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COMMUNITY AS A STAKEHOLDER IN CORPORATE SOCIAL AND ENVIRONMENTAL REPORTING

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Abstract

The notion of organisational stakeholders having a claim in corporate social responsibility is implicit in stakeholder theory. The nature of stakeholder relations, however, has been explored only to a limited extent. Further, the nature of specific stakeholder relationships has received little attention. This paper looks at community as an organisational stakeholder, specifically at the nature of the relationship between the community and the organisation. It focuses particularly on community as a stakeholder in social and environmental reporting. Social and environmental reporting is a method employed by many organisations to provide non-financial information about the company to its various stakeholders. Firstly, the question of how stakeholders are identified is addressed. Definitions and typologies of stakeholders are considered. Existing frameworks for understanding stakeholder relationships are then explored. Importantly, not only are the attributes of the stakeholder considered, but also the attributes of the organisation and of the relationship itself. The relationship between organisation and the community is then constructed. Factors that potentially make up this relationship are identified. A model that postulates the interrelationships between these variables is developed. The potential impact of national culture, particularly in the Australasian region, is considered. Finally, implications for further research are presented.

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INTRODUCTION

Stakeholder theory came of age with the seminal work of Freeman in the 1980's (Freeman 1984). "Although almost 15 years on, no one can underestimate this work's effect on the management literature or undervalue its worth today" (Frooman 1999: 192). Stated simply, stakeholder theory is based on the notion that organisations consist of various stakeholders and that they should be managed with these stakeholders in mind. For Evan and Freeman (1993) this concept entailed two significant principles. The first principle of not harming the rights of an individual. The second principle, of being responsible for the effects of the organisation's actions. The authors note that both principles must exist in a balance within the modern corporation. Thus, the stakeholder model balances the rights of claimants on the corporation with the consequences of the corporate form.

More recently, debate in stakeholder theory has focused on two areas. Firstly, there is the question of "who is a stakeholder?" How are stakeholder groups identified and what differentiates them? Secondly, there is the issue of the nature of the relationship between the organisation and the stakeholder, and between the various stakeholders. How do organisations balance the competing interests of the various stakeholders? Do some stakeholder groups take precedence over others? How are groups prioritised? It is a practical reality that managers do not and cannot treat all stakeholders equally. Managers naturally set priorities in how they spend their time, how they allocate resources, and the importance placed upon various issues (Mitchell, Agle and Wood 1997). It is the second of these two areas that this paper will discuss.

Social and environmental reporting (SER) can provide an important tool for stakeholder management (Kaptein and Wempe 1998). This can mean different things to different organisations. SER may serve the purpose of minimising risk or adverse effects on the organisation (Brimlow 1997). In contrast SER may be a means by which organisations can share responsibility with its stakeholders (Kaptein and Wempe 1998). SER can give the organisation the opportunity to be open and transparent to its stakeholders, and to engage its stakeholders in organisational decision-making (Zadek 1998: 1429). Measuring and reporting social and environmental performance is integral to the relationship between an organisation and its stakeholders. Thus, investigation of the SER process is a natural means to explore the nature of stakeholder relationships.

This paper investigates how organisations view their relationship with a particular stakeholder group, namely the community. This is done in the context of social and environmental reporting (SER). Importantly, attention is given, not only to the attributes of the stakeholder, but to the characteristics of both the organisation and its managers, and to the attributes of the relationships themselves. Initially literature discussing the definition and typology of stakeholders is considered. Then there is an exploration of recent work that focuses on the nature of stakeholder relationships. The relationship between organisation and the community is specifically explored. A model describing the influence of the community and in social and environmental reporting is proposed. Finally, the implications of national culture, particularly in the Australasian region, are considered.

WHO IS A STAKEHOLDER?

Stakeholder theory offers a "maddening list of signals" on how the questions of stakeholder identification can be answered (Mitchell, Agle and Wood 1997). These include stakeholders identified as primary or secondary; as owners and non owners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as right holders, contractors or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influences; and as legal principles to whom agent-managers bear a fiduciary duty (Mitchell *et al.* 1997). Earlier in the development of stakeholder theory the definition of 'stakeholders' was identified as worthy of attention. The suggestion was made that there were two types of definition of stakeholders: The narrow definition included groups who are vital to the survival and success of the organisation (Freeman 1984). The wide definition included any group or individual that can affect or is affected by the corporation (Freeman 1984). The distinction between narrow and wide stakeholder definitions persists in the literature imbued with practical concerns (Mitchell *et al.* 1997). Narrow views are based on the actuality of limited resources, limited time and attention and limited patience on managers for dealing with external constraints. Broad views, in contrast, are based on the reality that companies can be vitally affected by, or can vitally affect, almost anyone. Under this definition the organisation faces a bewilderingly complex set of claims.

