

# Corporate Citizenship and Stakeholder Engagement: Maintaining an Equitable Power Balance

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## Abstract

This paper proposes an engagement oriented corporation-stakeholder relationship in Corporate Social Responsibility (CSR) programmes. It is a proposition which poses the two connected questions of how to move from solely public relation driven stakeholder management to social development oriented stakeholder participation (engagement) and how Stakeholder Engagement can be measured. On the backdrop of Arnstein's (1969) citizenship participation model and reasons for Stakeholder Engagement framework, the paper argues that Stakeholder Engagement is attainable and measurable. It argues that though Arnstein's citizenship participation model was originally intended for the relationship between government and local communities, the ever rising power of corporations makes the principle adaptable and transferable to corporate-stakeholder relationship. It proposes that by placing the reasons for stakeholder participation against levels of participation it will be possible to develop an inclusive Stakeholder Engagement model, render Stakeholder Engagement measurable and contribute in laying a foundation for developing a proactive approach to sustainable CSR that positively benefits both the company and society.

## Keywords

Corporate Social Responsibility, Corporate Citizenship, Niger Delta, Nigeria, Stakeholder Engagement

## Introduction

It is a growing recognition that economic value improves best when through voluntary cooperation, companies and stakeholders contribute their best to improve corporate and social values (Freeman et al, 2004). Stakeholders are defined as "those groups and individuals who can affect, or are affected by the achievement of an organization's purpose" (Freeman, 1984, p 46). Some add that stakeholders have legitimate claims on organisations (Hill and Jones 1992), are susceptible to financial or human risks from corporate activities (Clarkson, 1995), and/or can influence organisational decision making or activity (Carroll, 1993). Stakeholders could either be internal e.g. "stockholders and employees, including executive officers, other managers, and board members" (Hill and Jones, 2001, p.43) or external e.g. "customers, suppliers, governments, unions, local communities, and the general public" (Hill and Jones, 2001, p.43). In this paper, stakeholders refer to external stakeholders. This is because most Corporate Social Responsibility (CSR) activities are usually channelled to impress them or intended to impact on their lives and they are usually the less powerful group of stakeholders that need empowering. Internal stakeholders already have an almost equal negotiating platform with the companies because in most cases they either formulate or make direct inputs into decisions affecting the affairs of the company. Therefore our proposition is aimed at empowering external stakeholders and expanding the benefits of CSR. Hence, we restrict the application of our proposition to external stakeholders, especially the stakeholder group consisting mainly of local community representatives. It is this group of stakeholders that is compared to Arnstein's (1969) citizens because like Arnstein's citizens these stakeholders do not have the opportunity to contribute to policies. So what Arnstein refers to as "Citizenship Participation" is what we, with a little modification, refer to as Stakeholder Engagement.

The concept of Stakeholder Engagement is different from stakeholder salience, management or control. Stake-

holder management is entirely business strategy constructed to benefit the corporation without contribution from stakeholders irrespective of its impact on them (Hillman and Keim, 2001). However, the easy access to information occasioned by the internet revolution and the power of mass action against corporation e.g. demonstrations, strikes and boycotts, has encouraged a growing demand for transparency and inclusiveness in the relationship between corporations and their stakeholders. For instance, shells sudden promotion of CSR is as a result of worldwide condemnation of its involvement in Ogoni crisis in the Niger Delta (Okonta and Douglas, 2002). Companies have thus realised that there is a great limit on the extent they can control stakeholders. Whereas stakeholder salience examines how companies identify and manage priority amongst the numerous stakeholders that compete for their attention (Carroll, 1989; Clarkson, 1995; Freeman, 1984; Mitchell, Agle and Wood, 1997; Amaeshi, 2007), Stakeholder Engagement examines how companies relate with identified stakeholders (Johnson-Cramer et al, 2003; Greenwood, 2007; Cumming 2001) in promoting social benefits or developments. The degree or quality of such relationship may however affect the placement of a particular stakeholder group in the salience scale. Corporations are however, not yet certain how to maintain a balance between their interaction with stakeholders and their profit maximization goals. This paper suggests a framework for achieving and maintaining an equitable balance.

Stakeholder Engagement starts when companies consult, negotiate, or dialogue with stakeholders as to their expectations and how best those expectations can be met. The entire process covers agreement to negotiate, setting parameters for the engagement process and for monitoring the result. The difficulty, however, is how companies can engage their stakeholders while attempting to fulfil CSR mandates and how the state can encourage a balanced Stakeholder Engagement framework. In Nigeria, for instance, the incessant conflict in the oil sector and the Niger Delta is not due to lack of appreciation of stakeholder salience but rather

is more of mishandling of Stakeholder Engagement or what may be regarded as a self imposed complete asymmetry between stakeholder interests and the apparent interest of the business community. There is this attitude of “them and us” between companies, especially the oil companies and the local community (Okonta and Douglas, 2002). Both parties find it difficult to concede that they need each other and that ultimately the growth of the other should benefit both. For instance, the business community cannot maximise profit if they are constantly closed down due to violent demonstration by community people. The community on its own is not benefiting anything if businesses are closed. They lose revenue, government lose tax, and development projects stagnate (Eweje, 2006; Okonta and Douglas, 2002; Nigerian Budget, 2009). In other words to maintain some degree of growth on both sides there is need to concede to a good degree of positive and productive symbiotic relationship. It is for such environments that our concept of Stakeholder Engagement particularly applies.

