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From Stakeholder Management to Stakeholder Accountability

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Applying Habermasian discourse ethics to accountability research

ABSTRACT. Confronted with mounting pressure to ensure accountability vis-à-vis customers, citizens and beneficiaries, organizational leaders need to decide how to choose and implement so-called accountability standards. Yet while looking for an appropriate standard, they often base their decisions on cost-benefit calculations, thus neglecting other important spheres of influence pertaining to more broadly defined stakeholder interests. We argue in this paper that, as a part of the strategic decision for a certain standard, management needs to identify and act according to the needs of *all* stakeholders. We contend that the creation of a dialogical understanding among affected stakeholders cannot be a mere outcome of applying certain accountability standards, but rather must be a necessary precondition for their use. This requires a stakeholder dialogue prior to making a choice. We outline such a discursive decision framework for accountability standards based on the Habermasian concept of communicative action and, in the final section, apply our conceptual framework to one of the most prominent accountability tools (AA 1000).

KEY WORDS: accountability standards, discourse ethics, Habermas, organizational accountability, stakeholder management, stakeholder dialogue

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ABBREVIATIONS: AA 1000: AccountAbility 1000; GRI: Global Reporting Initiative; ISEA: Institute of Social and Ethical Accountability; ISO: International Organization for Standardization; SEAAR: Social and Ethical Accounting, Auditing, and Reporting; NGO: Non-Governmental Organization; SA 8000: Social Accountability 8000

Introduction – context and motivation

Managers of corporations, government and non-government actors alike are increasingly confronted with expectations relating to "organizational accountability" based on sound ethical performance (Logsdon and Lewellyn, 2000). As a result, this concept has witnessed growing theoretical recognition during the past decade. Social and ethical accountability, often also described as social accounting (Gray, 2002; Ramanathan, 1976) or social and ethical accounting, auditing, and reporting (SEAAR) deals with the measurement, assessment and communication of social and ethical performance. Whereas there is ongoing discussion about the very nature and theoretical justification of the concept itself (de Colle and Gonella, 2002; Gray, 2001; Mathews, 1997; Owen and Swift, 2001; Owen et al., 2000; Ramanathan, 1976), we are, in parallel, also witnessing a proliferation of so-called accountability standards. Standards such as Social Accountability 8000 (SA 8000) or the Global Reporting Initiative (GRI) provide commonly accepted frameworks to measure, verify and communicate accountability related information. However, in a rapidly burgeoning jungle of available standards (for recent reviews see Göbbels and Jonker, 2003; Goodell, 1999; Leipziger, 2003; Martin, 2002; McIntosh et al., 2003), organizations and their stakeholders face a tough question: which standard is right for their specific situation, their set of needs? It is conspicuous that this decision making process is often

regarded as a management task. However, this leads to what Owen et al. (2000) call "managerial capture", a situation in which the whole process of social accounting is controlled by management and therefore lacks an accountable determination of scope.

In this paper we argue that such an approach also leads to a paradox: because management defines the scope of the SEAAR process *ex ante*, it includes only those stakeholders it *wishes* to communicate with. As a consequence, the very aim of accountability practice, which is to address the information needs and concerns of *all relevant* stakeholders by providing reliable and relevant information (GRI, 2000; Owen et al., 2001, p. 265), is missed due to the flawed decision making process.

We propose to view stakeholder engagement not as an outcome of standard selection, but rather as a precondition. Although we have seen increased discussion of stakeholder dialogue focusing on social and ethical accountability (Cummings, 2001; Owen et al., 2001; Unerman and Bennett, 2004), important questions remain unasked. First, there is no consideration of the role of standards. Most scholars aim at discussing stakeholder theory with regard to the overall SEAAR concept, but they tend to neglect the process of standard selection and application. Second, apart from the recognition that stakeholder engagement in SEAAR is not sufficient (Cummings, 2001), the question of how to reach a consensus among conflicting stakeholder interests is rarely discussed. Both are dangerous icebergs that jeopardize the task of conceptualising organizational accountability.

To evade these pitfalls, this paper has two key objectives. First, it aims to outline the need for a discursive approach – labelled "stakeholder accountability" – prior to the selection of accountability standards. Second, the approach brought forward in this paper illustrates the usefulness of Habermas' (1996a, 1996b, 1999) discourse ethical reasoning in the context of developing a theoretical framework. The Habermasian concept helps us to move beyond the assumption that organizations face a homogenous set of stakeholder views (Owen et al., 2001; Unerman and Bennett, 2004). By following these two objectives we hope to complement earlier work in the field of social and ethical accounting and take up Gray's (2002) call for more meta-theoretical investigations in the field. It is our firm belief that the approach outlined here, together with the willingness to pass on power to stakeholders, can move organizational accountability beyond pure rhetoric (Owen and Swift, 2001).

The remainder of this paper is structured as follows. Based on a review of theoretical considerations, we briefly review the literature on organizational accountability and standardization. Afterwards, we present our arguments for considering stakeholder dialogue as a precondition to standard selection, a notion that we term "stakeholder accountability". Since stakeholder claims are never homogenous, we then proceed by outlining a framework to achieve stakeholder consensus, based on an application of Habermas' discourse ethical approach. We also discuss the limitations of the theoretical framework in practice. In the final section, we offer an analysis of the extent to which the AccountAbility 1000 (AA 1000) framework meets this set of criteria. We conclude by briefly outlining some opportunities for conceptual and empirical research.

Organizational accountability and the notion of SEAAR

What is organizational accountability?

