

University of Groningen

Corporate social responsibility and the identification of stakeholders

Vos, Janita F.J.

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version

Publisher's PDF, also known as Version of record

Publication date:

2002

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):

Vos, J. F. J. (2002). *Corporate social responsibility and the identification of stakeholders*. s.n.

Copyright

Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

The publication may also be distributed here under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license. More information can be found on the University of Groningen website: <https://www.rug.nl/library/open-access/self-archiving-pure/taverne-amendment>.

Take-down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): <http://www.rug.nl/research/portal>. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

CORPORATE SOCIAL RESPONSIBILITY AND THE IDENTIFICATION OF STAKEHOLDERS

Janita F. J. Vos

SOM-theme G: Cross-contextual comparison of institutions and organisations

Abstract

As a management problem the identification of stakeholders is not easily solved. It comprises a modelling and a normative issue, which need to be solved in connection with each other. In stakeholder literature knowledge can be found, e.g. on various stakeholder categorizations, that could be useful for the modelling issue. However, the normative issue remains unresolved. Furthermore, the modelling of the so-called stakeholder category “the affected” is even more difficult. Nevertheless, this group holds justified interests in aspects of organizational activity and are, for that reason, legitimate stakeholders. In this article it is explored to what extent Critical Systems Heuristics can help resolving the managerial problem of identifying stakeholders, particularly the affected. Critical Systems Heuristics can be viewed a modelling methodology. The normative aspect of modelling is crucial in this methodology. Using the distinction between “the involved” and “the affected” a variety of boundary judgments is discussed. Special attention is given to the so-called “witness” as a representative of the affected.

1 Introduction

Organizations that consider a strategy of corporate social responsibility (CSR) have to address the question “to whom are we responsible?” “To stakeholders” is the common answer to this question, which means that, for managing a CSR strategy, the identification of stakeholders is crucial. To a certain extent, management of CSR has become stakeholder management (Donaldson and Preston, 1995).

As a management problem the stakeholder identification is not easily solved: it comprises, at least, a modelling and a normative issue. The modelling issue refers to questions like: “Who are our stakeholders?” or “To what extent is it possible to draw the line between stakeholders and non-stakeholders?”

The normative issue refers to the managerial implications. Relevant questions are: “What stakeholders do we take into account?” or “To what stakeholders are we willing to listen?” Presumably, this category of stakeholders has the capacity to influence managerial and/or organizational behaviour.

Looking at CSR literature, in a continuing “stakeholder debate”, these two issues are mingled (cf. Donaldson and Preston, 1995). Much has been written about the conceptualization of the stakeholder notion (see e.g. Freeman, 1984; Wood, 1991; Clarkson, 1995, Mitchell *et al.*, 1997; Agle *et al.*, 1999; Carroll, 1999) that could help resolving the modelling issue. However, it is insufficient for the normative issue. Although the question “What stakeholders *deserve* management attention” has been asked (Mitchell *et al.*, 1997; Agle *et al.*, 1999), it is interpreted in descriptive terms: “What stakeholders get management attention for what reason?”

For identifying stakeholders, in the end, the normative issue needs to be resolved. However this cannot be done without addressing the modelling issue as well. Before further specifying the main question for this paper, some clarifying notes need to be made concerning the *context of CSR* and the term *normative*.

CSR is defined as, “*the obligations or duties of an organization to a specific system of stakeholders*”. Defining the CSR-concept a number of considerations has played a role, which clarify the normative perspective as well.

Firstly, responsibility is described as “having a duty, an obligation”. In this sense, following Takala and Pallab (2000: 111), responsibility designates something still to be done as part of an established role-system. The aspect of time is important here. An organization is not only responsible for past performances¹, the notion of accountability is relevant then, but it has also a duty in relation to future actions.

Secondly, a stakeholder is commonly seen as an individual or a group (e.g. Freeman, 1984). However, it must be emphasized that there are relationships between stakeholders. For example, coalitions of stakeholders are likely to have more influence than a stakeholder alone. Mitchell *et al.* (1997) describe how dependent Alaskan citizens became, in their terms, definitive stakeholders of Exxon by acquiring a powerful ally in government. Therefore, from a managerial perspective, it is important to consider also the systemic attributes of stakeholders and refer to a system of stakeholders. Furthermore, stakeholders are not objective entities. Using systemic terms emphasizes the need of modelling activities in stakeholder management.

Thirdly, the organization is treated here as an entity which is responsible for its activities. Although this is usual in the literature on CSR and business ethics (Takala and Pallab, 2000: 112), it has to be acknowledged that this perspective is only possible when human activity is involved (Wempe, 1998). In this paper CSR is dealt with from a managerial perspective, which means, for instance, that corporate responsibility leads to managerial responsibility.