To put our propositions in context we have drawn a comparison in the relationship between governments and citizens to the relationship between corporations and stakeholders. This comparison is not entirely new. There are recent arguments that corporations are taking the place of government through the power they exercise, the resources they command and the services they are called upon to provide in society (Matten and Crane, 2005; Bendell, 2005; Utting, 2000). The performance of these roles and their financial strength has elevated corporations to a form of government in some jurisdictions (Macleod, and Lewis, 2004). For instance, in the Niger Delta region there appears to be a blur between the government and oil companies whenever local communities demand for developmental projects. It may be suggested this is because the Nigerian Government has over 50% interest in the companies. But this is not as simple as it sounds because the locals still see the oil companies as foreign bodies. It is this blurry situation that Moon, Crane and Matten (2003), and Matten and Crane (2005) metaphorically redefines as Corporate Citizenship. We recognise the rationale for the redefinition of Corporate Citizenship, particularly to the extent that corporations are exercising strong power over their stakeholders including the lobbying of political institution (Moon, Crane and Matten, 2003). However, we suggest this may only apply to weak states, thereby raising the question of how the concept of Corporate Citizenship applies to strong and responsible states.

However, in recognition of the influence of corporation, we suggest that there is need for equitable power balance between corporations and stakeholders (Wood and Logsdon, 2001). It is on the strength of this access to and exercise of power that we make our comparison between corporations and their stakeholders, and government and its citizens. Matten and Crane (2005) seem to suggest that corporations are being asked to “step in” to protect civil rights when actually the right description is that corporation are being asked to “step out” from activities that jeopardise civil rights. In the Niger Delta, the continued pollution of the rivers and lands by oil companies has deprived the local community of their source of livelihood, especially their right to enjoy the proceeds of their labour and the fruits of their land (Okonta and Douglas, 2002; Frynas, 2005; Eweje 2007; Tuodolo, 2007, 2009). A recent United Nations report shows that the damage caused by Environmental pollution is immense and seriously threatens public health. The report goes further to call for immediate action (UNEP 2011). It is for these circumstances that the principles of CSR intervene to ask corporations to (1) stop the harm and (2) make repara-

tion for the damage caused. Such responsibility should not be misconstrued as “stepping in” to help. Local communities are only asking for corporate intervention because in their opinion corporate activities has deprived them the benefit of their land. The only responsible thing a company can do in that circumstance is to remedy the situation. This does not amount to taking over the job of government; it is simply being accountable and responsible for one’s own action.

One of the avenues we suggest accountability and responsibility can be maintained is through a framework for Stakeholder Engagement. In other words, for effective and efficient CSR, and to allow corporations claim the benefit of providing social services either as philanthropy or as reparation for resources and services exploited from communities or indiscriminate pollution of the social and ecological environment, a standard should be set (Carroll, 1991; Wood and Logsdon, 2001). Such standard may not be as strict as that set for governments because corporations are private bodies whose fundamental interest, in a capitalist economy, is profit maximization. However, setting accountability frameworks that give stakeholders access to comment and influence corporate actions, especially when corporations claim to act on behalf of such stakeholders or derive benefits, financial or otherwise, from such activities, is feasible. Cases like Enron, Shell in Nigeria, Bhopal in India, Nike, BP Gulf and News Corp makes this accountability framework more pertinent.

Thus, the aim of this paper is to contribute in creating a defined framework for conducting and evaluating the relationship between corporations and stakeholders in relation to CSR initiatives i.e. a trustworthy, legitimate, productive and measurable framework for corporations to engage with their stakeholders. One of the major criticisms of Milton Friedman (1962; 1970) against CSR was that business managers have neither the mandate nor the expertise to provide social benefits. But concepts like Legitimacy and Enlightened Self Interest theories have justified CSR (Elsbach, 1994; Lindblom 1994; Jesper 1998). However, company approaches to CSR are neither sustainable nor inclusive. This has resulted to a series of failed CSR initiatives, Public Relation gimmicks badly dressed as CSR and self aggrandisement exercise by some corporate directors disguised as CSR. We believe that rigorous debate aimed at encouraging and creating constructive engagement processes is overdue.

Specifically, this paper explores the possibility of (1) corporations moving from public relation driven stakeholder control or management to social development oriented stakeholder participation (engagement) and (2) rendering Stakeholder Engagement measurable. Many businesses even in their professed acceptance of CSR are yet to consider the possibility that “concern for profits is the result rather than the driver in the process of value creation” (Freeman et al 2004, p.1). Such businesses seem of the opinion that stakeholders are to be controlled or managed. Some external stakeholders have also failed to realise that the existence of business yield good for all and not to be stifled in order to promote stakeholders’ interests alone. The government, also a stakeholder, sometimes fail to consider or provide an environment conducive for constructive promotion of all stakeholders’ interests. The Stakeholder Engagement paradigm within the stakeholder theory gives an opportunity to locate these problems and propose solutions. For example, the stakeholder theory helps us examine how companies acknowledge the interests of others and how these interests affect the achievement of the companies’ objectives (Donaldson and Preston, 1995; Freeman, 2001a and b; Freeman et al 2004). The Stakeholder Engagement paradigm can thus be constructed in

a way that helps us recognise, reconcile and meet, in a fair, judicious and legitimate manner, the variety of existing interests.

