



Stakeholder engagement: Building participatory and deliberative spaces in subsistence markets

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ARTICLE INFO

Article history:

Received 1 March 2011

Received in revised form 1 November 2011

Accepted 1 January 2012

Available online 9 March 2012

Keywords:

Subsistence markets
Deliberative democracy
Stakeholder engagement
Participatory methods
Deliberative methods

ABSTRACT

Corporate practices often affect poor communities in subsistence markets yet these consumers are not always consulted as legitimate stakeholders. Both subsistence communities and firms can benefit from more inclusive and democratic corporate engagement with stakeholders. Toward this end, a deliberative democratic approach to stakeholder engagement is proposed for more equitable exchanges among firms and their stakeholders in subsistence markets. Building participatory spaces can activate marginalized communities to influence constructively the corporate actions that affect their well-being and firms can gain valuable insights for strategic decision making. Four practical methods and applications for improving participation and deliberation are examined and evaluated.

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1. Introduction

Corporations are growing in size, reach, and power, largely as a result of the processes of deregulation and privatization associated with economic globalization (Scholte, 2000). As the influence of global firms grows, their power is not matched by a corresponding increase in corporate accountability, which is particularly problematic in developing markets (Garvey & Newell, 2005). The goal of this paper is to suggest that participatory and deliberative spaces and processes can improve corporate–community relationships and expand stakeholder representation.

Stakeholder engagement often assumes that negotiations will be adversarial; for example, communities might leverage land rights against companies who might leverage the opportunity for new jobs (Garvey & Newell, 2005). Such an approach may overlook important opportunities to engage in more collaborative and effective interactions. For instance, more democratic corporate engagement might involve the communities as partners in local corporate projects. The Aboriginal Canadian Inuit community collaborates with Diavik Diamonds to form environmental policies and monitor water quality (Missens, Dana, & Anderson, 2007). Far from confrontational, these programs depend on trustworthy and committed relationships. Cooperation may even extend to communities gauging their own needs

and developing plans to build capacities with the aid of corporations (Forstater, Dupré, & Oelschlaegel, 2007). This vision stands in sharp contrast to past practices where firms made payments to community leaders to insure smooth operations with little concern for the welfare of the community (Wasserstrom & Reider, 1998).

Deliberative democracy is offered as a conceptual structure for stakeholder engagement, along with a set of concrete methods. Even well-intentioned firms who seek more authentic engagement may be stymied by the lack of discursive and egalitarian spaces in subsistence markets (Cornwall & Coelho, 2007). Thus, firms may have to play a more active role in establishing deliberative spaces where no community tradition exists. Deliberative methods are explored that invite stakeholders to participate in more effective two-way exchanges of information, deeper reflection, and constructive problem solving.

First, the need for democratic corporate conduct and accountability in subsistence markets is examined. Next, deliberative democratic theory is proposed as a guiding framework for more equitable exchange and to achieve more effective stakeholder engagement. Four applied methods for increasing participation and deliberation are explicated and applications from subsistence markets are presented and critiqued. Finally, the challenges and benefits of deliberation in subsistence markets are discussed.

2. Corporate accountability in subsistence markets

For corporations, their negative impact on human rights in communities in subsistence markets is rarely a top concern (Garvey & Newell, 2005). A common vision of corporate accountability stresses

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financial reporting, which overlooks the political processes by which corporate actors proffer accountability in subsistence markets (Newell & Wheeler, 2006). Recent initiatives, like the UN Global Compact (UNGC),² address corporations' potential broader negative impact on human rights (e.g., the right to take part in government, have an adequate standard of living, or freely express thought). This compact asserts that companies not only should avoid human rights abuses but also should support human rights (UN Global Compact, 2010).

Deeper corporate accountability needs to embrace a wider set of stakeholders and concerns. A “myopic” focus on the needs of consumers may keep firms from considering other crucial stakeholders that could impact their decision making (Smith, Drumwright, & Gentile, 2010). Expanding stakeholder involvement is based on the assumption that responsibilities for accountability arise in a relational context. The exclusion of impacted communities from decision processes can undermine even well intentioned corporate projects and adversely impact human rights. For example, Chevron Texaco donated money to development agencies in Angola, which aroused suspicion when they subsequently bid on Angola's most prized oil asset. Local stakeholders believed the firm had made contributions to channel money and gain influence from Angolan government officials (Frynas, 2005).

The most powerful and influential social networks are often those linking the cultural elite, business groups, and the government, whereas poor communities are usually excluded from the very networks that can help them build support for their claims (Garvey & Newell, 2005). At times, overt mechanisms of exclusion purposefully and even violently silence members of poor communities (Gaventa & Barrett, 2010). Citizen consent loses its meaning when obtained through pressure from the government, undue influence by experts and media, and even threats of employment termination (Newell & Wheeler, 2006).