There are many definitions for *organizational accountability* resulting in confusion and often making the topic appear blurry and ill defined (Göbbels and Jonker, 2003, p. 54; Gray, 2001, p. 11). Following Crane and Matten (2004, p. 55), *we define organizational accountability as the readiness or preparedness of an organization to give an explanation and a justification to relevant stakeholders for its judgments, intentions, acts, and omissions when appropriately called upon to do so.* Accountability thus entails a mechanism of effective control by customers, citizens, and beneficiaries allowing an evaluation of the private or public good provided. Such a definition of accountability aims to provide leverage while reducing the likelihood of conflict and its negative repercussions. Consequently, accountability also presupposes *responsibility* in the sense of being willing to accept judgments, acts, and omissions as one's own burden. Responsibility requires every economic actor to recognize

the normative logic of inter-humanity and others' autonomous obligation (Kant, 1785/1995, p. 85). Hence, accountability is the acceptance of the pure good will to be ready for giving justifications of one's actions and having expectations on others that have also accepted it. This readiness to be judged by others and to accept responsibility for errors and misjudgements makes organizations of any kind accountable actors within the global economic system (Dubnick, 2003, p. 405; Gray, 2001, p. 11; Pavlock et al., 1990, p. 8).

These rather theoretical remarks raise the question of how we think about organizational accountability in practical terms. We propose to consider three essential processes (see Figure 1) when talking about organizational accountability (Gray, 2001; ISEA, 1999; Owen and Swift, 2001). The first step, accounting, reflects the need to identify relevant issues and thus determines the scope of accountability related actions at the beginning of the process. Accounting also means deriving indicators that enable organizations to define clear performance targets. Auditing can then be defined as the process of externally or internally verifying the content and quality of accountability related information to build trust with stakeholders. Auditing can also mean taking corrective measures. By contrast, reporting includes all practices undertaken to communicate and measure the impact of accountability related actions to gather feedback from stakeholders and consequently improve accounting and auditing practices. In the late 1990s, these three processes were subsumed under the term SEAAR that represents "a variety of approaches to the measurement, assessment and communication of *social and ethical* performance." (ISEA, 1999, p. 93 emphasis added; also O'Dwyer, 2001; Owen et al., 2000; Zadek, 1999). De Colle and Gonella (2002) add that ethical issues are often identified as internal (employee-driven) problems, whereas social issues focus primarily on problems relevant to external stakeholders (e.g., environmental issues).

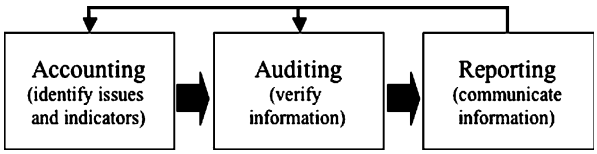

Figure 1. Processes Fostering Social and Ethical Accountability.

Accounting, Auditing, and Reporting are valuable process steps to manage information. However the question remains: which issues can be altered to provide real-world change based on the information provided? Change takes place in many ways, hence we argue that effective alterations need to occur especially with regard to (1) *rights* for citizens and communities affected by organizational activities; (2) *obligations* on corporate actors with respect to social and environmental matters; and (3) a *market framework* in which progressive companies can thrive, where governments can respond appropriately to the demands of their citizens, and where NGOs can deliver complementary goods and services without weakening the state's capacity for effective governance (Ulrich, 1998a).

Standardization in SEAAR – the rise of accountability standards

Efforts to establish standards for the process of social and ethical accounting, auditing, and reporting such as SA 8000 have achieved remarkable theoretical attention during the last couple of years (Owen et al., 2000). Standardization is vital in the new and rapidly developing SEAAR field. Standards represent predefined rules for organizational behaviour. Adherence to these regulations is either ensured by the company itself, its external stakeholders, or independent third-party institutions. The latter enhance the credibility of a standard by certifying compliance to the respective rules. Corporate commitment to a standard is always voluntary, but not inevitable in a socio-economic sense (Ulrich, 1998b). It is therefore obvious that most standards include local laws only in an indirect manner and tend to consider them as a necessary supplement to the proposed voluntary requirements. In addition, standards need to be distinguished from internally developed codes of conduct that are firm specific and not applied across different organizations (Leipziger, 2003). A code of conduct can be the result of compliance to a certain standard and points more toward the specific problems and needs of an organization (Nadvi and Wältring, 2001, p. 5).

We follow a rather broad notion of standards as we include principles and labels. *Labels* such as Rugmark or Transfair characterize certain products or groups of products with particular features that are produced in accordance with predefined criteria. *Principles* provide a set of overarching values but are non-specific in prescribing behaviour (McIntosh et al., 2003, p. 99). The Global Compact introduced by Kofi Annan in 1999 represents the best-known example of such a set of overarching values.

Due to the proliferation of standards there is general confusion about their field of application and scope. The wide range of initiatives confuses consumers and managers alike, possibly leading to scepticism and indifference (Leipziger, 2001, p. 133). Therefore, the next step of the analysis needs to unravel existing classification problems by introducing a typology for comparing and categorizing existing accountability standards. We are relying on five dimensions that provide criteria for classification (see Figure 2). The first dimension reveals the *nature* of standards. We distinguish between certification, process, and performance standards (McIntosh et al., 2003, p. 99). Certification standards establish a system under which certifications of compliance are awarded to organizations that comply with certain predefined rules. Performance standards define what an organization should or should not do, such as paying a living wage or preventing discrimination, whereas process standards describe the procedures that organizations are supposed to put in place to manage their accountability efforts effectively. It is obvious that existing standards can possess more than one characteristic at a time. SA 8000, for instance, provides certification and lays out clear performance targets (SAI, 2001).

