actions. Held (Held, 1987: 298) concludes that there is a ‘disjuncture between the agencies which possess formal control and those with actual control, between the power that is claimed for the people and their limited actual power, between the promises of representatives and their actual performance’ (see also Pateman, 1970: 37; Walker, 2002; and Saward, 2000: 67). This, in part, is a reflection of why representative parliamentary politics

increasingly appears to have little relevance on citizen's lives, manifested in falling electoral turnout¹, lack of trust in politicians, and perceptions that elections offer the potential for minimal, if any, change (see for example Hertz, 2002: 136,252; Hirst, 2002: 411; Hirst and Thompson, 1995; Barber, 1984: xiii; Dowding et al., 2001: xii; Rodgers, 2000: 43; Nelson, 1996: 20; and Durant, 1995).

Despite these changes and processes, it is clear that citizens retain an interest in those issues that affect their lives and the wider world, with a strong desire to be involved in relevant decisions (see The Electoral Commission et al., 2004). It is explored below how certain entities in civil society apparently have some ability to attain desired behaviour from corporate actors when they are recognised by companies as stakeholders worth responding too. New modes of political participation are arising to supplement, if not replace, formal mechanisms of politics. The following descriptions of CSR, stakeholder theory and selected empirical examples discuss the opportunities and limitations of one particular aspect of these processes – corporate responsiveness to the demands of their perceived 'stakeholders'.

CORPORATE SOCIAL RESPONSIBILITY – DEFINITION AND THE PRIMACY OF THE 'BUSINESS CASE'

There is an emerging body of literature that highlights several understandings of corporate social responsibility (CSR) (for example, Moon, 2004; Hendry, Jamie R., 2005; and Mitchell et al., 1997). For the purposes of this paper, CSR will be considered in a practical sense: as activities, other than the company's commercial outputs, and beyond legally required behaviour, that address social and environmental concerns. These activities are taken to address social issues and satisfy social

¹ Where voting is not compulsory.

expectations, in *response* to community needs or demands, rather than out of a sense of moral responsibility. McWilliams and Siegel's model of the theory of the firm (McWilliams and Siegel, 2001) describes managers as conducting a cost/benefit analysis involving the demand for CSR and the cost of delivery, whereby managers determine the level of CSR at which the increased benefit to a company of CSR is equal to the higher cost of delivering CSR.²

Historically, economic performance was the means by which corporations were held accountable, implying that investors were the only relevant stakeholders (Tichy et al., 1997: 4; White, 1999; and Pfeffer, 1981: 78). To this day, corporate executives by law are fiduciaries – agents of those investing capital in the corporation and protectors of their property – which is invariably interpreted as requiring that company directors act in their shareholders' best interest (³). Simultaneously, low profits and low share price – arguably resulting from poor management – create the risk of corporate take-over, or at least internal restructuring. This acts as a 'severe disciplinary

² Waldman et al suggest that CSR is used by managers for strategic ends – their own benefit (agency theory) or to enhance a company's value (theory of the firm perspective) [Waldman, David; Siegel, Donald & Javidan, Mansour.(2004) "CEO Transformational Leadership and Corporate Social Responsibility" In, New York: Department of Economics, Rensselaer Polytechnic Institute,].