THE NATURE OF STAKEHOLDER RELATIONSHIPS

If the task of the organisation is to balance the inevitably competing interests of the various stakeholders, it would appear essential that any stakeholder model should offer a framework to assist the understanding of the relationships between the organisation and these stakeholders. Freeman (1984) posited that the stakeholder concept could be seen as a map in which the firm is the hub of a wheel and the stakeholders are at the ends of spokes around the wheels. This conceptualisation assumes that the relationships are dyadic, independent of one another, viewed largely from the firm's vantage point, and defined in terms of actor attributes (Frooman 1999). The idea, however, that not all stakeholders are equal, and that there is a hierarchy of stakeholders, is also apparent in the stakeholder literature (Langtry 1994). Goodpaster (1991), for example, suggested that the relationship between management and non-owner stakeholders, though morally significant, was different to the relationship between management and owners. Many of the classifications of stakeholders imply some sort of hierarchy. Such conceptualisations, however, fail to provide a practical framework or model of organisation-stakeholder relationships.

According to several authors (Husted 1998), little work has been done with respect to the development of specific structures of stakeholder relations. In fact, a number of existing theoretical frameworks can be applied to the organisation-stakeholder relationship. These frameworks are derived from areas of organisational theory which include power theory, legitimacy, contractual theory, justice theory, network theory, resource dependency and institutional theory. This paper suggests that these frameworks can be best understood by considering whether they conceive the organisation-stakeholder relationship in terms of stakeholder attributes, organisational attributes, and/or in terms of the relationship itself.

Focus on Stakeholder Attributes

The notion that stakeholders will interact with organisations based on their social, political or economic power has been prevalent in the literature. Frooman (1999) suggests that most scholars agree that power Is an important stakeholder attribute, whilst Starik (1995: 210 as cited in Phillips and Reichart 2000) believes that "the stakeholder idea has been almost an exclusively political-economic concept". Power is seen as an attribute of the stakeholder. The difficulty with power as the defining attribute of a stakeholder is that it does not necessarily differentiate between legitimate and illegitimate sources of power, hence the addition of the dimension of legitimacy by some authors (Clarkson 1995; Mitchell *et al.* 1997).

The firm-as-a-contract view holds that legitimate stakeholders are identified by the existence of a contract, expressed or implied, between them and the firm (Donaldson and Preston 1995). Jones (1995) argues that because the contract is an appropriate metaphor for the relationship between the firm and its stakeholders, the firm can be seen as a nexus of contracts. Rowley (1997: 892) agrees that the stakeholder environment consists of "a series of multilateral contracts among the stakeholders". The contractual approach is justified by applying the theory of property rights where 'property' confers a bundle of many types of rights (as compared with the traditional view of property rights which is traditionally used to support exclusive shareholder rights) (Donaldson and Preston 1995). These contracts vary in formality and in specificity. Stakeholders such as community are believed to have loose quasi-contracts with businesses (Donaldson and Preston 1995). For example the contract between a company and its community could be described as relational, whereas a contract between a firm and its employees, or its shareholders, is formal and specific.

Mitchell, Agle and Wood (1997) draw on existing organisational theories of power and legitimacy, and add a further construct of urgency, to form a model of stakeholder typology. They propose that: "Stakeholder salience will be positively related to the cumulative number if stakeholder attributes – power, legitimacy, and urgency – are perceived by the managers to be present" (Mitchell *et al.* 1997: 855. Eight stakeholder types ranging from 'definitive' stakeholders to non-stakeholders who can be ranked in importance are described. They note that stakeholder attributes are dynamic and change over time; are subjective rather than objective; and may not be conscious or wilful on behalf of the stakeholder. This model describes the stakeholder relationship in terms of stakeholder attributes (power and legitimacy) and in terms of situational attributes (urgency). It does not, however, focus on attributes of the organisation, nor the manager, nor the attributes of the relationship itself.

These models do not depart significantly from Freeman's (1984) hub and spoke, organisation-as-central, conventional model. They present the stakeholder relationship in its strategic, uni-directional form (how the stakeholder can positively or adversely affect the organisation). They focus on characteristics of stakeholders as the variables that affect organisation-stakeholder relationship. A comprehensive theory of the firm, however, requires not only an explanation of how stakeholders influence organisations, but also how the firms respond to these influences (Rowley 1997). That is, not only do stakeholder characteristics need to be considered, but organisational or managerial attributes need to be considered as well. This has become the focus in more recent research in this area (Agle, Mitchell and Sonnenfeld 1999; Greenwood 2001).