Another important dimension is the field of *application*. We use Elkington's (2002) idea of managing along the triple bottom line, covering social, environmental, and economic issues alike. Some standards put an exclusive focus on the social dimension (e.g., SA 8000) whereas others are mainly concerned with environmental performance (e.g., ISO 14001) or economic issues (e.g., ISO 9000). Another way to classify standards is to look at their *focus*. Most standards include accounting activities by providing a framework of relevant issues that organizations are required to gather information on (e.g., child labour). Some initiatives are also designed to provide an auditing mechanism that ensures the validity of the information provided. Yet only a few standards, such as the GRI, offer a way to disclose the audited information to affected stakeholders. The fourth criterion assesses geographic *reach*. Standards can be applied globally, regionally, or nationally. Most standards are designed to address issues on a global level, as they provide what is often already established in regional (e.g., European Union) or country specific contexts: a minimum of transparency and comparability. Finally, the last dimension examines the *scope* of standards. Most standards are generic, whereas some deal with issues relevant to organizations acting in a specific industry (e.g., in the chemical industry). Some corporations have even developed their own standards and demand certification of compliance with their guidelines from subsidiaries and suppliers. For instance, some large manufacturers (e.g., DaimlerChrysler) with distrib-

Nature	Application	Focus	Reach	Scope
Performance	*Social*	*Accounting*	*Global*	*Generic*
Certification	*Environmental*	*Auditing*	*Regional*	*Industry*
Process	*Economic*	*Reporting*	*Local*	*Firm*

Figure 2. Dimensions to Classify Existing Accountability Standards.

uted supply chains have set up their own standards for verification (Nadvi and Wältring, 2001, p. 15).

Standardization in SEAAR gives rise to a problem. Due to the proliferation of standards during the last couple of years (Leipziger, 2003 identifies 32 key tools all of which focus on different aspects of the SEAAR process), organizations wishing to be held accountable for their operations need to make a decision concerning the scope of standard application. This comes down to the question: which tool should be applied and how could the decision for or against a certain standard be justified? In the following, we analyse the pitfalls of this decision making process by posing the question: *how can this process itself be accountable*? This question is a prerequisite for the application of standards in the scope of SEAAR.

Reality check – the paradox underlying decisions for standards

The question of how a decision for or against a certain standard is supposed to be made has at least two options: the decision can be made by management or by management in collaboration with the stakeholders of an organization. Management-based decision making for a standard bears three major problems. First, managers have an incentive to let *economic calculations* inform their choices. The appropriateness of a standard depends on criteria such as enhanced performance and productivity, protection of reputation, and development of new markets (Leipziger, 2001). Second, it is likely that existing relations between managers and financial auditors determine the decision, as *auditing bodies will try to promote standards they are eligible to audit*. Third, any advice on standards and their suitability for individual cases is conditioned by the *specificity of the case*. Yet local economic, social, and environmental issues can only be identified through dialogue and not by management. Owen et al. (2000, p. 85) describe these issues with the term ''managerial capture'' which means that ''management take[s] control of the whole [SEAAR] process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to the society it serves.'' O'Dwyer (2001, p. 29) calls this approach the strategic risk/stakeholder management conception of SEAAR which he sees ''focusing primarily on corporate management as opposed to stakeholder concerns.'' We are thus agreeing with Gray et al. (1988) that the concept of accountability can only itself be accountable if it is ensured that society-at-large rather than the organization or its leaders determine the rules of the game.

The notion of managerial capture leads to paradox. Paradox is the simultaneous presence of contradictory, even mutually exclusive elements that disenable choice between two poles (Cameron and Quinn, 1988, p. 2). If the decision for or against a standard relies exclusively on the organization's management, the scope of assessing and communicating the impact on the social, environmental, and economic issues that are relevant to its stakeholders is already determined *ex ante*. In other words, *if accountability is defined as giving explanations to all relevant stakeholders for organizational decisions, but the scope of standard application to achieve this end is defined by management, then standards lose their original intention, namely to represent the legitimate interests of all relevant stakeholders*. Achieving accountability then becomes a questionable task as stakeholder engagement is considered as a means to an end (e.g., the improvement of financial performance) rather than an end in itself (O'Dwyer, 2001; Owen et al., 2000).

This is not to say that decisions for or against a certain standard are *always* motivated by opportunistic behaviour, but that without a dialogical justification they are likely to limit the scope of SEAAR to a managerial perspective. In a case study examining the evolution of a social accounting process O'Dwyer (2005, p. 7) reports, ''key stakeholders, if not the key stakeholders without a voice prior to the instigation of the process remained unheard and were therefore denied any possibility of participating in or influencing any form of transformation in their relationship.'' When asking which stakeholders the different standards *primarily* address, one can come up with an overview (Figure 3) that shows that the selection of a standard inevitably means to focus attention on certain groups. Certainly, standards need to have a focus and this is *not* the critical point; rather, it needs to be discussed how the choice of a standard and thus the limitation of scope can be morally justified.

Standard \ Scope	Employees	Suppliers	Unions	Government	Civil Society	Customers
Social Accountability (SA) 8000	X	X	X			X
OECD Conventions on Countering Bribery				X		
ISO 14001					X	X
Organizational Health and Safety Assesment Specification (OHS) 18000	X					
Sustainability Integrated Guidelines for Management (SIGMA)	X				X	X
Fair Labour Association (FLA)	X	X	X			X
Clean Clothes Campaign	X				X	X
Rugmark	X					X
Responsible Care	X				X	
Eco-Management and Auditing Scheme (EMAS)	X				X	

Figure 3. Accountability Standards and Major Stakeholder Focus.

A short example might clarify this point. If management decides to use SA 8000 as a tool to manage its accounting and auditing efforts, it has already determined the scope of the overall SEAAR process (Owen et al., 2000; Swift and Pritchard, 1999). SA 8000 helps to identify issues and indicators (accounting) by setting clear performance targets with regard to workplace conditions. It also entails a verification mechanism (auditing) by demanding independent certification and thus sets the stage to report reliable information (Leipziger, 2001; SAI, 2001; Thaler-Carter, 1999). To be sure, stakeholder demands are considered throughout the process (e.g., NGOs can file complaints within production facilities; Leipziger, 2001, p. 95). However, management does not know whether the chosen scope (workplace conditions) actually reflects stakeholders' concerns. The reach of a constructive dialogue is limited from the very beginning. During subsequent processes the same stakeholder may simply be invited to ''tick boxes'' in largely identical surveys (Owen et al., 2000). Note that we are not arguing that standards are useless but that in order to be truly accountable, organizations need to determine the *scope* of their social accounting activities in an accountable manner.