³ Importantly though, these laws actually require that company directors act in the best interests of the entire company, rather than any specific duty to maximise shareholder value, as seemed to emerge in the 1980s and 1990s [Eslake, Saul (Chief Economist ANZ Bank).(2003 (unpublished paper)) "Creating a sustainable ANZ: a discussion paper" In, Melbourne: ANZ Bank,]. See also Dunlop, Ian (Chief Executive Officer Australian Institute of Company Directors).(1999) "Governance and Related Issues - Some International Perspectives" In IPAA/ ANAO/ ASCPA Seminar on Corporate Governance, edited by, Canberra, July 30, 1999.www.companydirectors.com.au/polsub/speech05.html; Lea, David (1999) "Corporate and public responsibility, stakeholder theory and the developing world". *Business Ethics: A European Review*, 8, 151 - 162.]; Hinkley, P (2000) "Developing Corporate Conscience". In Stuart Rees & Shelly Wright (Eds.) *Human Rights, Corporate Responsibility - A Dialogue*. Annandale, Pluto Press.; Reich, Robert (1998) "The New Meaning of Corporate Social Responsibility". *California Management Review*, 40.; Uren, David.(2001) "Democracy tainted by corporate realities" In *The Australian*, edited by, (unknown), 2001.; Metcalfe, Chris (1998) "The Stakeholder Corporation". *Business Ethics*, 7, 30 - 36.; Marens, Richard & Wicks, Andrew (1999) "Getting real: stakeholder theory, managerial practice, and the general irrelevance of fiduciary duties owed to shareholders". *Business Ethics Quarterly*, 9.; Estes, R. (1996) cited in Key, Susan (1997) "Book review: Tyranny of the Bottom Line: Why Corporation Make Good People Do Bad Things". *Business and Society*, 36, 435

measure...[forcing corporate managers] to act in the interests of shareholders' (Peirson et al., 1998: 850; Bishop et al., 1997: 41; Hutton, 1996: 156; and Barry, 1997). Longstaff (Longstaff, 2004) describes these systems as 'the foundations of structural irresponsibility'.

Re-casting the notion that directors should act in the interest of shareholders, however, enables incorporation of CSR: shareholder interests are advanced by consideration of a broader set of stakeholders. Within this widened conception of how to advance corporate fortunes, the primacy of shareholder interests means that there is a need to understand and communicate the 'business case' for CSR. While a moral motivation for CSR might apply for some individuals involved in the advocacy or implementation of CSR, as Habermas (cited in Llewellyn, 2004) highlights, companies are more than simply the sum of those individuals comprising them: they operate according to their own momentum, propelled by money. Only when the existence of a compelling business case is accepted will resources be dedicated to implementing CSR (see Parker, 2002: 110; Warburton et al., 2004; Chapter 2 in Bakan, 2004; and Webley, 2001).

Different elements of the business case for adopting CSR have varying relevance for respective companies and industries, but might include:

- reputation enhancement – the need to be seen as socially legitimate and gain a 'social licence to operate'
- employee attraction, retention and motivation
- (social) risk reduction

- 439.; and Business Council of Australia cited in Costa, Gabrielle.(2004) "Dump short-termism,

- the need for healthy and stable market contexts
- pre-empting government mandated behaviour
- compulsion from institutional investors – to attract sources of capital
- consumer and shareholder pressure – ethical consumerism, shareholder activism and socially responsible investment
- participation in international fora that encourage CSR

The nature and strength of these influences in a particular situation determines the commercial appropriateness of CSR activities, examples of which are explored in the case studies.

Stakeholders

An apparent rise in the number of entities able to impact a company's operations through various mechanisms – the company's 'stakeholders' – has implications for the direction of a company's responsiveness as sought by these groups. A broad definition of a company's 'stakeholder' is anyone or any organisation affected by or able to affect a particular company (⁴). Stakeholders therefore might include shareholder activists, governments and other regulators, employees, unions, other non-government organisations, the media, local communities, suppliers and customers.

While some groups might be interested in what the company does, it tends to be those groups which can exert some influence over the company, somehow impact its

investors urged" In *The Age*, edited by, Melbourne, 2004..

⁴ Rodier outlines five levels of stakeholders – those with a veto, those with a right to compensation, those with a right to participate, those with a right to be consulted and those with a right to be informed [Rodier, David (Senior Vice President Noranda Inc).(2002) "Roles and Responsibilities of Players" In GMI Conference, edited by, May 14, 2002.www.gmiconference.com/summaries/ROLES%20&%20RESPONSIBILITES%20OF%20PLAYERS.pdf (downloaded June 4, 2002)].

operations, that illicit corporate response. There are three groups of such stakeholders that can exert leverage over the behaviour of companies:

- those with formal leverage over a company (such as shareholders, managers and directors)
- those with economic influence to shape the cost and revenue conditions of a company (such as its customers, creditors, and employees)
- those able to politically influence companies by affecting the social and political context in which a company operates (such as NGOs, activists, communities and governments) (Wartick. S. and Wood, D. (1998), cited in King, 2000).