Focus on Organisational Attributes

It is important to consider the attitude or behaviour of the organisation or the managers towards stakeholders. Whilst it is recognised that these are not necessarily one and the same thing, for the purpose of this discussion they will be considered interchangeable. Most substantive work on stakeholders theories or models identify at least two streams of stakeholder oriented behaviour. These are variously called social responsiveness and social responsibility (Wartick and Cochran 1985), strategic stakeholders synthesis and new stakeholder synthesis (Goodpaster 1991) CSR1 and CSR2 (Frederick 1994). For a summary of some of these theories see table 1. The commonality between these models is the suggestion that there are (at least) two distinct attitudes the organisation can adopt towards stakeholders: that where the organisation takes into account the stakeholder for the good of the firm (the stakeholder as a means to an end); and that where the organisation takes into account the stakeholder as a matter of principle (the stakeholder as an end in themselves). Donaldson and Preston (1995) classified these typologies as instrumental and normative stakeholder theory respectively.

Insert Table 1 Here

Other models describe organisational attitudes towards stakeholders as a range of potential responses. Early work into corporate responsibility by McAdam (1973, in Clarkson 1995) identifies a range of possible managerial approaches: fight all the way (reactive); do only what is required (defensive); be progressive (accommodative); lead the industry (proactive). Oliver (1991) offered a similar typology of organisational responses to external pressures. She described strategies or tactics of active organisational resistance that organisations may exhibit in response to institutional pressures or expectations. In ascending order of resistance[1], organisations can acquiesce, compromise, avoid, defy or manipulate external influences.

Attitudes towards stakeholders can also be understood as a developmental process. It has been suggested that the moral development of organisations parallels that of individual moral development. (Reidenbach and Robin 1991) (Logsdon and Yuthas 1997; Malnick 1999) The way an organisation views its goals and relationships to various stakeholders is an indicator of its moral development. Logsdon and Yuthas (1997) have presented a model which integrates stakeholder orientations with a model of organisational moral development (based on Kohlberg's (1969) theory of individual moral development). They suggest that the

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[1] Resistance is seen as a manifestation of the organisation's lack of willingness and ability to conform to the institutional environment (Oliver 1991).

early stages of moral development, which are depicted as responding to one's own needs and desires and responding to external influences only to receive rewards and avoid punishment, would be consistent with managerial prerogative stakeholder theory. The next stages of moral development are where external forces such as peers or societal rules are not only accepted but also form the basis of decision making. An organisation in the final stages of moral development goes beyond industry and legal expectation to emphasise positive duties that actively promote the welfare of stakeholders. Organisations at this level do not view themselves as separate, but as interconnected with their stakeholders.

For the purposes of this paper, organisational or managerial attitude towards stakeholders will be classified as either strategic – the use of stakeholders to promote the self-interest of the firm, legitimising – the consideration of stakeholders in order to justify the company's activities, or moral – the consideration of stakeholders based on their moral claims.

Focus on Relationship Attributes

The changing attitude of companies towards their stakeholders will impact the relationship with those stakeholders. The trend towards a move in organisations from a defensive to a proactive stance brings about a shift in organisations-stakeholder relationships (Kaptein and Wempe 1998). Companies inclined towards acting defensively give a message to the public of "trust me" suggesting that society should accept that the company is acting in their best interest and not question or expect proof. Those companies which have learned how to deal with criticism often opt for convincing others of the necessity of their actions. The stakeholder demands to be taken onto account and the company is prepared to do so. The relationship is typified by the maxim "show me" as the company (at least in part) satisfies the stakeholders. Companies which proactively invite their shareholders to contribute, and bear their own responsibility, in the dilemmas confronting the company show a "join us" attitude", or "normative" response to stakeholder demands.

The determination of stakeholder salience based on individual attributes and the existence of explicit or implicit contracts with the firm is less important when stakeholder relationships around a particular firm are considered as a whole. Rowley (1997) has used social network theory to construct a theory of stakeholder influences that accommodates multiple, interdependent stakeholder demands, and describes and predicts how organisations respond to the simultaneous influence of multiple stakeholders. Two structural characteristics of an organisation's network of relationships, density of the network and centrality of the firm in the network, are used to describe four categories of organisational response (see table 2). The density of the whole network is measured as a ratio of existing number if ties compared with the possible number of ties in the network. The centrality of the firm, or any other actor, refers to the position of the firm relative to other actors.

Insert Table 2 Here

The discussion to date has drawn on various theoretical frameworks to develop a conception of the relationship between organisations and their stakeholders. Focus is now turned to a specific stakeholder relationship and to the construction of the relationship, between the 'community' and the organisation.