We refer to the above understanding of organizational accountability as ''stakeholder management''. Within the concept of stakeholder management, dialogue is seen as an *outcome* of the overall accountability process rather than a *precondition*. The decision for or against a certain standard is based on a monological formulation of will and therefore is not able to provide full accountability by itself. By contrast, within the concept of ''stakeholder accountability'', the SEAAR process starts with a dialogue about the necessary scope of an organization's activities. Standard selection is thus in the hands of stakeholders rather than management. It is this approach that can produce reports with claims to completeness and transparency. Indeed, such an understanding of accountability moves beyond attempts to simply conduct stakeholder management to improve financial performance (Owen et al., 2000, p. 87; Belal, 2002).

The resulting ''opening'' and ''closing'' of the SEAAR process can be institutionalized in the process of strategy formation. This is because both approaches – ethical reflection via SEAAR and the strategic positioning of an organization – share common characteristics that favour a recognition of the interrelated character of both processes (Freeman and Gilbert, 1988; Freeman et al., 1988). Including stakeholder dialogue about SEAAR-scope in the process of strategy formation is also favourable since it ensures that the issue of organizational accountability is not removed from the corporate agenda (Dutton and Duncan, 1987; Frederick, 1986). Once stakeholder concerns are continuously recognized as a ''strategic issue'', organizations may appreciate the

value of replacing the notion of stakeholder management by one of stakeholder accountability. The neglect of stakeholder concerns may then be perceived as simply too much of a strategic risk.

The call for increased stakeholder engagement leaves us with the question of "Who can be considered a stakeholder anyway?" Usually, research on accountability does not touch upon this issue but treats "stakeholders" as a group of people that can be easily identified. To be sure, the list of stakeholders is never complete, as groups such as future generations and the natural environment cannot raise their voices. It is also clear that organizations cannot be accountable to all their stakeholders as the term "stakeholder" itself is too broadly defined (Owen et al., 2001). Let us illustrate this claim: Freeman (1984, p. 46) defines stakeholders as "any group or individual who can affect, or is affected by, the achievement of the organization's objectives." (See also Freeman and Reed, 1983.) Similarly, Clarkson (1995) argues that identification should be based on whether stakeholders bear risk as a result of an organization's activities. Hill and Jones (1992, p. 133) claim that a stakeholder relationship is established through the existence of an exchange relationship. Of course, these notions, while each being valuable, include virtually anyone and still leave us with the question of identification.

Following a comprehensive review of stakeholder management literature, Mitchell et al. (1997) are more specific by proposing a model that bases the salience of stakeholders on their *power* as well as on the *legitimacy* and *urgency* of their claims. They refer to power as the ability to influence the actions of organizations, legitimacy as the perceived appropriateness of claims, and urgency as an indicator of whether or not these claims call for immediate attention. In an attempt to empirically test the model, Agle et al. (1999) and Gago and Antolin (2004) found evidence that power, legitimacy, and urgency act as attributes that increase stakeholder salience. Nonetheless, conceptualising stakeholder identification as relying on these attributes remains problematic. By considering their absence or presence only, one operates with binary decision rather than a more instructive continuum. In addition, adding their independent effects results in a rather inaccurate representation of total stakeholder salience (Neville et al., 2004). Notwithstanding the valuable insights provided by Clarkson (1995) and Mitchell et al. (1997), and other authors, it remains unclear on which *normative basis* we need to judge the stake of a stakeholder. According to Reed (1999, p. 467) a stake is not merely an interest that implies prudential obligations, but first of all a normative obligation.

Besides this problem of identification, calling for increased stakeholder engagement within the concept of stakeholder accountability gives rise to yet another problem. If stakeholders are not managed, but the reference point for the SEAAR process, the development of a consensus between often mutually exclusive views proves to be a real-life obstacle to the efficient involvement of affected parties. Owen et al. (2001) recognize that a serious SEAAR process is often based on conflicting rather than harmonized stakeholder views (also Johnson-Cramer et al., 2003, pp. 150–151; Savage et al., 1991, p. 61). In his investigation of the construction of a social account, O'Dwyer (2005) reports that it is indeed difficult to achieve consensus since consultations are often rushed and based upon "homogenized" questions that are inappropriate for different stakeholder groups. Often, stakeholder theory proposes that conflicts should be resolved purely on the basis of utility-maximizing calculations (Freeman, 1984), neglecting the role of normative criteria for conflict resolution.

Based on these shortcomings identified in the stakeholder literature, there is a need to (a) define the rights to participate in stakeholder dialogue and (b) to derive consensus building rules that organize stakeholder discussion prior to and during the SEARR process. Therefore, our focus is on providing a *theoretical framework* for stakeholder accountability that rests on the following question: *How can an accountable consensus building process, not dominated by any party but by legitimate interests, derive from such a heterogeneous constellation?* We believe that the following conceptual remarks on stakeholder theory enable us to go beyond the paradox that underlies the decision for or against an accountability standard and to move towards an applicable conceptualisation of stakeholder accountability as outlined above.

An introduction to Habermasian discourse ethics

To cope with the outlined question, we are going to refer to Habermasian discourse ethics to derive consensus-building criteria. Although Habermasian discourse ethics have not been widely used in the context of SEAAR-related discussions (except the contributions of Lozano, 2001 and Unerman and Bennett, 2004), we believe that this perspective can make a valuable contribution. First, discourse ethics reflects a procedural concept for consensus building and thus moves beyond an *a priori* definition of higher-ranking norms. In view of our earlier remarks on "managerial capture", such an approach seems valuable because the scope of SEAAR is not *a priori* determined but tested for its validity in practical discourse. Second, discourse ethics derives theoretical criteria for conducting debates and thus enables us to establish a *regulative idea* about the nature of stakeholder engagement on which communication tools (e.g., surveys, interviews, focus groups) can be judged. We thus take up Jonker and Foster's (2002, p. 193) argument that Habermas' "theoretical framework can provide a useful means for analysing the nature and form of the dialogue and provide insights into the essence of the misunderstandings and disputes that so often arise."