The rest of this paper is structured as follows. Firstly we give a literature review on Stakeholder Engagement and summarise the reasons for corporate Stakeholder Engagement. Then from Arnstein's (1969) Citizenship Participation Ladder, we construct an analogy of Stakeholder Engagement between business and stakeholders and their implications to CSR. We then follow this with our proposed framework for a more inclusive, legitimate and sustainable model for conducting and measuring stakeholder engagement. This is followed by an examination of why Stakeholder Engagement is beneficial, especially when it satisfies the optimum criteria as per Arnstein's ladder of citizenship participation. We also explore its challenges and the difficulties of our position and also suggest ways to ameliorate these challenges. Finally, we conclude with a summary of contribution and significance of this paper and suggest further areas for conceptual or empirical research.

## Stakeholder Engagement

Stakeholder Engagement creates a viable relationship between the corporation and its stakeholders based on mutual respect, dialogue and collaboration. Stakeholder Engagement is defined by the Institute of Social and Ethical Accountability (ISEA 1999, p.91) as "the process of seeking stakeholder views on their relationship with an organisation in a way that may realistically

be expected to elicit them". Andriof and Waddock (2002, p.42) also define it as "trust-based collaborations between individuals and/or social institutions with different objectives that can only be achieved together". For Gable and Shireman (2005, p.9) it is "a process of relationship management that seeks to enhance understanding and alignment between company and their stakeholders". Recently, James and Phillips (2010, p.40) described "engagement" as "a type of interaction that involves, at minimum, recognition and respect of common humanity and the ways in which the actions of each may affect the other. The common themes running through these definitions are trust, understanding, respect and collaboration suggesting that any process devoid of these elements is not Stakeholder Engagement. Hence the objective of Stakeholder Engagement should be to resolve the interests of the engaging parties, give them opportunity to associate with the result of the engagement and not just to meet the hidden agenda of the power holders i.e. corporations.

## Identifying Corporate Orientations

Corporations usually want to be in control causing them to turn their supposedly engagement activities into carefully planned stakeholder control strategies. Hence, corporate bodies are always rating the power (salience) of stakeholders in order to device ways to manage or control them instead of engaging with them (see Amaeshi, 2007). Zadek et al (1997) have examined

Table 1. Mapping the Stakeholder Engagement framework

s/n	Level of Engagement	Corporate reasons for that level	Purpose and Features	Means of Meeting / Improving each level
1	<b>Manipulation</b>	Control	Managerialist Limiting, Controlling	Non-engagement
2	<b>Therapy</b>	Control	Managerialist Limiting, Controlling	Non-engagement
3	<b>Informing</b>	Control	Managerialist Limiting, Controlling	Non-engagement
4	<b>Consultation</b>	Relay information Manage stakeholders	Managerialist Two way information flow, Withholding power to veto	Definition of Purpose, Staying within identified purpose
5	<b>Placation</b>	Manage stakeholders	Public interests Managerialist Adhoc, Reactionary, Two way information flow, Withholding power to veto	More proactive, Stop being reactive
6	<b>Partnership</b>	Relay information Network with stakeholders	Public Interest Mutual, consensual agenda setting	Standard setting, Arbitral process
7	<b>Delegated power</b>	Relay information Network with stakeholders	Value Shift Independence, Empowering, Well informed	Standard setting, Arbitral process
8	<b>Stakeholder control</b>	Relay information Network with stakeholders Empower stakeholders	Value Shift Independence, Empowering, Well informed, Susceptible to minority tyranny	Standard setting, Arbitral process

Source: Authors' representation and analysis of literature

this phenomenon and found that there are usually three possible reasons why business may engage or pretend to engage with stakeholders. These reasons are managerialist orientations, public interest and value shift. Cumming (2001, p.45) summarised the reasons thus;

**Managerialist orientation:** Organisational decision-makers seek to understand the perceptions and requirements that stakeholders have of the organisation with a view to pre-empting the possible effects that these opinions may have on the future business activities of the organisation.

**Public Interest:** Some organisations might be pursuing stakeholder engagement... because legislative and opinion driven pressure made it expedient for them to publicly respond to social and ethical issues.

**Value Shift:** Some organisations are undergoing a fundamental culture shift as to what their role and indeed, their responsibilities to society should be.

Under Managerialist orientation, corporations' major objective is to control and not to change or recognise stakeholders' concerns. But with Public Interest, any seeming change is a carefully planned public relation exercise and does not last. Change only comes when there has been a value shift. In this scenario, stakeholders' concerns are recognised and addressed. These findings are similar to an earlier study by Arnstein (1969) on public governance (political theory), which categorised citizenship participation according to level of empowerment of the citizens. Arnstein posited that each level of empowerment in a citizenship participation process demonstrates the real objective for the participation process. Though her study was on engagement of citizens in public governance, the concepts are applicable to business organisations, with corporations playing the role of government or power holders while stakeholders play the role of citizens. We draw from these findings to demonstrate how the movement of corporate stakeholder relationship from control to engagement can occur and also construct a model for measuring the genuineness of stakeholder engagement.