Finally, stressing that a system of stakeholders has to be modelled involves already an element of choice. Asking the question “To what stakeholders are we willing to listen?”, further underlines the element of managerial choice. In the end the implication of a stakeholder perspective is a normative one: managers should acknowledge the validity of diverse stakeholder interest and should attempt to respond (cf. Donaldson and Preston, 1995: 87).

In this paper the problem of stakeholder identification will be handled from the perspective of Critical Systems Heuristics (CSH), which has been developed by Werner Ulrich (1983, 1988). CSH is a system approach, which offers a variety of

boundary judgments. Leaving a more detailed explanation for the following sections, the essence of these boundary judgments is that they need to be made in a normative way, which is considered important in the context of corporate social responsibility. This leads to the following question for this paper: *To what extent can Critical Systems Heuristics help resolving the managerial problem of identifying stakeholders?*

The argument in the paper has been structured along the following line. Firstly, the stakeholder “debate” in the CSR literature will be discussed in terms of its consequences for the choice of stakeholders. Secondly, the identification of stakeholders will be discussed as a modelling problem. For that purpose a few system concepts will be explained. Thirdly, on the basis of this, the line of argument takes a step to critical systems heuristics. Using the distinction between “the involved” and “the affected” the argument goes forward to a number of boundary judgements for modelling a system of stakeholders.

The paper concludes with a review of critical system heuristics as an identification instrument for stakeholders in the context of corporate and social responsibility.

2 The Stakeholder Debate in CSR Literature

This section gives a limited discussion on the stakeholder concept in CSR literature. The main purpose is to specify some consequences and/or problems with regard to the managerial choice of stakeholders.

If we can speak of a “stakeholder debate” in CSR literature at all, it is revealed through two related questions. The first question is “What are the responsibilities of an organization?” and the second question is “To whom is the organization responsible?”

Dealing with the first question leads to the normative content of CSR literature. Responding to, and contradicting with Friedman’s (1997/1970) statement that the social responsibility of business is to increase its profits, has played a crucial role in the normative development of the CSR concept (see e.g. Ackerman and Bauer, 1976; Goodpaster, 1998/1991; Carroll, 1999). The main conclusion is, using a variety of argumentations (see e.g. Freeman, 1994), that there must be attributed more than economic responsibilities to organizations, such as economic, legal, ethical and discretionary (or philanthropic) responsibilities (Carroll, 1995). In short, stockholder dominance is widely seen as untenable, although, as will be shown subsequently, not by everyone un-problematically (e.g. Goodpaster, 1998/1991). Anyhow, given a variety of organizational responsibilities, the second question “To whom are we responsible?” is self-evident.

This leads, directly, to the stakeholder perspective on organizations. “The organization is responsible to its stakeholders” is the common answer to that question. A straightforward way of dealing with the stakeholder identification problem is to make a list of all the key actors in and around an organization. This may lead to a host of parties: stockholders and other creditors, consumers, suppliers, governments, employees, management, trade unions, social communities etc. etc. This list demonstrates the difficulties of such an undertaking. When is the list complete? What makes a party a key actor? Is it possible or relevant to categorize the various parties in

terms of their role or function for the organization? Various ways of defining the stakeholder concept result in diverse answers.

Freeman (1984: 46) gives a very broad definition: “*a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives*” which could complete the list of stakeholders. This definition is widely acknowledged because of its “landmark” (cf. Wood, 1991; Clarkson, 1995) position in stakeholder theory. It has been numerously cited, however, usually as a starting point to give a more narrow view on stakeholders, in which categorizations, different from the distinction between “*can affect*” and “*affected*”, are described.

These categorizations are thoroughly analyzed by Mitchell *et al.* (1997). They argue that the more narrow views attempt to define groups of stakeholders in terms of their direct relevance to the organization’s core interests or their necessity for its survival. Clarkson (1995), for instance, makes a distinction between primary and secondary stakeholders. “A primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern” (p. 106). The existence of the organization is at stake in relation to the primary stakeholders. Accordingly, Clarkson points out that a corporation itself can be viewed as a system of primary stakeholder groups. He defines secondary stakeholder groups as “those who influence or affect, or are influenced or affected by, the corporation but they are not engaged in transactions with the organization and are not essential for its survival” (p. 107).

Elsewhere, Clarkson (in Mitchell *et al.*, 1997) stresses the importance of risk. Without the element of risk there is no stake. A stake is, in this sense, something that can be lost. Consequently, a stakeholder is a risk-bearer. From this viewpoint the distinction is made between voluntary and in-voluntary stakeholders. “Voluntary stakeholders bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in the firm. In-voluntary stakeholders are placed at risk as a result of a firm’s activities” (Mitchell *et al.*, 1997). Donaldson and Preston (1995: 67) describe a stakeholder as a group or person with legitimate

interests in procedural and/or substantive aspects of corporate activity. A stakeholder gains a particular benefit in the organization's successful operation. This means that they describe the notion of a stake as a potential benefit. Donaldson and Preston point out that it is essential to draw a clear line between influencers and stakeholders. On the one hand there are stakeholders without influence (e.g. job applicants) and on the other hand, some influencers (e.g. media) have no stakes (p. 86).