COMMUNITY AS A STAKEHOLDER

Stakeholders defined in the narrow definition as discussed earlier have the advantage of being more readily identifiable as a group and their needs likewise more easily noted than stakeholders defined in the broad sense. The exception to this, however, is the stakeholder group identified as community. Community is commonly identified within the narrowest sense of the stakeholder concept, yet community as an organisational stakeholder is perhaps the most difficult of (narrow) stakeholder groups to identify and discuss. The question of whom we mean by community is complex. Business leaders have variously defined community as local or as global, as potential or actual employees or customers, as government or as environment (Greenwood 2001). Community is potentially made up of a number of other stakeholder groups including employees, customers, unions, pressure groups and environment. It is, however, more than just a sum of the groups. Phillips and Reichart (2000: 194) note that it is notoriously difficult to aggregate communal interests. Furthermore, individuals may hold a variety of different interests and these may be represented through various stakeholder groups. For example, a manager may hold claims on an organisation as an employee, as an owner (by owning shares in the company), as a member of the local community (by living in the area), and as an advocate for the environment (by personal conviction). Thus the likelihood of having one individual represented by a multitude of stakeholder groups (Phillips and Reichart 2000).

Despite a lack of clarification on the nature of 'community' and their values and interests, it is axiomatic that communities are organisational stakeholders. Both from an instrumental and a normative stakeholder perspective it can be argued that the organisation and its managers have an obligation to consider the needs, interests and concerns of their community. Since among these interests is likely to be a concern for the health and integrity of their natural environment, the organisation is obliged to consider community as a stakeholder in its environmental management (Phillips and Reichart 2000: 193).

The impact of community on the broader ethical concerns of the organisation has received little attention in the literature (Bourne and Snead 1999: 284). Prior research into external determinants of organisational ethical culture has focussed on both the industry and the national (macro) culture in which the company operates. Community can be seen as a micro-culture that may impact on firms' ethical decisions and perspectives. In this sense, community is seen as a holder of different values and ethical standards. The role of professional associations as holders of core values on behalf of the community is well established, but these groups are only part of the overall picture. Many professional groups are not specific or diligent regarding the enforcement of ethical guidelines, and further, these professions only constitute a minority of most workforces. Initial research has confirmed the existence of a unique, community-based microculture that moderates the culture of organisations (Bourne and Snead 1999: 286). The nature of this relationship and how it is impacted by factors within the community (geographic region, size, and age of the community, income levels, industry concentration, ethnicity and migration patterns) and by factors within the organisation (organisational size, structure, age, industry and workforce profile) still requires further exploration (Bourne and Snead 1999: 289).

COMMUNITY AS A STAKEHOLDER IN SOCIAL AND ENVIRONMENTAL REPORTING

The involvement of community as a stakeholder in an organisation's social and environmental practices is likely to be determined by the amount and level of information available to members of the community. Indeed, it is argued that the level of trust between a firm and the members of the community may be a function of the information asymmetry between them regarding environmental practices (Kulkarni 2000: 215). Kulkarni (2000: 218) identifies several reasons, related to organisational structure and processes, as to why community may not have full knowledge of a firm's environmental practices. It may be because the information regarding products or processes may be considered competitively important or may be subject to patents. It is evident that a company is likely to have information regarding new products or processes before the community (and that this time lag may be extensive). Further, where the manufacturing knowledge is highly technical, information regarding environmental impact will be available to the firm before the community.

Another, more significant, organisational factor that may contribute to community's lack of information about social and environmental practices is the firm's desire to act opportunistically[2]. Opportunism implies "seeking self-interest with guile" (Williamson 1985, cited in Kulkarni 2000: 218) and is considered, in many ways, opposite of trust (Sabel 1993, as cited in Kulkarni 2000: 217). Such opportunistic behaviour can manifest in the withholding of information, particularly the omission of environmentally sensitive information, or in the manipulation or distortion of information. On the other hand, one of the key ways a firm shows that it can be "trusted" is by provision of environmental information through practices such as

[2] One should not discount the possibility of community groups also acting in an opportunistic manner (Kulkarni 2000).

environmental reporting. Thus the variation in organisations' attitude towards stakeholders, as discussed earlier, has serious consequences for SER. Reporting serves a different function for different companies depending on their stakeholder orientation. For the "trust us" company reporting is a way of minimising community concern. SER provides a smokescreen to discourage stakeholders from further investigation. For the "join us" company reporting is not a public relationship exercise presented to convince the public that the company is doing a good job. The purpose of SER for such a company is to share dilemmas with the stakeholders. This requires a vulnerable position for the company and a commitment from the stakeholders (Kaptein and Wempe 1998).