## Levels of Stakeholder Engagement

Arnstein's (1969), citizenship participation falls within eight ascending levels of manipulation, therapy, informing, consultation, placation, partnership, delegated power and citizen control. She posits that the higher the levels of participation the more productive and sustainable are their outcome. These levels do not need to follow a linear graduation but each genuine participation level must empower stakeholders to participate and contribute in activities that affect them. Such participation must be active, meaningful and productive. Stiefel and Wolfe (1994, p. 5) defines such participation as "the organised efforts to increase control over resources and regulative institutions in a given social situation on the part of groups and movements hitherto excluded from such control". Thus the more impact a CSR activity would have on stakeholders, the more control they should be given in order to maintain an equitable power balance between stakeholders and corporations. Therefore, on this analysis, we conclude that not all the eight levels of Arnstein's participation ladder fall within Stakeholder Engagement. In other words, categories without opportunity for stakeholders' input do not satisfy the participation requirement because they do not give stakeholders any form of control (Stiefel and Wolfe, 1994).

Before proposing which levels of Arnstein's ladder of participation are within our concept of Stakeholder Engagement, we shall give a full discussion and analogical representation of how

this may apply to business- community relationship and their implications.

1. **Manipulation.** Manipulation is the first of the non-participatory level in the rung of participation. Stakeholders in this level of participation do not have any input in the decisions made or in the information that is fed to them or that they are asked to feed to the public. They are often packaged as ambassadors of the groups they represent but in fact they are just public relation tools or puppets representing the interest of the power holders, be it the government or the corporation. According to Arnstein, this is possible in circumstances where the stakeholder groups perceive themselves to be powerless and the organisations, in this case businesses, to be powerful. It does not really matter that the stakeholder groups have powers that they could exercise. It is sufficient to be classed as powerless if at the time of the engagement they have been so emasculated as to believe in their lack of power. The result is that the power holders arrogate to themselves the status of tutor and proceed to falsely 'educate', persuade and advice the stakeholders. Such approaches deprive stakeholders of their voice and usually lead to outcomes most probably of no benefit to the stakeholders.

This has been known to happen in the Niger Delta between oil companies and local communities, where the companies overemphasises the benefit of their presence in a community in answer to demands for corporate responsibility. Some go as far as threatening to relocate to other communities, (What we beg to term 'corporate bullying') especially where there are other communities with oil reserves vying for their attention and who may not yet appreciate the challenges. In other cases they bribe corrupt community leaders and politicians to speak on their behalf instead of on the communities' behalf (Okonta and Douglas, 2002). Such divide and rule tactics has reportedly resulted to communal clashes (Okonta and Douglas, 2002, Felix, 2009). However, some authors have contended that all engagement does not necessarily need to benefit the stakeholders (James and Phillips, 2010). They assert it could be carried out purely on a strategic basis to benefit the company. While there appears to be nothing wrong with this perspective, it is wrong to advertise the process as CSR or as beneficial to stakeholders whereas they are not empowered participants.

2. **Therapy.** Arnstein describes this level as both arrogant and dishonest. This is another level of non-participation. Here, instead of addressing the grievances or demands of stakeholders, they are subjected to a mass therapy in the supposed aim of curing them of their misconception. Using a medical analogy Arnstein describes it as "form of "participation" so invidious that citizens are engaged in extensive activity, but the focus of it is on curing them of their "pathology" rather than changing" (Arnstein, 1969, p.5), the situation against which they are complaining. They are made to feel inadequate and are required to "adjust their values and attitudes" (Arnstein, 1969, p.7).

In the Niger Delta this could happen where local communities that complain of pollution of their river by the activities of oil companies are informed that using water from the river is unhygienic. The companies then argue that they have paid their tax and urge the communities to demand pipe borne water from their government and not to rely on the rivers and streams. The intended impression is that it is the community's fault and it is wrong and backward of them to drink from their local river, irrigate their farms or graze their cattle and not that the company is wrong for polluting the river.

This level of engagement may not necessarily be bad for the promotion of CSR especially, if the communication is true. For instance, if the company has paid government (outside their

regular tax) to clean up the pollution and have actually stopped polluting, especially where the community is aware of such payment. Thus if we are to accept that businesses create value for all stakeholders (Freeman et al, 2007), it would be equally right that businesses be given opportunity to explain their position and probably correct some misconceptions about their activities. This level of engagement does not necessarily require an immediate response from external stakeholders. However, it does not stop the business organisation from inviting a response, especially to ascertain stakeholder impression of the organisation and reasons for that. To an organisation this is beneficial in attempting to recant genuine error or misconception stakeholders hold of their activities. However, it should not be misrepresented as CSR in itself.

3. **Informing:** This is the first step to participation. Although it initially involves a one-way traffic of information from company to stakeholders, there is an opportunity for feedback or negotiation. For informed stakeholders, any information may prove useful in canvassing for their interest. However, Arnstein (1969) had suggested that in many cases power holders give information late or by one way medium in order to limit the power of stakeholders. Listed media include radio announcements, newspaper adverts or television commercials.