Although stockholder dominance is seen as untenable, to some extent the position of the stockholder is still a point of discussion. Does the stockholder or shareowner have a special status among stakeholders? In the so-called "Principles of Stakeholder Management"², the notion of risk has been used to point out that, although shareowners may have a special status, it is *not* because of higher risks. On the contrary, the risks of e.g. employees or customers may be higher. Shareowners deserve their special position, according to this statement, because of the fact that they have agreed "that their potential gain or loss from their involvement with the corporation is determined as a residual: it depends upon what is *left over* after all other stakeholder claimants have received their specified distributions".

Goodpaster (1998/1991) stresses the special status of the stockholder as well. He states that, because of the property rights, the stockholder has a "fiduciary" relationship with the corporation. Management fulfills a *fiduciary* duty to the stockholder, in which trust is crucial. This means that management has the duty to keep the profit-maximizing promise. In other words, Goodpaster makes a distinction between fiduciary and non-fiduciary stakeholders. He poses the question whether a multi-fiduciary stakeholder orientation would be desirable? In other words, could there be "fiduciary" or trust-like relationships with other stakeholders as well?

Goodpaster rejects this multi-fiduciary position because management will then be caught in what he sees as a *stakeholder paradox*: "Management must face resistance from those who believe that a strategic orientation (i.e. stockholder dominance) is the only legitimate one for business to adopt" (p. 113). The paradox lies in the fact that "there is an ethical problem whichever approach management takes". Preferably, management should not bear additional fiduciary relationships to

third parties (i.e. non-stockholder stakeholders), but acknowledge moral obligations directly. Of course there are obligations to other parties. These obligations are moral obligations owed by organizations to those whose freedom and well-being is affected by their activities. These obligations are not instrumental, contingent or indirect, but direct or “categorical” (p. 117). Although Goodpaster is a representative of a more narrow view on stakeholders, he considers attention for the category “affected” inevitable. This means that his analysis of the managerial implications is consistent with a more broad view.

According to Mitchell *et al.* (1997) this broad view is based on “the empirical reality that companies can indeed be vitally affected by, or can vitally affect, almost anyone” (p. 857). For stakeholder management there are two arguments for acknowledging this empirical reality, i.e. 1) an instrumental argument and 2) a social responsibility or ethical argument. The instrumental argument means that managers want to know as many stakeholders as possible, for firm-centered purposes, such as economic prosperity, damage control or even image building. It is advisable to include the affected, because this group can potentially affect the organization’s achievements.

Secondly, the social responsibility or ethical argument corresponds with Goodpaster’s normative position that organizations owe moral obligations to those whose freedom and well-being is affected by their activities. Whichever position is taken, both perspectives require extensive knowledge about actual or potential stakeholders of the organization.

How do managers deal with this complex problem? In other words, how do they choose their stakeholders and prioritize between competing stakeholder claims? Mitchell *et al.* (1997) and, in a follow-up article, Agle *et al.* (1999) try to answer this question by developing the “stakeholder salience” model. Stakeholder salience is defined as “the degree to which manager give priority to competing stakeholders claims” (Mitchell *et al.*, 1997: 854). Their claim is that stakeholder salience is positively related to three key stakeholder attributes, i.e. power, legitimacy and urgency, which management believes to be present.

Without discussing the model and the three attributes in detail, their line of reasoning can be summarized as follows. Managers perceive a variety of stakeholder groups. They give a high priority to a stakeholder (-group), if they believe that this stakeholder has a legitimate claim, which calls for immediate action (i.e. urgent), and possesses the power to influence organization's activities. This stakeholder, who is believed to possess all three attributes, is called a definitive stakeholder (category 7 in figure 1). Likewise, a classification of seven stakeholder groups is developed, depending on the presence of one, two or three attributes in varying combinations (see figure 1).

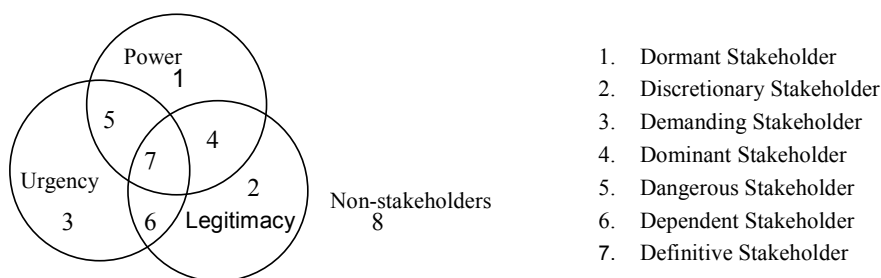


Figure 1: Qualitative classes of stakeholders (cf. Mitchell *et al*, 1997: 872 ff.)