Constructive community–corporate dialog is an important basis for claiming this deeper accountability especially when citizens' rights are not protected by governments. Corporations are increasingly aware of this necessity and some firms consult panels of community leaders, workers' unions, and experts. For instance, AREVA announced investments in renewable energy and Lafarge shifted their focus on sustainable construction programs after conferring with their consultation panels (Forstater et al., 2007).

Deliberative democracy asserts that justification for policies that affect other parties must survive the test of common rationality (Gutmann & Thompson, 2004). Following this principle, corporate accountability should involve providing justifications that are understandable and acceptable to the affected parties to make citizens informed partakers in the corporate decisions that affect their lives.

3. Deliberative democracy and stakeholder engagement

Deliberative democratic theory is a normative theory that can be used to explore conflicting perspectives and interests through public discussions guided by rational argument (Chambers, 2003). In a deliberative democracy, citizens engage in open deliberations to make collectively binding decisions, such as town hall meetings or neighborhood councils. According to this view, moral validity is not the result of any single individual's reasoning but instead emerges from the inter-subjective process of dialog (Habermas, 1990). This notion is rooted in Habermas' discourse ethics, which proposes the “ideal speech situation” as a frame for analyzing deliberation as more authentic or distorted. Communications must exhibit general symmetry so that all participants are offered the same opportunity to speak free from constraints, tradition, or authority. Implicit rules or norms also

guide valid deliberations including the norm of truthfulness (i.e., making accurate statements), the norm of sincerity (i.e., speaking one's true intentions), and the norm of comprehensibility (i.e., the utterances are understandable). While the ideal speech situation is an unattainable goal, its value lies as a bench mark against which to judge communication as more or less legitimate (Habermas, 1998).

Similarly, stakeholder engagement that is guided by deliberative processes calls for public reasoning and critique as a prerequisite for legitimate corporate decisions (Gaventa, 2006; Ozanne, Corus, & Saatcioglu, 2009). Stakeholder engagement suggests that the authenticity of a decision rests on the discursive quality of the decision-making process such that general symmetry exists in exchanges and the implicit norms guide the communication (Habermas, 1998). For example, all parties who are affected by the firm's actions should participate; thus, space must be made at the table for those marginalized groups who are so often excluded. Public democratic deliberations on corporate actions must employ the best evidence at hand (i.e., the norm of truthfulness), participants must speak their true intentions (i.e., the norm of sincerity), and technological language should be minimized (i.e., the norm of comprehensibility). Alternative courses of action and their justifications are evaluated through the common rationality of the participants. Acceptable decisions arise and survive discussion and the critique of stakeholders.

Including communities as co-creators of corporate policies can stimulate innovation and identify new opportunities in subsistence marketplaces (Pralhad, 2005). Yet, traditional market research methodologies are designed with Western consumers in mind (e.g., surveys and experiments); they often prove inappropriate to use in the context of issues in subsistence markets such as low literacy or to examine communal practices so common among the poor (Chakravarti, 2006).

Steenkamp (2005) similarly recommends expansion of methods to capture consensus-based decision making within socially interdependent contexts. More recently, researchers highlight the significant potential of participatory and dialogical approaches in understanding subsistence markets (e.g., Hill, 2010; Ozanne & Saatcioglu, 2008; Ozanne et al., 2009; Weidner, Rosa, & Viswanathan, 2010). Other researchers call for greater deliberation to establish corporate legitimacy (e.g., Nill, 2003; Scherer & Palazzo, 2007). They propose dynamic and discursive processes of moral reasoning to revise the validity claims of taken for granted norms (Gilbert & Behnam, 2009). A dialogic approach is particularly appropriate for dealing with moral issues in cross-cultural settings (Nill, 2003). This discursive turn is due in part to the dated and untenable position that universal norms even exist much less that executives can use these norms to adjudicate claims of multiple stakeholders. When firms operate in unfamiliar foreign environments, effective community engagement can help them navigate local norms of appropriate conduct, identify new opportunities, strengthen marketing initiatives, and build their reputation. More equitable, discursive stakeholder engagement would meet a higher standard of moral legitimacy than demonstrated by either legal compliance or adversarial negotiations for establishing corporate legitimacy (Gutmann & Thompson, 2004). Policies that are built using deliberative processes are perceived as procedurally fairer and meet less resistance in their implementation (Tyler, 1990).

In addition to greater legitimacy, engaging in deliberative forums can also convey respect and consideration, while avoiding such forums may signal lack of corporate transparency (Hendriks, 2005, 2006). Deliberation with communities can also be good business to the extent that risks are identified, which helps improve the long-term viability of a project. For example, Shell's town hall meetings helped address public concerns during the development of the Malampaya, Philippines natural gas project. While these deliberations cost about six million dollars, it is estimated that over fifty million was saved in potential penalties and delays (see Herz, La Viña, & Sohn, 2007).

² UNGC is an extension of the UN Statement of Universal Human Rights, started in 2000, with over 8700 corporate participants today.

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