For instance, a company may unilaterally decide to carry out a project in a community without consulting the community. To reduce community negotiating power, the project is hyped in the media and dissenting views are denied expression or labelled "anti-progressive" irrespective of how genuine the concern. When this happens both the corporation and the stakeholders lose out from the benefit of a well informed decision (Schneider, 1999). Fortunately, things have improved since 1969. In this internet age where telecommunication and internet are readily and easily available, information is easily accessible and fast to spread. Thus, the Informing Level in the Stakeholder Engagement matrix is very important.

4. **Consultation.** This level is higher because it is constructed with the intent of reflecting the concerns of the stakeholders in the end result of the engagement process.

This is the case for instance where a community is consulted before a structure e.g. a new factory is located within the community. A consultation with the locals when considered and integrated into planning may mean that the factory is built but in an area that may be less detrimental to the community. In the Niger Delta, instances abound of abandoned projects like town halls, school buildings, or pipe borne water constructed without consultation. These projects end up in inaccessible areas or built between two warring communities, rendering the project a waste of resources (Okonta and Douglas, 2002; Babatunde, 2010). However, where the engagement ends at mere consultation without stakeholders' concerns being addressed, whereas they have been so promised or the engagement so advertised, it becomes an abuse of trust. For the stakeholders it becomes mere "participation in participation" (Arnstein, 1969) without any tangible impact. For the power holders it may mean a control of the stakeholders but a loss of legitimacy and loss of potentially valuable contribution of ideas and information from the stakeholders (Schneider, 1999). In the Niger Delta, any control gained by the oil companies from false consultation does not last long because when community stakeholders realise that they have been taken for a ride, the effect is usually negative for the company. Such disingenuity is the cause of violent outbreaks between companies and community youths (Okonta and Douglas, 2002).

5. **Placation:** This level of participation should give stake-

holders some voice in deciding their interest. It is however usually ad hoc and reactionary. As the name suggests, this level is used to assuage or control stakeholders when serious concerns are raised. What happens at this level is that power holders allow stakeholders to supposedly participate in decision making while withholding the power of final decision. For instance they may be consulted and later over ruled (Arnstein, 1969; Cumming, 2001) by the power holders who have the advantage and ability to deprive the stakeholders of needed technical expertise to articulate their interests and priority properly.

This is the case when companies deal with people from rural communities with little or no education. They deliberately shroud issues in technicalities and complexities. A practical example is in the management of the oil and gas wealth in Nigeria (NEITI, 2006; 2008). The technicalities, complexities and expertise required in accounting for production, the spillages, and illegal bunkering operations were all used by the oil industry companies to evade taxes and by some government officials to hide actual amount of revenue accrued from the oil and gas industry (NEITI, 2006; 2008; Felix, 2009).

Corporations also use placation to quieten community stakeholder groups instead of addressing contentious issues like environmental pollutions in the Niger Delta. Because the government is in joint venture with the oil companies and also pay the salaries of the local chiefs, oil companies recruit some corrupt chiefs to supposedly represent their community interest in Stakeholder Engagement programmes. In many cases these chiefs only end up collecting money from the companies without any representation. In some cases, the chiefs are reluctant to be seen as confronting the government and are therefore more malleable to the control of the oil companies. Other vocal and corrupt minorities are also incorporated to participate in staged engagement exercises without first consulting the community. In actual sense such practices are meant to quieten protests (Frynas, 2005; Tuodolo, 2007, 2009; Arnstein, 1969) and not to make any developmental impact.

Arnstein (1969) has identified some strategies used to suppress full participation. These strategies are prominent in the placation level of the citizenship participation ladder and they include:

(a) Criteria for participation are arbitrarily decided. For instance, company may create requirements intended to exclude particular group of representatives. This enables the power holders to push their own agenda and present it as a general agreement.

(b) Deliberate selection of representatives that are isolated from the local community and thus have no direct experience of their concerns. E.g. choosing city dwellers to discuss the effect of pollution on the farmlands.

(c) Creating an atmosphere of distrust and powerlessness and thus forcing many to distrust the process and as such will not commit fully to it.

(d) The rights, responsibilities and options available to stakeholder groups are deliberately distorted or hidden from them.

(e) The stakeholders or their representatives are bugged down by bureaucracy, lack of technical assistance and the condescending attitude of the power holders.

(f) Lack of proper research to discover innovative ways to resolve issues. The power holders more often than not limit stakeholders to traditional methods or information which eventually results to repetition of old mistakes and consequential stagnation.

(g) Deliberate withholding of information that would

otherwise enhance informed decision making.

(h) Lack of remuneration for participation or where it is available, stakeholders are unaware of it and thus resulting to reluctance/refusal to participate in any engagement with the power holders

6. Partnership: At this level, stakeholders actually start to exercise some power over their demands or interests. Power distribution is negotiated between the power holders and the stakeholders from the start. Issues like rights and responsibilities are clearly defined and rules for the resolution of disputes before independent bodies agreed upon (Arnstein, 1969).