Within the context of this paper, the discretionary stakeholder is especially interesting. Discretionary stakeholders possess the attribute of legitimacy, but have no urgent claim and no power to influence the organization. From managerial standpoint, there is no pressure to engage an active relationship with this stakeholder. This depends on the managerial choice to do so (cf. Mitchell *et al*, 1997: 875).

It goes beyond the scope of this article to discuss this in more detail. What matters here is that they have developed a model, which explains why managers give attention to what stakeholders and how they prioritize competing claims.

At this point, the stakeholder debate will be summarized by means of two conclusions. Firstly, various categorizations of stakeholders can be found in literature.

Especially the study of Mitchell *et al* (1997) has contributed to the analysis of these categorizations. In the introduction of this paper it has been stated that the problem of stakeholder identification comprises a modelling and a normative issue. The modelling activity, which will be further explained in the next sections, is about projecting categories on the real world. Therefore, this knowledge about categorizations could be used with regard to the problem of stakeholder modelling. Leaving aside the question “To what extent are these categorizations adequate for modelling purposes?” it cannot resolve the normative issue. Once more referring to the salience model, this study may explain why managers give attention to what stakeholders. However, to what extent these management decisions are justifiable from a normative standpoint, is another matter.

Secondly, although the distinction between “affected” and “can affect” may widely be seen as insufficient for stakeholder identification, it is an important one, especially in the context of corporate social responsibility. With respect to this, I follow Goodpaster (1998/1991) that organizations owe obligations to those whose freedom and well-being is affected by their activities. In other words, this group possesses, in terms of Donaldson and Preston (1995), justified interests in aspects of organizational activity and are, for that reason, legitimate stakeholders. Acknowledging this, however, further complicates the stakeholder identification problem. This leads to questions such as “To what extent and in what way is it possible to identify the affected? and “How far does the inclusion of – potentially – affected stakeholders have to go”?

With these conclusions and the resulting questions in mind, we move on to Critical Systems Heuristics.

3 Some Principles of Critical Systems Heuristics

The ideas of Critical Systems Heuristics (Ulrich, 1983; 1988; Flood and Jackson, 1991) have been used here to explore to what extent CSH can help resolving the stakeholder identification problem, especially with regard to the category of the affected. For this purpose, this section and the following one explain some principles and concepts from CSH. Evidently, this will lead to a limited discussion of CSH³. CSH belongs to the tradition of systems theory. However, as it will be explained below, it occupies a special position in this tradition. There are many system approaches such as soft systems methodology, system dynamics or conceptual systems approach etc. Every approach has its own characteristics (see e.g. Flood and Jackson, 1991; Leeuw and Volberda, 1996), but they share a strong tradition in methodologies for modelling and designing systems. These methodologies use a variety of central concepts, i.e. system, element, boundary, environment. Basically, a system consists of a number of elements and the relationships between those elements. Whenever a systems perspective is applied decisions must be made that define the system concerned. It is important to note that these decisions are determined by the standpoint or purposes of the researcher or designer.

The most fundamental modelling decision bounds the system from its environment. With regard to the stakeholder issue, this could be rephrased in bounding the system of stakeholders (note the definition of CSR given in the introduction) from the environment of non-stakeholders.

To a certain extent Ulrich's ideas can be viewed as a modelling methodology and as such it rightly belongs to the systems tradition. Ulrich develops a number of so-called boundary judgements by critically reflecting on systems theory in general, and more specifically, on modelling activity. He advocates a so-called critically normative systems approach (Ulrich, 1988). What matters here is that the modelling – or in his terms the mapping – activity is acknowledged as a normative activity which is in need of critical reflection. The map of a system is adequate when it makes its normative

content explicit. Before dealing with Ulrich's boundary judgments in more detail in the next paragraph, some principles and general notions of CSH must be explained.

There are four closely intertwined principles that guide the practice of CSH (Flood and Jackson, 1991: 202), i.e. the idea of "human intentionality", the "systems idea", the "moral idea" and the "guarantor idea". In making plans for social reality, the "planner" (i.e. the designer) has to deal with human intentions and purposes. Plans – or proposals for design – have a meaning for individuals. For that reason, social systems have to be designed to become purposeful. A purposeful system is able to produce knowledge that is relevant to purposes and is able to encourage debate about purposes. In general, according to Flood and Jackson (1991), CSH is about the design and assessment of purposeful systems. With regard to this, it is important that it is not only about "how to do things", but that it helps us to decide what we "ought to do" in order to improve reality.

The systems, the moral and the guarantor idea are three "quasi-transcendental" ideas, which are based on the philosophy of Kant and that should be used as critical standards in the process of making plans for social reality. Basically, with the systems idea stresses Ulrich in a philosophical way what is common in every system approach. A system is a model (of a part) of social reality, which is always a limited projection of that part of social reality. With the systems idea Ulrich emphasizes the necessity to consider this "lack of comprehensiveness".