The pertinence of stakeholders stems from their ability to bring effective pressure to bear on companies, whether this be formal, economic or political. In particular, evolving social expectations of companies, and more potent expression of these expectations by stakeholders, have, through political leverage, created a context which elicits more socially-orientated corporate action. This action represents delivery of the company's social responsiveness, as this is perceived by the company. The following sections illustrate operation of these drivers and relationships in practice, namely the stakeholder relations activities undertaken by three large companies – mining company Rio Tinto, retailer Marks & Spencer and energy company BP.

IDENTIFICATION AND RESPONSES TO STAKEHOLDERS

Rio Tinto

Rio Tinto's CSR reflects its recognition that the company's ability to operate is not guaranteed solely by government decree, but is also obtained by meeting the expectations of local communities and other influential audiences who possess ability to negatively or positively impact operations. In particular, if a mining company does

not have the support, or at least acquiescence of local communities, then its operations become high risk. It might even be forced to close if community discontent manifests itself in a way that makes operations impossible. For example, discontented local communities have threatened Rio Tinto's access to ore bodies in several instances:

- blockades at its Kelian mine in Indonesia
- at the Bougainville Copper mine in Papua New Guinea which has been shut since violence against it in 1989
- difficulties in progressing development of Marandoo mine in Western Australia and Century Mine in Queensland where the company's intended development time frames were substantially delayed by community intransigence and resistance

In order to manage and reduce this risk through improved community relations and enhanced reputation, communities with some ability to affect Rio Tinto's operations require identification and consideration of their interests. This is complicated, however, by the fact that various sections of Rio Tinto in the forty countries in which it operates face different, often incompatible, expectations from different sources. Tension between the demands of various stakeholders necessitates their prioritisation in order to respond to those considered most instrumental to Rio Tinto's viability.

In identifying various audiences and prioritising their demands, local communities are the pre-eminent focus of company external affairs efforts. While focusing primarily on the potential leverage of local communities, Rio Tinto acknowledges that other stakeholders also have a capacity to impinge on company activities, and therefore must be considered and responded to. Non-local entities such as NGOs are seen to be of secondary importance, corresponding to the relative impact these groups can have

on the company and its mining activities. Civil society campaigns at this level generally do not directly affect production, but feed into the company's reputation, which in turn affects, for example, the company's sought status as 'developer of choice', the timeliness of acquiring licences and permits, and the company's reception amongst many of its investors, which can all influence Rio Tinto's profitability.

Rio Tinto's 'community experts' seek to understand how representative these civil society organisations are, and assign 'weight' to them accordingly (Stewart, 2004; Cochrane, 2004; and Wilson, 1999a) which then determines the extent to which Rio Tinto will act in response to their demands. Respective levels of the company therefore concentrate on different stakeholders as appropriate: each business unit seeks to develop relationships locally and seeks to address local demands, while the corporate level of the company engages more with national and international NGOs and other opinion leaders.

Marks & Spencer

The increasingly strategic nature of M&S's CSR activities is evident in efforts to link these initiatives to corporate benefit by delivering commercial outcomes (such as recruitment) or meeting the expectations of certain stakeholders. For example, M&S has recognised that customer expectations have risen and that CSR accordingly presents an opportunity for differentiation. Tellingly, almost all (97%) of M&S customers report that CSR is important (2005 survey cited in Marks and Spencer, 2006b: 2).