Unfortunately, the feeling of neglect disregard and absence of real partnership is one of the aggravating factors of the Niger Delta crisis. Community stakeholders see wealth being made on their land while the land (their source of income) is being destroyed leaving them with no reasonable alternate source of livelihood. In their opinion, they don't have any stake in the benefits, only in the pains. Such is not partnership. Companies (in collusion with the government) further aggravate matters by patronising them with false partnership relationships and arrogantly positioning themselves as benefactors when there is nothing positive to show for the relationship.

7. Delegated Power: This level of participation operates by devolution of power to stakeholders in either of two ways. They are:

(a) When specific tasks or projects are delegated to the stakeholders and they are given majority power to decide on it. They could be made directly responsible and have the power to demand and enforce accountability for the project. They do not necessarily have to carry out the project as they may lack the requisite skills, but they would have the power to decide which project to embark on and can also ensure that the necessary logistics for its success are provided. Such delegation will be very appropriate when dealing with local issues that require local knowledge or no particular technical expertise e.g. construction of school blocks in rural areas.

(b) When there are separate but parallel groups of stakeholders and power holders who can decide over a project. Here the stakeholders retain the power to veto any decision where differences cannot be resolved by negotiation. For instance, in the above example the community may veto the school project if it does not benefit them or if they have a more pressing priority for which resources are needed.

For example, the construction of community parks or schools will not be a priority in the Niger Delta area that has been destroyed by pollution and community people exposed to health hazard (UNEP, 2011). But with community people empowered to take decisions, they would realise easily that projects like hospitals and cottage industry will have more immediate benefits than schools and parks. While the cottage industry will replace their lands and seas as alternate source of income, the hospitals will help prevent spread of diseases resulting from the pollution, especially, as in many cases government has already built schools, whereas hospitals are usually located far away.

In both cases above, the parties can negotiate for an arbitral body to make final decision. Such arbitral body could be government or private establishment with some enforcement powers. This is a role supposedly being played by the Niger Delta Development Commission (DDC) between the government and communities.

8. Stakeholder Control: This exists where the stakeholders have "that degree of power (or control) which guarantees that participants or residents can govern a program or an institution, be in full charge of policy and managerial aspects, and be able

to negotiate the conditions under which "outsiders" may change them"(Arnstein, 1969, p.14). What this effectively means is that there is no intermediary between the stakeholders and the source of fund or power and thus they can make and carry out decisions without being unduly restricted. However this does not mean absolute control. Because for it to be a democratic process and to avoid reverse oppression, there should always be some mutually negotiated limits, regulations or framework within which this power is exercised.

Stakeholder control has its limitations. These include that it is open to abuse by either party and may amount to duplication of task and waste of resources. Abuse may occur where the representatives of the stakeholders use their positions to treat their constituencies poorly. For instance, in the Niger Delta area some community leaders have chosen to squander resources meant for the entire community. They use the authority entrusted in them to accumulate illegal wealth instead of using the wealth for social development purposes (Okonta and Douglas, 2002; Felix, 2009; Frynas, 2005). Abuse may also occur on the side of the power holders when they deliberately obstruct the flow of funds that results in the sabotaging of CSR projects. Sometimes this is done to wrest control of projects from stakeholders. The other limitation is that stakeholder control may result in duplication of jobs, especially where the companies or power holders already have experts who could genuinely handle the projects instead of handing it over to the community stakeholders.

Arnstein's concept describes government-citizens relationship especially between governments and local communities. The examples given in each of the levels above show how they may apply or be adapted to explain the difference between engagement and control of stakeholders by companies. Hence to the first arm of our proposition, we can affirm that stakeholder – corporate relationship can move from control and management to engagement. This therefore means that the Manipulation and Therapy level which do not grant stakeholders any form of control falls outside engagement. Based on this analysis we conclude that these two stages cannot be used in measuring the extent of engagement.

This brings us to the second arm of our proposition that Stakeholder Engagement is measurable. We however recognise that measurement here does not have to be linear. In other words, Stakeholder Control is not always a higher or better stakeholder participation level than Consultation (Arnstein, 1969). It depends on the purpose and circumstance of the engagement. For instance, where a Stakeholder Engagement exercise is carried out for the purpose of passing on information only, an engagement conducted to the level of consultation may be sufficient (see table 2). However, the same level will not be sufficient where the corporation proposes to carry out a project that will seriously impact on the lives and social or ecological environment of the stakeholders, irrespective of its assumed benefit to the stakeholders e.g. building new roads, rail lines, factories, schools or even hospitals. In other words, as a guideline, we propose that the higher the anticipated impact the higher the engagement level. Thus it is poor engagement where the anticipated impact does not match the level of engagement. However, the measurement should be made on a case by case basis and not a blanket examination of the entire engagement strategy of a company.

We accept that convincing corporation to make this movement will not be easy because they do not want to lose control. However, evidence has shown that engagement is always better than confrontation, particularly in terms of business

community relationship (Frynas, 2005; Eweje 2007; Tuodolo, 2007, 2009). It is also a moral obligation to check the amount of power exercised by corporations (Wood and Logsdon, 2001; Utting, 2000). Moreover, there are other socio-economic incentives that should encourage businesses to make the transition. Some of these incentives are explained next.