Community, as noted earlier, is not a homogenous whole. As such it is likely that different segments of the community will have differing information at any one time. The information available to various segments of the community are argued to be a function of the groups' attributes including the concern, or perceived concern of the group for the environment, and the resources available to them (Kulkarni 2000: 219). For example, individuals in the lower socio-economic strata, with limited income and resources, may place priority on basic needs such as employment and housing rather than on information about environmental needs. The interaction between concern for the environment and the resources available is evident. Communities that are perceived as not having high levels of environmental concern or resources are likely to be subject to environmental discrimination (Kulkarni 2000: 220). The presence of pressure groups in the community, in contrast, is a major influence on SER (Tilt 1994: 50). In a study of 59 Australian community lobby groups, Tilt (1994) found that 91% of the groups were engaged in lobbying companies either indirectly (54%) or directly (37%) with respect to SER.

Likewise, social and environment information is not consistent in quality and content. Information about a firm's environmental practices may be gained from a number of different sources both within and outside of the company. Information may be gained openly and in good faith or surreptitiously or even by force. Conflict between an organisation and community groups may in part be a product of the parties obtaining different 'facts' about the firm's social and environmental performance. Pressure groups have definite viewpoints about the amount (quantity) and credibility (quality) of reporting (Tilt 1994: 63). Tilt (1994: 64) concluded that for Australian pressure groups a preferred model of corporate social and environmental report would be prepared (or certified by) an external party to prevent bias, omission of important or "bad news" events, and to improve credibility. The format of the report would be a combination of descriptive and statistical data and would include information on all related interests and subsidiaries of the parent company. The report would be contained in the company annual report, would be supplemented by other policy statements, and would be available to the public or interested parties. These features are consistent with the model developed by the UK-based Institute for Social and Ethical Accountability (ISEA). The process of the development of international standards for social and ethical accounting has been occurring for several years. As part of this process, eight 'quality principles' have been developed and tested. The principles suggested to promote accurate, rigorous and valuable audits include inclusivity, comparability, completeness, regularity and evolution, embeddness, communication, external verification, and continuous improvement (Zadek 1998)(see figure 1).

Insert Figure 1 Here

One might expect companies to differ in how they express their ethical interests. Nicholson (1994) suggests a dynamic interplay between three forms: expressive forms, at the level of espoused concepts and beliefs, which may have the character of rhetoric and ideology (such as mission statements); voluntary action, specific behaviours and communication acts directed at specific groups and issues (such as social and environmental reporting); and instituted forms, organisational structures which substantiate ethical interest and intent (such as an affirmative action program). Considered as a continuum, these forms parallel the easily-decoupled (not integrated with organisational practices) to highly-integrated ethics practices continuum posited by Weaver, Trevino and Cochran (1999). Social and environmental reporting itself can be described as varying along such a continuum. Minimal selective reporting which is carried out as a one off exercise by an isolated function within the organisation would clearly be an easily decoupled practice. In contrast, social and ethical reporting which is part of ongoing dialogue, between many parts of the organisation and various stakeholder, and which impact on the way the organisation carries out its ongoing activities on a day to day basis (a form measurement for continuous improvement), would be a highly integrated practice. The model of SER as developed by ISEA and others is in keeping with a highly integrated practice. It would be expected that companies which hold a more pro-active stance towards their stakeholders would be committed to SER as a highly integrated practice and those taking a defensive stance would engage in easily decoupled SER.

It would appear that a number of different factors might influence the role that community plays in SER. These include: the amount, type and quality of information available to the community; characteristics of the community such as level of concern, resources available, coordination and cooperation; the attitude of the company towards its stakeholders; and the processes employed by the company to manage these stakeholders.

DETERMINANTS OF COMMUNITY INVOLVEMENT IN REPORTING

This paper has sought to develop a conception of the community-organisation relationship. The analysis to this point has revealed a number of features that may influence the involvement of community as a stakeholder in SER. Further, it is proposed that in many cases these features are inter-related and in some cases overlap. These factors, and the possible relationship between them, are depicted in Figure 2.

Insert Figure 2 Here

First, the orientation of the company towards community is significant. The argument that organisations will vary in their attitude towards stakeholders along a continuum from defensive (the stakeholder only considered as an impediment to be overcome) to pro-active (the stakeholder seen as a partner with legitimate rights) has been made earlier. The three organisational strategies which are referred to are moral, legitimising and strategic. Second, the nature of the community itself will be a factor in its ability to influence SER. The perceived power and legitimacy of the community or its various groups, and the coordination and communication between these groups will have bearing on the community's impact. These two features will inturn impact the third feature, actual relationship between the organisation and the community. The community will be effected by whether the relationship is characterised by openness, honesty, and trust and whether there are structures and processes to support communication and cooperation. Thus the fourth factor, the organisational structure and processes for SER will also impact the ability of community to influence the practice of SER. Whether the company has consultation process, provides site visits, employs a community liaison officer will effect the role of community in SER. The resulting accessibility and quality of information available to the community will be the fifth factor in determining the community's influence. The type of information (site reports, impact statements), the method of dissemination (web-based, multiple hard copies), the inclusion in the reporting process (consultation, site visits) and the quality of the information (transparency, verification process) will all impact both the community's ability and attitude towards SER.