In seeking to gain the approval of those stakeholders the company has deemed to be key to its operations in some way, M&S's current CSR programmes mirror those issues identified by a combination of customer research, business necessities and discussion with stakeholders such as non-government organisations and government (Marks and Spencer, 2006b: 7). For example, M&S surveys its customers to ascertain which issues they feel most concerned about and how they felt the company should respond. Research for Business in the Community found consumers considered homelessness one of the most important social issues for businesses to address (cited in Jones, Alexandra et al., 2004: 40). In addition, in 2001 M&S consulted employees and customers about its community programme, revealing that employment was also seen as an issue on which the company should focus (cited in Confederation of British Industry, 2005).

In accordance with these findings that consumers considered homelessness and employment areas where M&S should focus, its Marks & Start initiative offers work placements at M&S stores to homeless and long-term unemployed people, lone parents, people with disabilities and school students. M&S articulates a range of reasons for undertaking Marks & Start, beyond simply meeting customer expectations. These relate to both immediate operational needs and more intangible and longer-term notions of the company's social responsibilities. Business benefits from Marks & Start include:

- increasing customer trust and brand approval
- demonstrable leadership which M&S customers feel other companies should emulate
- establishment of links with local communities, government and opinion formers
- increasing recruitment and workforce diversity

- attracting and retaining staff through increased morale and pride
- encouraging employee community involvement
- enhancing employee skills

Beyond the benefits of recruitment and human resource development that might be termed ‘internal benefits’, M&S also derives ‘external’ benefits from Marks & Start pertaining to its reputation amongst important audiences. As seen above, customers and employees consider homelessness and employment more generally as realms where M&S should take action. Marks & Start, *inter alia*, seeks to fulfil this responsibility expected of them. Tellingly, company research found that nine in every ten customers who heard about the homeless strand of Marks & Start thought that other companies should follow M&S’s lead (Jones, Alexandra et al., 2004: 69).

BP

BP’s effort to position itself as a socially responsible company drives the way in which its sites interact with local communities, including how BP’s Grangemouth employees view their company’s responsibilities to the local Falkirk area in Scotland.

In Falkirk, audiences that matter to BP include:

- the local Council, because it has a large interaction with BP (for example, over environmental, legal and planning issues)
- community groups, such as Scottish Enterprise, charities, schools, environmental and enterprise groups
- BP’s employees

Arguably, because of the nature of BP’s industrial operations, local acceptance is even more necessary (Jones, Mervyn (Falkirk Action Plan), 2003).

BP's active involvement in the regeneration initiative My Future's in Falkirk (MFIF) constitutes a mechanism to meet expectations local stakeholders have of the company.⁵ MFIF activities include environmental works; property development and creation of business space; and various tourism, education and training initiatives. The objective of MFIF is to broaden the economic base of the local area and build on its strengths, specifically creating new jobs and stimulating additional investment by growing local companies and attracting new enterprises into Falkirk, with young people a key target group.

MFIF represents BP's main vehicle of involvement in the Falkirk community. BP contributes £2 million to its operation and 'high value management time' (Firebrace et al., 2005: 19). In the context of BP's partial withdrawal from the Falkirk area,⁶ BP's ongoing participation in MFIF arguably reflects its historical commitment to the area and pragmatic efforts to be seen as, at least to some extent, off-setting the impact of its diminished direct rate payments, supply chain linkages and employment contributions. In particular, the feared effect on local businesses from BP's reduced operations was a concern for BP's stakeholders, such as Falkirk Council, that prompted MFIF (then Chief Executive of Scottish Enterprise Forth Valley quoted in Woodcock, 2002).

⁵ First announced in May 2001, MFIF is described as the 'key regional initiative in Falkirk' (Weir, Neil (Communications and External Affairs Senior Advisor BP).(2006) "Interview" In, edited by Katherine Trebeck, Grangemouth: May 5, 2006.). The £23 million plan is led by Scottish Enterprise Forth Valley, BP and Falkirk Council, and supported by the European Regional Development Fund.

⁶ In December 2005 Innovene, BP's olefins and derivatives business, was sold to INEOS. Since the sale, approximately 200 BP employees remain at Grangemouth, dramatically reducing BP's presence in the area.