Through the moral idea Ulrich stresses that the planner should aim to improve human conditions by means of his/her plans. This means that the planner must be aware of the moral implications of the plan. As will be explained in the following section, referring to the so-called "involved" and "affected" of the social system, reveals this awareness of the planner.

The meaning of the guarantor idea is that, although there is no guarantee that planning leads to improvement, the planner should seek to incorporate as many sources of guarantee as possible. This leads to seeking opinions by the planner from as many experts and stakeholder groups as possible (Flood and Jackson, 1991: 204).

In the following section these experts and stakeholder groups are interpreted in terms of the involved and affected in connection with the necessary boundary judgements.

4 Modelling a System of Stakeholders: the Involved and the Affected

The main conclusion so far is that the planner, during his designing activities must refer to a variety of groups. At this point it is relevant to return to stakeholder management in the organizational practice of corporate social responsibility. After that, we will proceed with the modelling of the involved and affected as specifications of stakeholder groups.

In the previous section it is explained that the planner fulfils the role of a designer in order to improve social reality. This means that the notion of planning must be interpreted very broadly; planning is understood as social systems design. The concepts of “planning” and “planner”, as used by Ulrich, are used here in terms of “stakeholder management” and “stakeholder manager”.

According to Ulrich (p. 24), planning is, or should be, a public activity if the group of involved planners is not identical with the affected citizens. This position is very interesting within the context of stakeholder management. Extending this position to this organizational practice, stakeholder management should be a public activity if the group of involved beneficiaries of organizational activities is not identical with the affected non-beneficiaries.

Ulrich explains the boundary judgements by specifying the various groups of social actors to whom the planner must refer. With regard to the notions of social actor and planner some remarks must be made.

The term social actor is interpreted here as a stakeholder. Actor refers to a social *role* rather than individuals. This means that these roles have to be specified in a concrete case in order to decide what individuals or groups of individuals are representatives of what roles. The “planner” must be seen as a social role as well. As said previously, in relation to stakeholder management he fulfils the role of stakeholder manager. Furthermore, in order to guarantee the normative content of the modelling practice, the various roles *and their concerns* in relation to the social system have to be specified.

Ulrich (p. 248) acknowledges two reasons anyone can claim belonging to the system, (a) because he is actually or potentially affected by the outcome of the system, and (b) because he has some kind of resources (expertise, political or financial, etc.) to contribute to the system, i.e. because he is involved. This leads to the two basic boundary judgments. The first judgment bounds the total system of the involved and the affected from the environment, that is from the environment of non-stakeholders. The second one makes the distinction between the involved and the affected. The term affected is restricted to the group who is affected, but not involved. This means that those individuals or groups who are involved and affected are considered belonging to the group of the involved.

Let us consider the two basic groups in more detail and begin with the involved. On the basis of three sources of influence Ulrich divides the involved in three sub-groups.

1. Sources of motivation: whose purposes (values, interests) are being (ought to be) served? This leads to the group “client”.
2. Sources of control: who has (ought to have) the power to decide? This leads to the group “decision maker”.
3. Sources of expertise: who has (ought to have) the necessary expertise? This leads to the group “planner”.

Three notes are relevant. First, concepts or categories such as “involved”, “affected” or “planner” are projected on aspects of the real world. After all, that is what modelling is about. We decide to call a certain group with certain characteristics “client” or “planner”. What may be confusing here is that the application of CSH is not limited to the practice of organizational design or change etc., but can also be used for practices such as policy development or community planning. In organization theory the terms client or planner usually have a more restricted meaning.

Second, every group can be considered a prototypical role and comprises in a specific case of a variety of individuals, who may belong to more than one group.

Third, every question, of which the answer leads to a boundary judgement, should not only be phrased in the “*is*”-mode, but also in the “*ought*”-mode. In this

way, according to Flood and Jackson (1991), the normative content of the system design is best seen.

The second basic group, the affected, is more difficult to specify. This group does not have a well-defined contribution, but they endure the unwanted side effects or pay some costs that are not endured by those who benefit from the system. As noted before, especially concerning the affected the problem of identifying stakeholders gets through. Potentially, this group is very large and it is not clear where the boundaries of this group lie.

According to Ulrich (p. 251) the affected groups can rarely be bounded, because knowledge about the potential side effects and long-term risks is usually insufficient (see e.g. the recent discussions about the unknown effects of changing the biological genes of our food). Because of this identification problem, Ulrich concludes that “the affected” can only be bounded by means of a representation. It is crucial that not the involved, i.e. the planner, but the affected themselves will determine who is to represent them.

At this point, the question rises whether we have made any progress resolving the problem of identifying this type of stakeholder? Indeed, as we look at the definition of Freeman of a stakeholder as “*any group or individual who can affect or is affected by the achievement of the organization’s objectives*”, there is a striking similarity with the definition of the involved (i.e. can affect) and the affected (i.e. is affected). The group of the affected can also be seen as Clarkson’s in-voluntary risk-bearers.