Finally there is the situational variable of the extent to which the community is effected by the company's activities. This was referred to by Mitchell *et al* (1997) as 'urgency'. Specific factors may include the geographical proximity of the operations to the community, and the actual and perceived social and environmental impacts of the operations. Situational variables may impact stakeholder attributes, organisational attributes and the relationship itself, thereby influencing the role of community in the SER process.

THE IMPACT OF CULTURE – FOCUS ON AUSTRALASIA

Social and environmental reporting to stakeholders is dominated by European and North American countries (Zadek 1998: 1440). In its recent report on social and environmental reporting the United Nations

Environmental Program scored over 200 companies on their social and environmental reporting practices (UNEP 2001). Of the top 50 companies showing 'best practice' in SER, 27 companies originated in Europe (UNEP 2001: 3). It would appear that European companies followed North American companies are the main proponents of SER. Australia and New Zealand, despite low populations, also produced three reports in the top 15 (UNEP 2001: 10).

In contrast Asian countries (with the exception of Japan) did not score highly in their reporting practices (UNEP 2001: 10). Within Asia, the focus tends to be exclusively on environmental reporting and "stakeholder engagement is conspicuous by its absence" (UNEP 2001: 42). This finding is consistent with the 1997 report of Transparency International[3] (Grace and Cohen 1998: 204), which scores countries across a range of criteria to produce its Corruption Perception Index (CPI). Most Asian countries ranked significantly lower (for example Taiwan 31, Malaysia 32, South Korea 34, Thailand 39, Indonesia 46) compared with Australia (8), New Zealand (4), and Northern European countries (Denmark 1, Finland 2, Sweden 3, Netherlands 6) (Grace and Cohen 1998: 205).

This raises the possibility that social and environmental reporting, and more generally stakeholder management, may have a tendency to fit with some national cultures and not with others. There is ample evidence that national cultures vary and that a variety of management practices differ by national culture (Newman and Nollen 1996: 753). Hofstede (1980; 1991) identified five work-related dimensions along which national cultures vary. Power distance is the extent to which people believe power and status are distributed unequally and accept an unequal distribution of power as the proper way for social systems to be organised (Hofstede 1980)]. Companies high in power distance, such as those in East Asia, tend to be more centralised and have less (stakeholder) participation in decision-making (Newman and Nollen 1996: 755). Uncertainty avoidance is the extent to which people are threatened by uncertain, unknown, or unstructured situations (Hofstede 1980).

Individualism-collectivism is the extent to which identity derives from the self versus collectivity. Individual cultures are loosely coupled and status derives from individual accomplishment. Collective cultures rely on membership in groups for identity and status (Newman and Nollen 1996: 759). The Anglo countries of Britain, Australia, New Zealand, Ireland, Canada, and the U.S. are very individualistic cultures (see table 3). East Asian countries such as Taiwan, Korea, Singapore, and Hong Kong are very collective cultures (Newman and Nollen 1996). Masculine-femininity is the extent to which societal values are characterised by assertiveness and materialism. Femininity is an attribute that reflects the emphasis placed on relationships and concern for others Masculine cultures include Japan, the Phillipines, the U.S. and Australia (Hofstede 1980) (see table 3). Feminine countries are typified by Nordic countries such as Denmark, Norway and Sweden (Newman and Nollen 1996: 759).

Insert Table 3 Here

Long-term versus short-term time orientation was added subsequently in an effort to capture dimensions that might be particularly relevant to Asia (Newman and Nollen 1996: 759). Long-term cultures are characterised by patience, perseverance, a sense of obedience and a duty towards the larger good (Hofstede 1991). Long-term countries are found in Asia, including Hong Kong, Singapore, Taiwan, and Japan (Newman and Nollen 1996: 759).

Intuitively, it would seem that an organisation at the 'join us' level of stakeholder engagement (stakeholder management) would have the particular profile of cultural characteristics. Thus it is proposed that stakeholder management would be characterised by a culture profile of low power distance, low uncertainty avoidance, high collectivism, strong femininity and long-term orientation (see table 3). In addition to impacting organisational attributes (managerial practices and attitudes), national culture may impact

[3] Transparency International was founded in 1993 to work against international corruption. Part of its mission is to promote transparency and accountability in public administration and international business (Grace and Cohen 1998: 204).

stakeholder attributes (community characteristics such as level of concern, cooperation and resources). As such, other dimensions of the relationship model (see figure 2) may be affected. The possibility of situational variables (such economic imperatives) overriding the other dimensions should be also considered.