BP believes that the benefit it gains from participation in MFIF is substantial (Weir, 2006). For example, Council employees recognise that not many other companies would give as much time and money as BP contributes through MFIF, an acknowledgement which arguably eases relations between company and Council, especially pertinent to BP's recent downsizing. Such rationales behind BP's involvement in MFIF emulate concepts of a 'social licence to operate' and stakeholder relations which suggest that companies seek to meet social expectations to avert becoming the subject of public censure.

Another significant component of BP's community investment programme, both globally and in the Falkirk area, is its education efforts. Activities undertaken include work placements, work shadowing and running interview workshops for local students, and BP employees supporting head teachers. For example, the BP Schools Link programme enables employees to work with local schools in planning and implementing activities, especially focusing on science, engineering, leadership, energy and the environment. BP's education activities demonstrate how the company seeks to align its skills and experience with the type of community investment activities it undertakes, but also how BP's community investment corresponds to the company's needs and priorities. For example, BP is experiencing a lack of apprentices and skill shortages, so its education initiatives seek to bring benefit to the company by increasing the skill level of future employees by widening interest in subjects related to BP's skill needs: science, technology and engineering (BP, 2006 and Palmer, 2006).

POTENTIAL WINNERS AND BENEFITS

These case studies, while not purporting to be representative, at least suggest that using available influence, there are some segments of society, especially local communities in the case of Rio Tinto and BP, that can somewhat exert leverage over companies. Using appropriate mechanisms, even apparently disempowered communities, such as those local to mines in remote areas (Rio Tinto) or economically challenged areas nearby industrial operations (BP) can elicit corporate responses via extra-parliamentary means such as reputation vulnerability, activism, consumer pressure, and tactical use of legislation.

Invariably this leverage is exercised through market mechanisms, even if indirectly by presenting some risk, or sometimes opportunity, to a company's operations and therefore profit. This risk might be through undermining a company's reputation or obstructing access to resources (as local communities around Rio Tinto's mines might do), or, more positively, offering a means to positively differentiate the company to customers (M&S). This ultimate reliance on market mechanisms, while constituting an opportunity for those able to operate within such a framework, explicitly excludes all others. The next sections reflect upon the limitations of corporate responsiveness to stakeholders.

LIMITATIONS OF RESPONSIVENESS SEEN IN THE CASE STUDIES

The case studies demonstrate that companies respond to the concerns of those groups or individuals with capacity to impact corporate activity, positively or negatively. As explored further shortly, this excludes any group or individual without such leverage. At a basic level, however, it is worth recognising that there is potential for merely

‘patchy’ responsiveness, and any associated benefits, only available where selected companies are focused upon. There is thus a restricted availability of opportunities in a geographical sense. For example, Marks & Start participants have reported that they would like to see Marks & Start operate closer to where they live (Focus Group, 2006). This reflects a crucial limitation of stakeholder capitalism: any scope for meeting community wishes is constrained to where companies are active. As M&S states, it only seeks to engage with and invest in ‘our communities’ (Marks and Spencer, 2006a) namely those proximate to where it operates (or others specifically identified as employee charities).

CSR will therefore not alleviate systemic problems, and its inability to achieve all-encompassing change necessitates state action where systemic solutions are required. As Moon highlights, ‘no single firm currently has the coverage and integrating capacity which government, warts and all, enjoys’ (7). Stakeholder capitalism and seeming corporate responsiveness to the demands of those granted stakeholder status might even mask structural problems needing urgent attention by legitimatising and sustaining a flawed political-economic model that entrenches inequalities and renders certain non-stakeholders powerless and, frequently, in a position of poverty.

Beyond this, where responsiveness does take place it is in accordance with the expectations of those who are able, sufficiently concerned and motivated to take the time to pressure particular companies. These groups have to mobilise necessary resources and present a threat or opportunity to company operations that subsequently prompts corporate response. Without continuing pressure from stakeholders,

incentives forcing companies to change their behaviour or to maintain expected social and environmental standards will dwindle (Burton, 2001: 123; Parker, 2002: 110 and Altman, 2001). Without monitoring, confrontation and engagement, corporate memory of critical incidents illustrating the importance of the social licence to operate will fade and the impetus for CSR will diminish. In addition, the relevance of different legal settings to community leverage, and hence how corporate management perceives any apparent business case for responsiveness, underlines the context specific character of CSR implementation.