### Incentives to Stakeholder Engagement

We have chosen five examples to demonstrate how Stakeholder Engagement can benefit the stakeholders and corporations. These include:

(a) Empowerment. This is the awareness and confidence experienced by the beneficiaries of power sharing. It could be political, economic or psychological and usually increases their ability to initiate and embark on developmental activities (Paul, 1987). For power holders it relieves them of the burden of overall responsibility and if properly managed, gives stakeholders opportunity to contribute in their own development and a genuine feeling of being stakeholders.

(b) Building capacity. Stakeholders have a greater opportunity of developing and strengthening new skills and knowledge from their involvement in CSR initiatives. Such skills increase tremendously the sustainability of a project beyond mere initiation (Paul, 1987) and could also be transferred to developing and managing other private projects. For areas like the Niger Delta where there is high unemployment, capacity building opportunities will help the community access job opportunities instead of relying solely on hand outs or criminal acts like kidnapping oil company staffs.

(c) Increased effectiveness. This could refer to both the project itself and whatever objective the company has for embarking on the projects e.g. gaining legitimacy or social development. For example, a potable water supply project may have

two pronged objectives of providing water for the community and enhancing the legitimacy of the company (Deegan, 2002). Thus the failure of the project will negatively affect the company's legitimacy. But where the project is effective due to the involvement of the stakeholders, they will be proud to be associated with the success of the project and the company. Such successes will secure for the company both a successful project and high legitimacy rating and in many cases garners for itself free advertisement and advocates (Deegan, 2002; Fombrun, 2000; Sen, 2006; Du et al, 2007).

(d) Cost sharing. This includes contribution of money, labour or other valuable and scarce resources to the CSR initiative. The involvement of the stakeholders will help in spreading the cost of the initiative between companies and stakeholders. It also enhances loyalty to the corporation.

(e) Improving project efficiency. Here efficiency as against effectiveness refers to the difference between a given input (cost) and resulting output (Paul, 1987). This means that the higher the output against the input, the more efficient the project. It is not measured only against the eventual benefit of the project but also on what it costs, financial or otherwise to complete. Efficiency ensures that stakeholders start benefiting early on from the project and companies/power holders can start taking early credit for the initiatives.

It must be mentioned that these benefits and objectives do not necessarily have to be present simultaneously and their presence does not automatically mean a fruitful engagement. In other words, efficient completion of a project does not necessarily mean effective achievement of the goals of the project. Also there is a possibility that one or more of the above benefits could be missing or present without necessarily affecting the success of a particular project or initiative. For example, the fact that the involvement of stakeholders has greatly enhanced their capacity in relation to a particular project does not automatically

Table 2. Inclusive and Productive Stakeholder Engagement framework

s/n	Level of Engagement	Corporate reasons for that level	Purpose and Features	Means of Meeting / Improving each level
1	<b>Informing</b>	Clarification	Educating	Open to feedback
2	<b>Consultation</b>	Relay and Receive information. Engage stakeholders	Two way information Flow. Negotiation	Defined purpose Set standards
3	<b>Placation</b>	Manage stakeholders	Public interests Managerialist Adhoc, Reactionary,, Withholding power to veto	More proactive, Stop being reactive
4	<b>Partnership</b>	Relay information Network with stakeholders	Mutual, consensual Share in duties, assets And benefits.	Standard setting Arbitral process Defined purpose
5	<b>Delegated power</b>	Relay information Network with stakeholders	Independence, Empowering, Well informed	Standard setting, Arbitral process
6	<b>Stakeholder control</b>	Relay information Network with stakeholders Empower stakeholders	Independence, Empowering, Well informed, Defined limit	Standard setting, Arbitral process

Source: Authors' representation and analysis of literature

mean that the project is a success or will benefit the community. However, such enhanced capacity or skill could be transferable to other aspects of the life of the individuals or communities in question, thus making that, in itself, a success for the individual and eventually for the social group or community the individual belongs.

## Difficulties and Challenges

We recognise that there are challenges in pushing forth this concept of Stakeholder Engagement. These include the fact that companies don't want to lose control, communities may abuse the process, and companies will lose access to cheap public relation gimmicks. But we suggest that to move towards measuring stakeholder engagement, the social-legal environment must be made conducive. These include the presence of credibility in the process, trustworthiness of all parties and flexibility in the management approach (Mele and Paladino, 2008). Other factors are accountability and the rule of law (Schneider, 1999a). Accountability and the rule of law create the environment for credibility, and trust to thrive. Accountability helps to reduce agency problems and maintain high moral standard (Schneider, 1999a). This ensures that once parties are aware that they are bound by statutory regulation or enforceable contractual agreement there is a higher likelihood of a productive and less rancorous engagement.

There is also the tendency of rival parties in an engagement process insisting in absolutes in the bid to push forth their own agenda. But Stakeholder Engagement parties need to appreciate that for an engagement to be successful there can hardly be absolutes. For instance, it will be pushing for absolutes where a party to an engagement exercise erroneously believes that its interest is more important or refuses to appreciate or listen to other parties concerns. As organised and more powerful bodies, the task of promoting this concept falls with corporate bodies, NGO's and government agencies. Stakeholders like local communities, suppliers etc who are unorganised may not be aware of these principles and may not have the fervour and expertise to articulate them properly.