CONCLUSION AND FUTURE RESEARCH

This paper has explored the dynamics involved with community as a stakeholder in the organisation, specifically in social and environmental reporting. A number of factors that may influence this stakeholder relationship have been identified. These dimensions have been classified as organisational characteristics, stakeholder characteristics, attributes of the stakeholder relationship or situational variables. A model of how these dimensions may interrelate has been developed. This model was derived from substantial theoretical frameworks and some empirical studies in both the stakeholder and SER fields of research. This model is only an early stage in the investigation of the community-organisation stakeholder relationship. It is clear that both theoretical and empirical research is needed to continue to develop these suppositions.

In considering the actual performance of companies in the engagement of stakeholders in the SER processes it would appear that some types of companies perform better. Regional differences seems to dominate. Australia and New Zealand perform well, however countries in Asia (with the exception of Japan) do not. It is suggested that there is a particular cultural profile for stakeholder management that may match specific national cultures to a greater or lesser extent. This potential for the cultural specificity of stakeholder management requires exploration.

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Table 1: Classifications of stakeholder oriented behaviour

<table>
<tr><th>AUTHOR/S</th><th colspan="10">STAKEHOLDER ORIENTATION</th></tr>
<tr><td></td><td colspan="5">low social responsibility</td><td colspan="5">high social responsibility</td></tr>
<tr><td>Kohlberg (1969)</td><td colspan="3">preconventional</td><td colspan="4">conventional</td><td colspan="3">post-conventional</td></tr>
<tr><td>McAdam (1973)</td><td colspan="2">reactive</td><td colspan="3">defensive</td><td colspan="3">proactive</td><td colspan="2">acquiesce</td></tr>
<tr><td>Wartick and Cochran (1985)</td><td colspan="3"></td><td colspan="4">social responsiveness</td><td colspan="3">social responsibility</td></tr>
<tr><td>Goodpaster (1991)</td><td colspan="3"></td><td colspan="4">strategic stakeholder synthesis</td><td colspan="3">new stakeholder synthesis</td></tr>
<tr><td>Oliver (1991)</td><td>manipulate</td><td colspan="3">defy</td><td colspan="2">avoid</td><td colspan="3">compromise</td><td>acquiesce</td></tr>
<tr><td>Frederick (1994)</td><td colspan="5">CSR1</td><td colspan="5">CSR2</td></tr>
<tr><td>Logsdon and Yuthas (1997)s</td><td colspan="3">managerial prerogative stakeholder theory</td><td colspan="4">stockholder theory</td><td colspan="3">stakeholder theory (social harmony, utilitarian, Rawlsian)</td></tr>
</table>

Table 2: A network theory of stakeholder relationships (based on Rowley 1997)

	High centrality	Low centrality
High density	Both stakeholders and the firm have power and can influence each other.	The firm is vulnerable to stakeholder influences.
Low density	Organisation can stifle stakeholder influences through impeding information.	The organisation is isolated from stakeholders and avoids stakeholder influences

Table 3: Cultural profiles based on Hofstede (1980)