The point of departure for discussing Habermas' approach is the question of how moral norms can be justified. In general, the acceptance of any moral norm needs to be based upon the principle of universalisation, since the norm has to be acknowledged by all members of society. Whereas writers such as Kant (1788/1997) argue that individual reflection is sufficient for the derivation of norms, Habermas claims that norms can only be justified via consensus, because different individuals can propose with varying justified norms. Habermas' stance towards universalisation is delicate, as he does not assume norms to be valid regardless of space and time (ethical absolutism). Rather, he believes that norms need to be justified within context-specific discourses, which have to be carried out in accordance with universal rules. Discourse ethics is therefore based on the idea of communicative action, in which people engage to reach understanding about conflicting issues (Habermas, 2001, p. 100). Habermas points out that discourses do not generate norms, but reflect a procedure for testing their *validity*. At the same time, norms can be rejected for not being consensus capable.

Since the concept of discourse is central to Habermas' work, we first discuss his idea of discourse to then understand the programme of discourse ethics. The early Habermas defines discourse as a practical form of communication that is free of constraints (Habermas and Luhmann, 1971, p. 418). This definition was still rather vague and idealistic, and Habermas (1984, pp. 115–136) later moved towards a more pragmatic view by arguing that discourses represent a form of communication marked by argumentation, which deals with problematic validity claims to be judged with regard to certain forms of knowledge (e.g., truth, correctness, and authenticity). Hence discourses elaborate on the legitimacy of validity claims. Legitimacy is important in this context because it shows that discourses are always embedded in the institutional context of social interaction.

However, this idea of discourse leaves us with the question as to which preconditions need to be fulfilled to come up with a generally accepted (moral) norm in a discourse. According to Habermas' (1984) communicative turn of Kant's universalisation principle, there needs to be a higher-level intersubjectivity in which individual perspectives intermesh with the perspectives of all. This intersubjectivity relies on the communicative presuppositions of a universal discourse in which each affected could take part and could present her stance toward the problematic validity claims. Thus, for Habermas, *communicative rationality* is necessary to achieve a consensus that justifies universal norms. In other words, conflict solution takes place within practical discourses that incorporate the social context of the conflict and rely on the establishment of communicative rationality. A justification of norms can only occur if human agents not only agree to achieve a consensus *in* a discourse, but also consent to enter *into* the discourse in the first place.

To achieve communicative rationality and to avoid strategic actions – like deception, coercion, or manipulation – Habermas (2001) proposes a number of rules that serve to preserve the communicative rational character of the discourse. He derives procedural principles that he sees as presuppositions of

argumentation in an *ideal speech situation*. These principles represent the only pre-given norm-catalogue within Habermas' concept (see Figure 4). If all actors comply with these discourse rules, there is a symmetric distribution of chances to choose and apply speech acts in the course of argumentation. Put differently, moral claims are justified only if they are asserted in an ideal speech situation and can reach consensus to coordinate social action. In his later writings, Habermas (1996a, 1996b, 1999) takes great care to distinguish moral from ethical discourses and thus considers the fact that not every question at issue calls for a discussion of *universal moral* principles. Ethical discourses treat the question of *goodness* and give a value-oriented assessment of ends. The resulting scope of the validity claim is relative as it is defined with regard to the specific identity of a person or group. Moral discourses, by contrast, aim at the *rightness* of validity claims, which is defined as an agreement on generalisable interests for a just resolution of conflicts. Because the scope of a validity claim that has passed a moral discourse is universal, the rules of the ideal speech situation apply to moral discourses only.

Habermas argues that these discourse rules are presuppositions of argumentative speech and that by acknowledging them, one also has to acknowledge the principle of universalisation that intends to set conditions for impartial judgment insofar as it conditions those affected to adopt the perspectives of all others.

> "[A] contested norm cannot meet with the consent of the participants in a practical discourse unless [...] *all* affected can accept the consequences and the side effects its *general* observance can be anticipated to have for the satisfaction of *everyone's* interest (and these consequences are preferred to those of known alternative possibilities for regulation)." (Habermas, 2001, p. 65, emphasis in the original)

In fact, this principle is a version of the Kantian universalisation rule since it insists that all norms must be universalisable. The procedural logic implied by discourse ethics is thus summarized by this principle. According to Habermas (2001, p. 86), we *have to* acknowledge this principle because it is already implied by the presuppositions of argumentation in general. The basic rules of argumentation outlined in the ideal speech situation are an unavoidable prerequisite for reaching a consensus on generalisable maxims. That is why the principle of universalisation cannot be decoupled from the structure of argumentation in general. The principle of universalisation by itself does not provide a reference point for norm justification because it only specifies the route by which an agreement can be achieved. For that reason, Habermas introduces yet another principle, the one of "discourse ethics", which presumes that norms already satisfy the principle of universalisation:

> "Only those norms can claim to be valid that meet (or could meet) with the approval of all affected in their capacity *as participants in a practical*

1. Legal Level

1.1 No speaker may contradict himself/herself
1.2 Every speaker who applies predicate F to object A must be prepared to apply F to all other objects resembling A in all relevant respects.
1.3 Different speakers may not use the same expression with different meanings

2. Rules for Regulating Themes for Discussion

2.1 Every speaker may assert only what he really believes
2.2 A person who disputes a proposition or norm under discussion must provide a reason for wanting to do so

3. Rules for Establishing the Force of the Better Argument

3.1 Every subject with the competence to speak and act is allowed to take part in the discourse
3.2 a) Everyone is allowed to question any assertion whatever
b) Everyone is allowed to introduce any assertion whatever into the discourse.
c) Everyone is allowed to express his/her attitudes, desires, and needs.
3.3 No speaker may be prevented, by internal or external coercion, from exercising his rights as laid down in (3.1) and (3.2)

Figure 4. Presuppositions of Argumentative Speech (Following Habermas, 2001, pp. 87–89).