There are thus considerable limits to the circumstances where, and the societal groups which, can obtain response and demanded behaviour from companies via their responsiveness to stakeholders. Sharp's work on CSR in Africa highlights how citizenship gives way to 'stakeholdership' as the basis of entitlement – implicit in CSR is that stakeholders have greater entitlement than others who have no claim on company resources (Sharp, 2006). Crucially, as the case studies demonstrated, it is companies that define what or who are its relevant stakeholders. By defining their stakeholders, companies marginalise some, ignore others and broadly determine the parameters through which the company is held accountable. The results of stakeholder consultation, for example, reflect the opinions of those with whom the company decides to consult. While 'active stakeholders' – namely those who insert themselves into the corporate purview – might benefit, many others will be unable to do so because they lack market power, or because they do not possess resources companies need (labour, skills or land access, for example). Sharp (Sharp, 2006)

⁷ Moon also points out, however, and as the case studies show, governments are hardly effective in delivering equality in social services such as health or education [Moon, Jeremy (2002) "The Social Responsibility of Business and New Governance". *Government and Opposition*, 385 - 408.].

warns that the effect is to put non-stakeholders in an antagonistic position against stakeholders.

Another limitation surrounds the manner of any response. Only certain types of actions will be undertaken by companies because of the parameters associated with the business case and because any company's capacity to deliver is inevitably curtailed by the nature of its operations. For example, benefits offered by Marks & Start and subsequent employment of Marks & Start participants in M&S stores is limited by the type of vacancies M&S has available and their appropriateness for intended beneficiaries. Moreover, those who benefit most from Marks & Start are those closest to the labour market, who are relatively 'job-ready' and sufficiently motivated to make the most of their work placement (Jones, Alexandra et al., 2004: 46,48). In the homeless stream, M&S takes on those who are living in hostels, bed and breakfasts or temporary accommodation, rather than rough sleepers. This constitutes only a segment of the homeless population – those who are at the 'resettlement' stage, rather than those whose lives are particularly chaotic and who are deemed to be unlikely to benefit from the placement. This illustrates that many are excluded from the initiatives offered by companies through CSR. Conflation by industry of their interests and those of communities – implied in the assumption that 'mutual benefit' and 'win-win' outcomes are possible – means that any beneficiaries through corporate responsiveness are restricted to those groups able to access what resources or services companies deem appropriate, profitable and possible to offer.

Furthermore, the extent of stakeholder capitalism to a large degree depends on the extent to which citizens are firstly concerned about an issue, and secondly can

mobilise through appropriate means to prompt desired corporate response. Stakeholder capitalism therefore seems to only presents access to corporate decision making for those passionate enough to focus their energies on selected companies. Civil society has, however, only a partial capacity to perform this ‘watch dog’ role. The resources available to civil society to press for CSR are limited and the unrepresentative nature of some civil society organisations activities undermines the potential of CSR from a democratic perspective where responsiveness reflects the priorities of unrepresentative organisations, rather than priorities of those citizens actually impacted by corporate actions.

Alternatively, economic processes position stakeholder relationships as an economic resource, managed by companies for corporate gain (McLaren, 2002 and Kapelus, 1999: 11). Companies ultimately engage in their responsiveness activities for corporate benefit, not for the outcome an activity delivers nor the goal of a specific stakeholder *per se*. A strong criticism of companies engaging in CSR arises from the fact that companies often seek engagement with community organisations primarily to prevent reputation damage or to improve company reputation, rather than from a genuine desire to address social needs. For example, companies often form partnerships with community organisations to improve their image, and consequently will seek partners that deliver this to intended audiences, such as the bigger charities (see, for example, Macdonald and Chrisp, 2005). Even when companies seek to enhance the socio-economic conditions of a locality, this is because the ‘health’ of this locality is deemed instrumental in some way to company sustainability – as a source of employees or customers, for example.