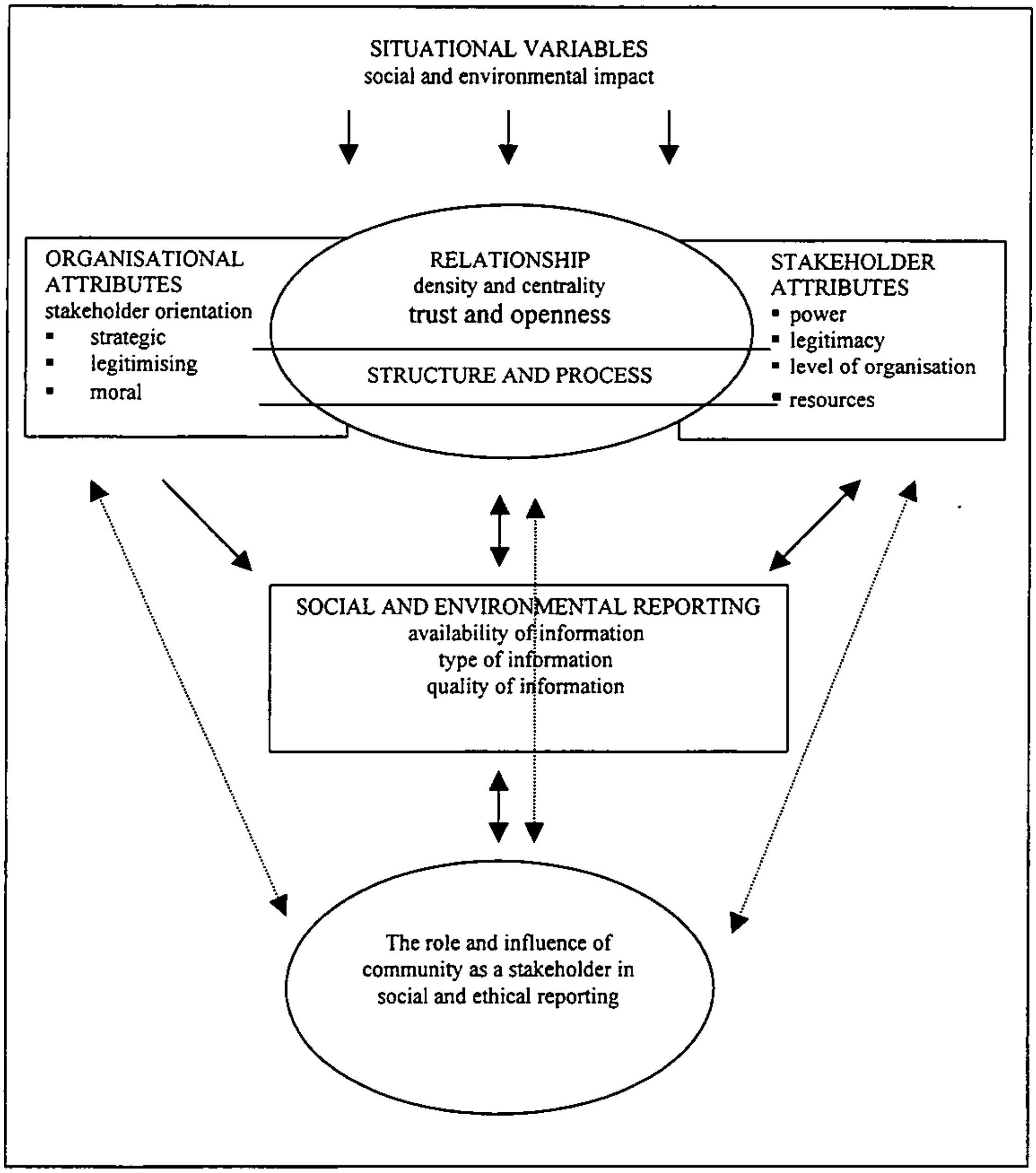
Profile	Individual/ Collectivism	Power distance	Uncertainty avoidance	Masculinity
Stakeholder management*	*collective*	*small*	*low*	*weak*
Australia	individual	small	moderate	strong
Hong Kong	collective	large	low	strong/moderate
Japan	collective	large/moderate	strong	strong
New Zealand	individual	small	low/moderate	strong/moderate
Phillipines	collective	large	low/moderate	strong
Singapore	collective	large	low	moderate
Taiwan	collective	large/ moderate	strong/moderate	moderate
Thailand	collective	large	strong/ moderate	weak

* *This profile is proposed in this paper*

Figure 1: Quality principles for social and ethical auditing developed by ISEA (Zadek 1998)

1. Inclusivity - audits must include and reflect the values and objectives of all stakeholders. The audit must be a two-way process, a "dialogue" rather than a "consultation" with the stakeholders.
2. Comparability - the audit must allow for the results to be compared with either the same organisation for a different period, or with external organisations as part of a benchmarking process.
3. Completeness - the audit must include the full range of the company's relevant activities. This is in order to ensure that the company is not picking the areas of activity likely to yield most positive results. In practice not every single stakeholder can be included, but all stakeholders should be sampled. No area of the company should be deliberately excluded.
4. Regularity and evolution - the auditing process should not be a one-off. It should be an ongoing process, occurring regularly and changing over time. These changes should reflect the changes in the organisation and in the composition and expectation of the stakeholders.
5. Embeddedness - the auditing process should be designed into the working processes of the organisation. Organisational procedures, its operationalisation of policies and commitments, should allow for regular assessment.
6. Communication - the audit must be communicated (not just published) to appropriate stakeholder groups. This may or may not include public disclosure, however is likely to include groups external to the organisation such as suppliers and customers.
7. Externally verified - the audit should be externally verified as a means of validating the results. The external verification process should be of "high professional quality and independence".
8. Continuous improvement - the aim of the audit is to assess and contribute to substantive progress rather than to reveal retrospective performance. As such the auditing process should be able to identify changes over time and be linked to methods that promote improvement.

Figure 2: A model of community influence on SER



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