> *discourse*." (Habermas, 2001, p. 66, emphasis in the original)

Accordingly, moral norms can only be established by involving every party that is affected by the norm. Following this principle, norm justification, and thus conflict solution, is generated within discourses between *all affected* individuals. By regulating who participates in a discourse, the discourse principle acts as a regulator for social institutions. The discourse principle already presupposes that we can justify our choice of a norm and thus has no meaning in the absence of the principle of universalisation. Whereas the principle of universalisation describes how normative claims can be justified, the principle of discourse ethics states where justification is supposed to take place (viz. in practical discourses).

Of the two principles, the principle of universalisation constitutes the only *moral* principle that is part of the logic of practical discourses. This is because it must be differentiated from (a) substantive principles that are the subject matter of moral argumentation, (b) the normative content of the presuppositions (discourse rules) that do not provide any moral point of view, and (c) the discourse principle that postulates the basic idea of a moral theory by being part of a logic of argumentation (Habermas, 2001, p. 93). Discourse ethics in general provides a moral justification that due to its procedural character offers a promising road to achieve universally justified norms in pluralistic societies. It does not offer any substantive regulations but a rule of argumentation only.

Habermasian discourse ethics and stakeholder accountability

Based on Habermasian discourse ethics we are now developing a theoretical framework for stakeholder accountability. Discourse ethics fits the proposed notion of stakeholder accountability because it helps to address the outlined issues of *stakeholder identification* and *consensus building*. By applying the two principles (the principle of universalisation and the discourse principle) to these issues, we can construct a conceptual framework for stakeholder accountability. Discourse ethics also fits stakeholder accountability because the discourse that assesses the scope of SEAAR is a *moral* one. A discourse on the scope of SEAAR looks for generalisable norms that are necessary to arrive at a morally justified decision for or against a standard. Following Habermas, a moral discourse, unlike an ethical one, calls for compliance with the basic principles of discourse ethics. We thus have to clarify how both principles of discourse ethics can be included in our notion of stakeholder accountability.

First, the discourse principle calls for including *all affected* when setting up practical discourses. At first glance this seems to be a rather idealized approach. However, we are encouraged to consider that this definition indeed specifies Freeman's (1984, p. 46) claim that "any group or individual who can affect, or is affected by, the achievement of the organization's objectives" represents a stakeholder. In terms of discourse ethics, only those parties that are affected by a corporation's actions "have a stake". We therefore need to distinguish between influencers and stakeholders (Donaldson and Preston, 1995, p. 86). The media, for instance, can influence a corporation but is rarely affected by its actions. Likewise, a Mafiosi blackmailing a company has an influence but not a legitimate stake. Influencers and stakeholders thus need to be differentiated. This is not to say that influencers are unimportant to organizations – the threat posed by the blackmailing Mafiosi needs to be dealt with – but that from a discourse ethical stance only those affected by corporate actions need to be seen as discourse participants.

This brings us to the issue of legitimacy. Do all *affected* parties inevitably have a *legitimate* stake? This, of course, depends on our specific notion of legitimacy. It would be self-defeating to define "legitimacy" as the necessary criterion to enter a discourse because, after all, discourse ethics provides a procedure for the discursive redemption of normative claims to validity. Illegitimate claims to validity would be excluded from a communicative rational discourse because they would not meet the principle of universalisation. Notwithstanding these theoretical remarks, we have to recognize that when it comes to stakeholder accountability, organizations face serious time and resource constraints (ISEA, 1999, p. 37). It is thus feasible to establish a notion of legitimacy that excludes *totally*

improper claims from the very beginning. For instance, a drug dealer who used to sell drugs to some employees of a corporation may feel disrupted by a new corporate policy that all employees have to periodically undergo a drug test and are fired in the case of a positive test. Of course, the dealer is affected by corporate action, but does she/he have a legitimate claim?

Suchman (1995) provides a profound discussion of legitimacy in organizations. He argues that in a very general sense legitimacy is tied to certain cultural and behavioural norms that are seen as "valid" from the viewpoint of larger social systems. This view is in line with the arguments by Berger and Luckmann (1967) who highlight the socially constructed nature of norms and beliefs. Legitimacy is thus dependent on a collective audience. In the words of Suchman (1995, p. 574) "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Applied to our notion of stakeholder accountability, this means that not everybody who feels affected in some way can enter the practical discourse. Only those with a legitimate interest – i.e. an interest that is at least conceived to be "proper" within its context of occurrence – should enter. Practical discourse, then, has to test whether the content that is brought in from the outside is legitimate from a communicative rational point of view. Although Suchman's definition is rather difficult to operationalise, and the question "what is legitimacy" often overlaps with the question "legitimacy for what?" (Suchman, 1995, p. 573), it represents a sociologically robust interpretation containing descriptions (e.g., the social constructed nature) useful in our approach to stakeholder accountability. This will be demonstrated in the next section.

With regard to consensus building, the second issue that we defined as a necessary precondition for stakeholder accountability, we have to recognize the contribution of the principle of universalisation. Habermas (2001, p. 86) argues that this principle acts as a rule of argumentation and is already implied by the presuppositions of argumentation (see Figure 4) in general.