What makes Ulrich’s (1983: 252) distinction noteworthy is that he comes up with a role that will argue the case of the affected; the essence of this role is that of a witness. Ulrich states: “...Rather than pretending that we can adequately grasp such issues by means of a detailed list of heuristically necessary categories, I suggest that we limit the claim for heuristic necessity to the one essential category of the “*witness*”... the planner cannot adequately trace the normative content of alternative boundary judgements ... without referring to some social actors playing the role of witness...”

So far we have four categories of social actors that comprise the system of stakeholders and should have an input in the organization concerned. The client, the decision maker, and the planner are directly involved in the outcome of the organization. The witness represents the affected, which means that he becomes - indirectly - involved.

In order to find the boundaries of the system and, more importantly, to reveal what the boundaries *ought to be*, there are three questions for every group that explore their sources of influence. The first and basic question is rather simple; it refers to the social role of the group. Who is the client, or who ought to be the client of the system? Likewise, similar questions are posed for the other groups.

The following two questions are group specific and fulfill an auxiliary function in order to further determinate the groups. They refer to “role specific concerns” (i.e. the a questions) or to the key problems with regard to the determination of that group (i.e. the b questions). Figure 2 summarizes the complete set of boundary questions.

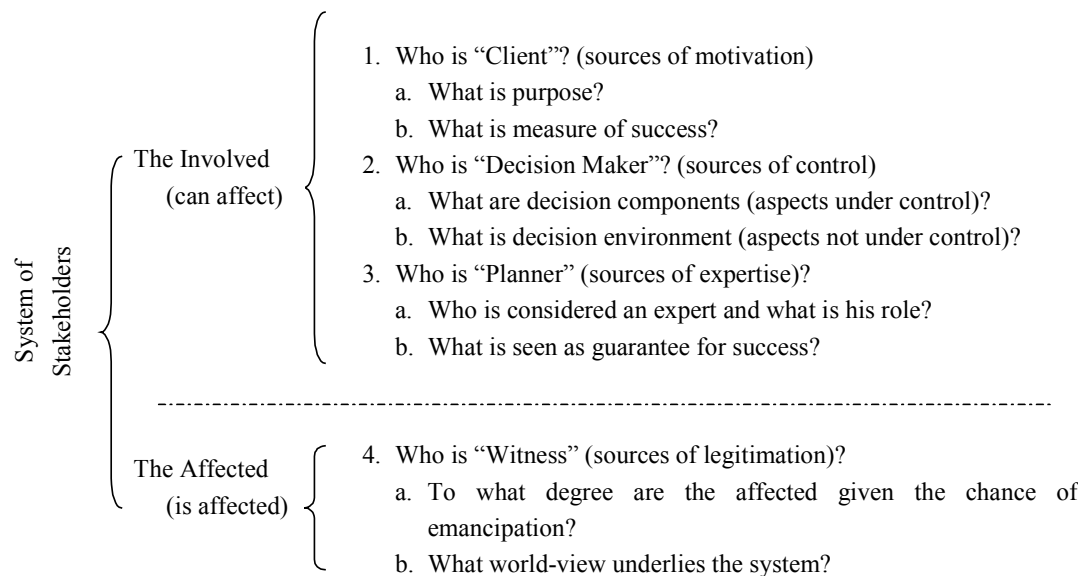


Figure 2: System of stakeholders (cf. Ulrich, 1983: 252 ff.)

Although it is assumed that the complete set is useful for modelling and choosing stakeholders, this paper will not examine the complete set of questions in more detail (see Ulrich, 1983; Flood and Jackson, 1991). For reasons of space and because identifying “the affected” is most problematic, the remainder of this paper focuses on the so-called witness.

While it is possible to describe the roles of the client, the decision maker and the planner in functionalistic terms, that is not the case for the witness. They do not contribute resources or expertise, nor do their goals motivate organizational activity.

Ulrich reasons that the witnesses represent what he calls “the crucial source of legitimation” (1983: 256). By arguing the case of the affected toward the involved, they remind the involved of their moral responsibility for all the practical consequences of organizational activity. It is important that this responsibility goes beyond the effective functioning of the organization.

Basically, the different concerns of the involved and the affected may be fundamentally conflicting. The essential point is, according to Ulrich, that the affected must be given the chance of emancipating themselves from being treated merely as means for purposes of others to “an end in themselves”. This is why Ulrich designates “emancipation” as the major concern for the witness. Accordingly, this leads to the key problem (i.e. question 4b in figure 2) for the determination of this group. Conflicting concerns may be rooted in different world-views (“weltanschauung”). In order to account for this fact, the different world-views of the involved and the affected must be traced.