When socially responsive actions are undertaken solely because profit attainment necessitates such behaviour, responsiveness and community activities are valued specifically for their contribution to profit-making (see for further discussion Cohen, 2002; Paine 2000 quoted in Wheeler et al., 2002: 298; and Hendry, John, 2001). As Kapelus (Kapelus, 1999: 11) states, the concept of the community ‘has emerged as a distinct narrative in the strategy for achieving CSR’. Assigning this role to communities, or more specifically those in communities who attain stakeholder status, and engaging with them merely by virtue of their value to the company, makes them akin to an economic resource. Issues of human rights, environmental value and social development become concerns to be managed by companies and presented to influential audiences to realise competitive advantage: ultimately a tool for financial gain. It is thus important to ask, as Bendell does, whether ‘the market mentality [has] become so omnipotent that we must now conceive of public goods in terms of marketing?’ (Bendell et al., 2006: 65).

RISKS OF BUSINESS INVOLVEMENT IN COMMUNITY

Not only are there limitations to any corporate responsiveness to communities, but there are also significant risks associated with the increased role of business in communities and in society more generally. These relate to the power and influence that such participation entails, and the narrow interest often represented by businesses (Boehm, 2005). For example, if communities come to depend on businesses for certain resources, perhaps funding for educational activities, then the power of the business is increased. As communities become dependent on businesses there are risks of ‘patronage and, more broadly, other forms of dependency’ (Moon, 2002). Risks of dependency include inability to plan or act counter to the company’s wishes due to the risk of losing funding if corporate priorities or interests change (Tracey et

al., 2005). Therefore, even for those apparently able to bring some leverage over companies there is an associated risk of becoming beholden to a company, and, consequently, disempowered.

Moreover, engagement and confrontation between civil society and companies can be considerably unequal. Industry invariably possesses greater resources in the form of finances, personnel, access to media channels and government (evident in the divergent access to resources of Indigenous groups living nearby mines compared to multinational mining companies such as Rio Tinto). This highlights that as stakeholderism increasingly determines corporate action, as seems to be the case as companies seek to be more strategic in their community relations, the power imbalance between companies, government agencies and civil society increases. For example, there is a risk that local government authorities will be reluctant to put pressure on companies to contribute more to local communities, beyond a company's core activities, because of the apparent economic significance of particular companies.

Government support for private sector activities and the extent to which government seeks to facilitate their continued operations is illustrated by a question to BP representatives by the MP for Midlothian, David Hamilton. Hamilton asked:

'[r]ecognising the importance of the company, and indeed of the workforce in Grangemouth to the Scottish economy, what other things do you feel that the United Kingdom government could do to assist in relation to ensuring the long-term future of the plant?' (Hamilton, 2005)

This offer is a window into how governments seek to solicit private sector investment and reflects political-economic dynamics and priorities. In particular, fear of

industrial relocation often renders it costly for governments to seek to direct or shape company operations to any large extent (Newell, 2000: 35).⁸ Instead, priority is given to creating a context conducive to corporate investment so that a company's core business will be undertaken in an area and, it is hoped, benefits will 'trickle down' from company operations to the residents of the local area. Undoubtedly, the contribution a company makes to an area via its core business through employment, taxes and its supply chain is greater than that of any deliberate community investment, arguably justifying the priority of placating company needs to, supposedly, ensure corporate presence in the area. Which areas and which people actually benefit from a company's core business is, however, limited by factors such as the business case and required skill levels of employees.