There is also the problem of hiding information in thick impenetrable technicalities. This makes it impossible for stakeholders to understand one another or make informed decisions. However, this can be resolved by encouraging transparency, removing technicalities and educating stakeholders. Stakeholders and corporations should be encouraged to look at the big picture and the long term effects of their decisions (Collins et al 2005) and shun at all cost the temptation to descend into emotional argument instead of factual or policy debate. For instance the animosity with which opposing groups promoted and antagonised the United Nations Draft Human Rights Norms for Corporations belies any possibility of a civilised engagement process (Kinley et al, 2007). However, with a transparent process, more understanding of the subject under discussion and no unnecessary emotional or religious slant to the engagement, stakeholders and corporations will come to more valuable agreements.

However, this does not mean that "no conflict" means "good engagement". Some conflicts do have great benefits to the system. Others however, are unproductive. We group these conflicts into collaborative conflict and confrontational conflict.

Collaborative conflict occurs where despite apparent differences in the interests of opposing parties they remain focussed on the fundamental objectives of their interests and the possibility of a mutual co-existence. In such cases parties are able to

realise the interdependency of their interests and how the constructive promotion of the other's interest reinforces the promotion of theirs. A practical instance may be the relationship between business and government. Whereas government would like to tax business as much as possible, it advocates moderation because without business tax there is little or no revenue. The business community on the other hand is moderate in opposing tax because it realises that government creates and ensures the sustainability of the socio-legal environment that allows businesses to thrive. A realisation of the need for this symbiotic existence leads to compromise with government not wielding its powers of legislative sanction (Gunningham and Kagan, 2005). However, in some cases this relationship may be skewed in favour of companies due to their immense financial and political influence. Such companies include tobacco companies, arms (weapons) manufacturing companies and petroleum companies particularly in developing countries.

Confrontational conflict on the other hand, runs more on the fuel of emotion, ego and demand for absolutes. Here the principles, ideas or concepts that should be the issue of engagement are either set aside or the demerits of the other's position is so exaggerated that the only response possible in such environment is antagonistic, virulent, negative and counterproductive to both parties.

Whereas the later form of conflict is not encouraged and should be avoided, it is not a reason not to engage with stakeholders. As much as it is possible to create negative effects, the positive benefits of engagement, irrespective of potential conflict, are far more important. Moreover, as has been proposed in this paper, there should always be a push for engagement based on mutual respect and within the framework of agreed parameters and subject to a higher body both for conflict resolution and enforcement of agreements to reduce the risk of unproductive conflict. However, conflict will not be discussed further in this paper. But suffice it to say that, the Stakeholder Engagement paradigm does not lose sight of its shortcomings and is not advocated as the single panacea to all troubles but as a necessary building block in the large project of creating a sustainable economic development. Stakeholder Engagement should therefore mean agreed collaboration with relevant stakeholders based on, and conducted within, a consensual parameter in order to reduce harm, promote common good and achieve a named mutually beneficial goal.

Based on the forgoing analysis and without prejudice to the challenges, we can re-affirm that (1) stakeholder – corporate relationship can move beyond control and management to engagement and (2) it is measurable.

## Conclusion

Stakeholder Engagement has the advantage of granting stakeholders more control and participation in CSR activities that will impact on their lives and helps in achieving sustainable socio-economic development. It also helps mitigate the negative effects of corporate expansion. However, our proposition is very significant in many other areas.

Firstly, there are series of articles chronicling corporate waste, in terms of corporate resources and community development opportunity, arising from lack of engagement with local communities before embarking on social development initiatives. Instances of corporations building projects like town halls that are never used or schools and hospital buildings that are not accessible simply because no proper Stakeholder Engagement was conducted, and thus built in wrong places, abound (Baba-

runde, 2010; Frynas, 2005; Eweje 2007; Tuodolo, 2007, 2009). Engagement exercises within the framework suggested in this paper could help mitigate these problems (see table 2). In other words there should be a redefinition of engagement to include participation and not just control or management as is presently the case. This expansion and re-modification will engender trust amongst stakeholders and grant corporations a more legitimate platform upon which to operate.

Secondly, there is a case for suggesting a measurable Stakeholder Engagement framework. Simply suggesting that corporations should move beyond control or management to engagement without suggesting a framework for identifying when the movement has been done is not sufficient. We have done this by showing the possible six levels of Stakeholder Engagement and what is required to meet those levels.

Finally, the propositions made here lay foundation for extending the debate on corporate governance, CSR and stakeholder theory. We concede that our proposition is not exhaustive of all possible solutions but it is a needed push to ratchet up the corporate stakeholder debate in the direction of more participa-

tory and accountable relationship. Therefore further empirical and conceptual research may be required to examine the practical limitations and feasibility of these propositions including the practical measurability of Stakeholder Engagement. One of such examinations should be on how corporate stakeholder mapping or selection for engagement purposes can be expanded or redefined to further eliminate the spectre of companies controlling instead of engaging with their stakeholder.

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