Who could be considered a witness, in what way do they fulfill their role and, perhaps more importantly, how do they become a witness? In general, one could think of action groups, pressure groups, and the media when, and solely in that case, they argue the case of affected with regard to a specific issue. A short case study about a nuclear reactor will further exemplify the role of the witness.

Very recently, the nuclear reactor at the Dutch town of Petten has been temporarily shut down for a review of safety procedures. Up to this closing down on

February 18th 2002, there was an interesting discussion to be seen between various stakeholders with conflicting interests. The plant at Petten is a so-called high flux reactor. The Joint Research Center as part of the European Commission, who is the owner, has set up this plant, for medical purposes. The permission to operate is issued by the Dutch Environment Minister and the “Nuclear Research and Consultancy Group” (NRG) operates the plant. The latter can be considered an operating company.

It is worth mentioning that nuclear energy is a very sensitive issue in the Netherlands. Almost all nuclear power has been phased out and only one plant – at Borssele – is still in operation. Even though the reactor in Petten exists for medical purposes, there has also been a discussion about a possible closure of this reactor. In this discussion, several issues play a role, such as safety, what to do with nuclear waste, and the production of nuclear material for cancer research.

In December 2001, “a whistle-blower” from within the NRG, made his concerns about the safety procedures public. Leaving aside the preceding and resulting problems in the working relationships, through the whistle-blower the events develop rapidly. An investigation of the Nuclear Physical Agency, a governmental supervisory body, points at hair-cracks and procedural irregularities. Whereas it is stressed that the reactor is completely safe, the environment minister Jan Pronk asks the owner of the facility to temporarily close it down. After some discussion between the Dutch minister, the European Commission and the NRG, the NRG complies with the urgent request to shut down the reactor. This seems to be, although temporarily, the end of story.

However, immediately after the closing decision, health-care arguments gain importance. There are various press reports that quote cancer-specialists, about the negative consequences for cancer-patients. Because the reactor produces radio-isotopes for European hospitals, closure could endanger the diagnosis and therapy of cancer-patients. After consulting the healthcare minister, the closure has been postponed for two weeks.

This short illustration draws attention to some of the conflicting interests between stakeholders. It must be stressed that the case is far more complex than

described here; for reasons of space it is not possible to analyze the case more thoroughly. The category of the affected comprises at least two groups, depending from the issue that is under discussion. Firstly, from the perspective of the safety the “possibly affected” are Dutch or even European citizens. Although the whistle-blower belongs to the category of the involved, he can be viewed a witness for this type of affected as well.

Secondly, from the perspective of healthcare, the affected are the cancer-patients, aware or not aware of their illness. In this matter various cancer experts and the media fulfill the role of the witness and cause some commotion about the possible negative effects of the closure. Eventually, the closure is reconsidered.

5 Conclusion

This paper has focused on the question “To what extent can critical system heuristics (CSH) help resolving the managerial problem of identifying stakeholders?” It has been argued that this identification problem comprises a modelling and a normative issue. The practice of corporate social responsibility means responding to a variety of stakeholders with different interests and needs. Consequently, there are always decisions to be made among conflicting interests and needs. Although CSH is by no means -in terms of Ulrich- *a guarantor* for adequately dealing with those conflicting interests, it positively helps to become aware of them. Furthermore, by means of answering the boundary questions the system of stakeholders can be modelled and it helps to reflect on the implications of decisions made. Generally, it can be concluded that CSH has the potential to deal with the modelling and the normative issue concurrently. This conclusion as such makes it worthwhile to further explore the stakeholder identifying capabilities in the context of corporate social responsibility.

Undoubtedly, empirical research should further explore and clarify the practical relevance of CSH for stakeholder identification in general, and for identification of the affected, more specifically. Although this paper has focused on the witness as a stakeholder category, it is assumed that the complete set of boundary judgments is helpful for identifying stakeholders, i.e. affected and involved.

After these more general remarks, the following conclusions refer to the identification of the affected and to the witness as a representative of the affected. Firstly, the distinction between the involved and the affected is considered crucial, not only because the involved has the possibility to influence organizational behaviour and the affected does not have. The distinction is particularly important because of the modelling problems with regard to the affected. Acknowledging these problems along with the moral claim that an organization owes obligations to those whose freedom and well-being is affected, the notion of the witness possibly offers a way

out. It reduces the modelling problems, not in the least because the initiative lies with those who consider themselves affected. The witness stands up for the interests of a specific group, such as some medical experts did for the cancer patients in the “Petten case”. As also shown in this case, the affected is not a homogeneous group for an organization. It is likely this category comprises different groups with varying interests, depending on the decision(s) on the agenda.

Secondly, the witness can be viewed a channel for the affected to influence the organization, which means that, to some extent, they become involved. However, there is another side of the picture. As said before, there are always decisions to be made among conflicting interests and needs. Sometimes it goes down to find a responsible balance between two evils. This is what Wempe (1998) calls the “dirty hands dilemma”. Finding a responsible balance makes detailed investigation into the nature of the dilemma necessary. The notion of a witness may offer a means to investigate the nature of various stakeholder claims.