> "Every person who accepts the universal and necessary communicative presuppositions of argumentative speech and who knows what it means to justify a norm of action implicitly presupposes as valid the principle of universalisation." (Habermas, 2001, p. 86)

As a consequence, we can claim that by incorporating the principle of universalisation into the notion of stakeholder accountability, we need to acknowledge the discourse-regulating character of the outlined presuppositions of argumentation. A rational consensus between stakeholders is only possible if these rules are considered as far as possible. This means that management has a regulative idea about how to design stakeholder discourses. At a practical level, these discourse rules draw our attention to important issues. For instance, to fulfil the presupposition that everybody can introduce her/his claims into the discourse (rule 3.2.b), management needs to communicate to stakeholders in all main languages. Unerman and Bennett (2004), for example, recently pointed out that Shell's web forum de facto requires stakeholders to communicate in English as translations or replies in other languages are not provided. This is also true for sustainability reports, which are mostly provided in English.

In addition, we have to acknowledge that stakeholders cannot be prevented from expressing their opinions (rule 3.3). Once again, considering the role of the Internet, Unerman and Bennett (2004) argue that access is unequally distributed among countries. Furthermore, we must recognize that focus group discussions or stakeholder interviews tend to be conducted with people that corporations have easy access to (such as employees or NGOs). Yet true accountability, and thus a true determination of the scope of SEAAR, requires including parties that are not easy to reach as well (e.g., suppliers in developing countries and their belonging employees).

Furthermore, rule 2.2, which claims that everyone who disputes a claim must provide a reason for it, implies that discourses need to go beyond ideology-driven exchanges of blows. Indeed, the Habermasian model for stakeholder accountability proposed here opposes the reinforcement of capitalist hegemony by means of stakeholder management and thus helps us move beyond the paradox underlying the determination of SEAAR scope: if

we accept the Habermasian discourse idea as the regulative ideal on which to base the entire SEAAR process, there is a chance to turn exercises in public relations into honest and "hurting" corporate actions. To arrive at a more democratic accountability process, corporations need to voluntarily impose restrictions on their own power by accepting the regulative idea outlined here.

In agreement with Power and Laughlin (1996), we are aware that the ideal speech situation proposed by Habermas works with rather idealized assumptions. Conditions of real-world discourses differ substantially from this framework, as has been highlighted by advocates of postmodernism focusing on existing power relations (Foucault, 1980) and questioning the ability to achieve consensus (Lyotard, 1985). Skewed power distribution, especially in the context of government-subject and employer-employee relationships in developing countries, severely restrains the practical applicability of discourse rules. Considering this, we nonetheless need to acknowledge the *regulative character* of discourse ethics at a more general level. This does not render the propositions useless because there is a continuum between not adhering to the regulative idea at all and implementing it completely. The task is to benchmark existing stakeholder communication tools against discourse ethical ideas and to install precautionary institutional measures to compensate for the restrictions that practical discourses are faced with.

In this context, we welcome Donaldson and Preston's (1995) distinction between normative, instrumental, and descriptive stakeholder theory and embed our work in the normative research tradition. Furthermore, considering the remarks of Gioia (1999) and Freeman (1999) we openly admit that our conceptual framework does not represent the complex social, economic, and organizational realities managers face. However, we disagree with Gioia (1999) that normative stakeholder theory represents a "Just do Right!" approach that preaches what *ought* to be done without considering what *can* be done: in order to determine what can be done, we first need to know what ought to be done. We need some, maybe even unworldly, horizon to judge managerial efforts. Simply saying that we cannot achieve more democracy in stakeholder engagement because of the constraints of real-world communication assumes stability where there is fluidity. Normative arguments in stakeholder theory and social accounting are necessary to inform future research and to give management a vision to judge its efforts. Just as a good strategy process carves out reality under consideration of a corporate vision, so stakeholder management needs some key guiding ideas as well.

Managing for stakeholder accountability – assessing AA1000

Habermas' discourse ethical approach provides the theoretical background for stakeholder accountability. Although we recognize that this framework is mainly theoretical in nature, we maintain that this does not preclude the opportunity to inform the debate around organizational accountability in general. To illustrate this claim, we will outline some practical implications by discussing the potential role of AA 1000. AA 1000, launched by the Institute of Social and Ethical AccountAbility (ISEA), is not an accountability standard in the classic sense since its framework does not specify any particular field of application (social, environmental, or economic), nor does it provide any verification mechanism (Göbbels and Jonker, 2003). Rather, the standard is "[...] a common currency or reference point to underpin the quality of specialized accountability guidelines and standards" (ISEA, 2002, p. 9). AA 1000 operationalises and standardizes the SEAAR process *itself* by defining best practice (Leipziger, 2003). It does so by envisaging an ideal SEAAR process undertaken within a hierarchy of *principles* that are aimed at securing the overall *quality* of the process (Beckett and Jonker, 2002; O'Dwyer, 2001).

A complete listing of all principles would be beyond the scope of this paper. Instead, we focus on AA 1000's remarks on stakeholder engagement. According to Simon Zadek (1999), chief executive officer of AccountAbility, AA 1000 "gives internal and external stakeholders reassurance that there is real substance behind an organization's actions – that it's more than PR." (Quoted in Leipziger, 2003, p. 377). We recognize that AA 1000 explicitly addresses the issue of defining the scope of the SEAAR process. It seems to move beyond the "managerial capture" of stakeholder management by demanding that:

> "[t]he organization determines, based on *engagement with its stakeholders*, the scope of the current process in terms of stakeholders, geographical locations, operating units and issues to be included, and identifies how it plans to account for any excluded stakeholders, operations, locations or issues in future cycles." (ISEA, 1999, p. 37, emphasis added)

At first glance, AA 1000 seems to comply with our basic understanding of stakeholder accountability. However, AA 1000 also demands that "the organization selects the audit method, the audit scope and the auditor(s)" (ISEA, 1999, p. 38) so it remains unclear whether the standard really is in line with our notion of stakeholder accountability. To dig a little deeper, we evaluate AA 1000's potential to meet the two principles of stakeholder accountability that we derived from Habermasian discourse ethics. Concerning the principle of discourse ethics, we claimed that all affected parties with legitimacy have to be included in the discourse. Indeed, AA 1000 explicitly addresses stakeholder identification by pointing out that

> "The identification of all stakeholder groups is a key part of ensuring the inclusivity of the process of social and ethical accounting, auditing and reporting. [...] The organization may categorize its stakeholder groups in various ways [...] Whichever categorization (if any) is used, the organization prepares a complete list of stakeholder groups." (ISEA, 1999, pp. 33–34).