Furthermore, growing expectations that companies will respond to social demands of certain communities creates a potentially dangerous situation where corporations, through their CSR programs, assume some citizenship obligations traditionally accorded to the state, while remaining beyond formal democratic process (see, for example, Phillips, 1999 and Crane et al., 2004). Resource imbalances can mean that corporate community engagement is characterised by corporate management of, rather than accountability to, communities (McLaren, 2002 and Phillips, 2001: 192). Businesses, however, are not accountable to the same extent that governments are (Moon, 2002 and Corporate Watch, 2005).⁹ Monitoring company behaviour is left to

⁸ Lindblom (1982) describes this situation as 'imprisonment' of government by the operation of the market. He observes that particular corporate behaviour sought by citizens is often not pursued by governments which are apparently deterred by their fear that such action will result in withdrawal of investment and consequent unemployment (Lindblom, C (1982) "The Market as Prison". *The American Political Science Review*, 90.)

⁹ If publicly owned, a company's shareholders are invariably a few institutions and companies are not scrutinised daily as government is by opposition parties, the media or other organised interests.

government which, as just seen, is not always willing or able to criticize, and to the media and to interest groups which themselves do not always possess resources to perform a comprehensive ‘watch dog role’.

Another related criticism of CSR is that it is an attempt to ward off state regulation, based on the assertion by companies that voluntary self-regulation is sufficient. According to Burton (Burton, 2001: 122,123; see also Murphy and Bendell, 1999: 45; Gettler, 1999; and Wilson, 1999b), engagement with community organisations takes place ‘from a fear of effective public advocacy that is independent of a process they can control’. This means that corporate effort to avert restrictive regulation is an end goal, as opposed to objectives articulated or needed by communities themselves.

CONCLUSION

CSR – defined as corporate social responsiveness – ultimately prioritises gains for business. Primacy of commercial gain constitutes a means of leverage for communities if the nature of the ‘business case’ confronting respective companies is understood and harnessed appropriately. This paper has examined how CSR initiatives are, however, only undertaken to secure corporate objectives, regardless of how effectively CSR initiatives may be executed and how significant consequential social gains might be. This has implications at both micro and macro levels for any benefits communities might secure from CSR activities, and entails trade-offs for communities and society in attaining these benefits.

The case studies showed that since communities differ in their demands of companies and in their ‘power, influence, access to outside support and the urgency of their claims’ (Australian Minerals and Energy Environment Foundation, 2002: 52; see also

Thompson, 1999; Birch, 2002; Cameron and Correa, 2002: 229; Parker, 2002: 5; and Butler, 1997: 531) companies must prioritise often mutually exclusive community needs. In doing so they negotiate a terrain where some elements of communities have a less powerful voice than others. Community identification and engagement is consequently a largely subjective and discretionary process (Bendell, 2000 and Power, 2003). Identifying appropriate community audiences and prioritising their respective needs invariably follows corporate requirements and corporate perspective of the business case and potential corporate benefit. Typically, the social demands that capture corporate attention are those demands expressed by entities with some capacity to damage or threaten the company. Only those causes perceived as ‘worthy’ or deserving in the eyes of key customers or employees, or strategic in another sense, will be given attention by companies. In contrast, those concerns, issues and causes that companies consider as unmarketable, and those demands made by groups with no leverage over companies, will be neglected.

These potential limitations and various dilemmas of CSR constitute an important ‘reality check’ on the aspirational discourse of CSR. They highlight that the necessity of a business case offers leverage to those able to impact company operations, but simultaneously excludes those communities unable to access corporate decision-making because they have no such leverage. This places the onus on civil society to ensure that those affected by corporate actions are able to exert some impact on companies.

Returning to the initial exploration of the social gains from stakeholder capitalism, it can be concluded that it does offer, under some circumstances, micro results to certain

constituents, but only patchy delivery on a macro scale. This is not surprising given that people are arguably most concerned about, and most prepared to take action over, issues that affect their local environs. Beyond this local context, stakeholder capitalism is, at its best, an awkward form of community influence over companies, filled with inconsistencies and inequalities. Corporate social responsiveness consequently offers more potential as a complement, rather than a substitute, for traditional forms of representative democracy and the mandate of the state. Although CSR stems in part from inadequacies of state action and representativeness, perhaps paradoxically, state delivery will always be a necessary component of a capitalist system in which the role of the state is actually underscored by the limitations of CSR.

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