Thirdly, it appears relevant to differentiate between witnesses depending on the amount and nature of their influence. There is a difference between a witness who stands up for the interests of a specific group, and a witness who fulfills the role of a ‘mediator’ between the organization and a group of affected. A witness mobilizes forces to influence the organization; a mediator tries to settle the differences.

Finally, the main question is “When can an individual rightfully be considered a witness?” An individual is solely a witness when he or she represents a group or individual that is affected by the organization’s activities. It is the role of the witness to argue that their claim is justified. It must be emphasized that the reverse is not necessarily true. In other words, someone who *witnesses*, e.g. in the media, an organizational problem or failure is not necessarily *affected* by this event nor is a *representative* of the affected. This is why Ulrich stresses that it is only the affected themselves who can determine who is to represent them. Even so, a proactive attitude from the perspective of stakeholder management seems to be important. This leads to questions such as: In what way are witnesses determined? What kind of witness is available or adequate? Whom are they representing?

REFERENCES

- Ackerman, Robert W., and Raymond A. Bauer, 1976, *Corporate Social Responsiveness, The Modern Dilemma*, Prentice Hall.
- Agle, Bradley R., Ronald K. Mitchell and Jeffrey A. Sonnenfeld, 1999, "Who Matters to CEOs? An Investigation of Stakeholder Attributes and Salience, Corporate Performance, and CEO Values." In: *Academy of Management Journal*, Vol. 42, No. 5, pp. 507-525.
- Beauchamp, Tom L, and Norman E. Bowie (eds.), 1997, *Ethical Theory and Business*, 5th edition, Prentice Hall.
- Carroll, Archie B., 1999, "Corporate Social Responsibility. Evolution of a Definitional Construct", In: *Business & Society*, Vol. 38, No. 3, pp. 268-295.
- Clarkson, Max B.E., 1995, "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance." In: *Academy of Management Review*, Vol. 20, No. 1, pp. 92-117.
- Donaldson, Thomas, and Lee E. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. In: *Academy of Management Review*, Vol. 20, No. 1, pp. 65-91.
- Flood, Robert L. and Michael C. Jackson, 1991, *Creative Problem Solving. Total Systems Intervention*, Wiley.
- Freeman, R.E., 1994, "A Stakeholder Theory of the Modern Corporation", In: *Ethical Theory and Business*, Tom L. Beauchamp and Norman E. Bowie (eds.), 5th edition, Prentice Hall.
- Freeman, R.E., 1984, *Strategic Management: A Stakeholder Approach*. Boston: Pitman/Ballinger.
- Friedman, Milton, 1997, "The Social Responsibility of Business Is to Increase Its Profits", In: Beauchamp, Tom L, and Norman E. Bowie (eds.), 1997, *Ethical Theory and Business*, 5th edition, Prentice Hall (original work published in New York Times Magazine, September 13, 1970).
- Goodpaster, Kenneth E., 1998, "Business Ethics and Stakeholder Analysis", in: Clarkson, M.B.E. (ed.), *The Corporation and its Stakeholders. Classic and Contemporary Readings*, University of Toronto Press (original work published in 1991).
- Leeuw, A.C.J. de, and H.W. Volberda, 1996, "On the Concept of Flexibility: A Dual Control Perspective." In: *Omega, Int. J. Mgmt Sci.* Vol. 24, No. 2, pp. 121-139.
- Mitchell, Ronald K., Bradley R. Agle, and Donna J. Wood, 1997, "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts." In: *Academy of Management Review*, Vol. 22, No. 4, pp. 853-886.

- Takala, Tuomo, and Paul Pallab, 2000, "Individual, collective and social responsibility of the firm", in: *Business Ethics: A European Review*, Vol. 9, No. 2, pp. 109-118.
- Ulrich, Werner, 1983, *Critical Heuristics of Social Planning. A New Approach to Practical Philosophy*, Wiley.
- Ulrich, Werner, 1988, "Systems Thinking, Systems Practice, and Practical Philosophy: A Program of Research." In: *Systems Practice*, Vol. 1, No. 2, pp. 137-163.
- Wempe, Johan, 1998, *Market and Morality. Business Ethics and The Dirty and Many Hands Dilemma*. Eburon.
- Wood, Donna J., 1991, "Corporate Social Performance Revisited", In: *Academy of Management Review*, Vol. 16. No. 4, pp. 691-719.

¹ This issue is related to the distinction that can be found in literature between 'corporate social responsibility' and 'corporate social performance' (See e.g. Wood, 1991; Clarkson, 1995).

² These principles have been released on the internet, see:
<http://www.mgmt.utoronto.ca/~stake/Principles.htm>

³ For a more thorough discussion of Critical Systems Heuristics see Ulrich (1983; 1988) or, for a critical review of CSH, see Flood and Jackson (1991).