Yet even though the standard recognizes the importance of stakeholder identification and classification, no clues are provided on which criteria such an endeavour may rest. When is inclusivity reached? What is a complete list of stakeholder groups? AA 1000 only asks to create a shortlist of stakeholders and communicate the selection criteria.

At this point, we wish to highlight the complementary nature of our remarks on stakeholder accountability on further developing the AA 1000 framework. Considering that only *affected* parties are allowed to enter practical discourses provides some guidance to specify AA 1000's notion of inclusivity in a communicatively rational manner. As discussed in the preceding section, we believe that claims should furthermore be tested for their legitimacy to consider organizations' time and resource constraints – a problem also recognized by AA 1000 (ISEA, 1999, p. 37). The discussed notion of legitimacy thus fits the needs of AA 1000. Because AA 1000 is a global initiative (Leipziger, 2003, p. 377), the socially constructed and thus context dependent nature of legitimacy gives enough room to develop more precise definitions of which affected stakeholders possess a legitimate claim.

While referring to the principle of universalisation, we note that the AA 1000 document remains notably silent on the process of consensus building among conflicting stakeholder demands. It only states that:

> "[AA 1000] does *not provide* a prescriptive framework for the resolution of conflicts, but it provides a process for organizations to begin to address them through engaging with stakeholders to find common ground and build trust." (ISEA, 1999, p. 10, emphasis added)

Because of this focus, AA 1000 specifies a variety of tools that can be used in stakeholder engagement (ISEA, 1999, p. 109). Drawing on these remarks, Belal (2002), in his attempt to match current engagement mechanisms with the requirements of AA 1000, notes that although a variety of mechanisms exist, a two-way dialogue is only promoted by the use of interactive focus groups and interview methods. In a similar study, Cummings (2001) finds that current methods of stakeholder dialogue do not intend to give stakeholders control or even delegate power in decision-making. This leaves us with the question of how to use the *potential* provided by the recommended tools to foster consensus among stakeholders. It would be necessary to (a) judge existing tools against the discourse rules provided by discourse ethics and (b) extend the tools in a meaningful way based on these insights.

Examining the potential of Shell's web-based discussion forum to meet the criteria of an ideal speech situation, Unerman and Bennett (2004, p. 702) conclude that the "[u]se of the Internet to host stakeholder debates regarding corporate responsibilities seems to have the potential in practice to enhance the democratic determination of these responsibilities by realizing some of the counterfactual potential of a theoretical ideal speech situation debate." It is our belief that AA1000 can be extended in a meaningful way by taking into account

the discourse rules that act as a presupposition to the principle of universalisation. The mere listing of engagement tools should hence be complemented by some advice regarding how to further leverage their potential. Complementing AA 1000's remarks on stakeholder dialogue mechanisms with discourse ethical ideas means recognising that dialogue does not mean communicating *to* but rather, *with* stakeholders (Crane and Livesey, 2003, p. 47). Such a two-way communication moves beyond the idea of merely exchanging information with stakeholders to creating meaning in the process of joint negotiation. Finally however, it is vital to recognize that AA 1000 is still a young initiative and does not represent a finished product (Owen et al., 2000). Rather, the standard is expected to stimulate an extensive consultation process, to which we hope to have contributed. We are confident that our remarks can contribute to the AA 1000 framework's aim of providing organizations with the necessary first steps for building stakeholder accountability.

Concluding remarks

The concept of stakeholder accountability offers a theoretically well-founded framework for overcoming the problem of "managerial capture". By referring to Habermasian discourse ethics, we argue that the scope of the SEAAR process needs to be defined on a more dialogical basis. Undoubtedly, stakeholder accountability is, at least partially, an idealized version of events. Not all organizations are practically able to consider the remarks on consensus building to make SEAAR itself a more accountable endeavour. Whereas we recognize this limitation, we also wish to underscore the potential of AA 1000 to develop SEAAR practices in the "right" direction. The regulative character of this idea also emphasizes that management does not face a binary decision with regard to implementation. On the contrary, managers navigate their organizations on a continuum where partial fulfilment of the standards can already be considered a success. Still, "internal reforms" with regard to managerial practice need to be accompanied by modifications at the institutional level. We agree with Owen et al. (2000) that there is a somewhat naive confidence that companies will voluntarily respond to the increasing public pressure. Without meaningful reforms in governance structures, the current SEAAR movement runs the risk of becoming merely a form of stakeholder management and a public relations exercise rather than practically promoting stakeholder accountability (O'Dwyer, 2001, p. 34; Owen et al., 2001, p. 272). If stakeholder accountability is about a two-way dialogue and passing power to stakeholders, then action needs to be backed up by effective reforms on the institutional level.

Considering practitioners' call for more practical tools to guide their SEAAR implementation efforts, we see significant opportunities for further empirical research. Studies would need to examine the extent to which existing stakeholder dialogue mechanisms (e.g., focus groups or web-forums) meet the consensus building and stakeholder identification criteria of stakeholder accountability. First steps in this direction have already been made. Unerman and Bennett (2004) investigate the extent to which a web-forum could assist in realizing the theoretical potential of an ideal speech situation. However, opportunities for empirical follow-up work remain in the areas of determining legitimacy and the effectiveness of transmission and application of Habermasian rules within organizational structures in different socio-economic settings such as developing countries or particularly conflict prone industries. Finally, given that initiatives like SA 8000 or the GRI stress the importance of dialogue but provide almost no clues about the nature of engagement, a more general discussion of the dialogical potential of accountability standards appears necessary and timely.

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