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# Misuse of the term ‘stakeholder’ in public relations

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## Abstract

*This article queries the relatively recent adoption of the term ‘stakeholder’, borrowed from the UK political and the US business management spheres, in public relations academic writing. The article concludes that these spheres use the term in a normative or ideological manner that has worrying implications. The term frames people as having a pre-existing relationship with the governments or business organisations which name them as such. This process of incorporation prejudices and potentially obscures the real relations of groups of people vis-à-vis governments and business organisations which they may wish to have nothing to do with. An argument is mounted for the defence of the term ‘publics’. It is pointed out that a key originator of stakeholder theory opposes the notion of ‘publics’ as closer to a notion of an uncontrolled audience. The article argues that the notion of ‘publics’ is more fitting than the notion of ‘stakeholders’ if public relations is about acknowledging this uncontrollability, and to do with advising organisations about their positioning in the democratic milieu. On the other hand, the notion ‘stakeholders’ may be the right one if public relations is simply aimed at immediately shaping people’s behaviour, irrespective of longer term and wider political implications.*

## Introduction

The term ‘stakeholder’ has become ubiquitous throughout business and political literature and is also common in public relations textbooks and journal articles. A search in August 2006 of available journal databases showed the number of articles containing the word stakeholder, in the following journals as

indexed to that date, as: 22 in *Public Relations Review*; 27 in *Journal of Communication Management*; 90 in *Journal of Public Relations Research*; 94 in *Public Relations Quarterly*; 114 in *Public Relations Tactics*. But what does this relatively new term mean? Is this a useful neologism—a new word which, as part of a heuristic, helps us think in a way we have not thought before? Or does this term replace, obscure or colonise an aspect of existing language? And if the latter, what other term or terms are crowded out?

Contemporary social and cultural theories, which refer to the philosophy of semiotics or semiosis, constantly remind us that understandings are dependent on discourse. These theories make it clear that a vital aspect of discourse is word selection (Gee, 2005; Hall, 1997; Dijk, 1985; Fairclough, 1989, 1992; Deely, 2003). Social reality, that is, how we see the world—what we understand the world to consist of in terms of political, organisational, economic, and other aspects—is said to be ‘constructed’ by the use of these words and other cultural symbols and artefacts (Berger & Luckmann, 1984; Searle, 1995; Hacking, 1999).

Particular orientations of this construction, that is, constructing our understanding in this way rather than that way is sometimes referred to as ‘framing’ (Goffman, 1986; Grant, Gandy, & Reese, 2001; Lakoff, 2004; Cunningham, 1992). Maybe your reality has been framed as a religious person as opposed to as a non-religious person? Maybe you are a creationist or ‘intelligent design(er)’ as opposed to a pro-Darwinian? Maybe you see global capitalism as the best economic system or maybe you view that system as a travesty? Maybe you see the world through the eyes of a Belfast Protestant or the eyes of a Belfast Catholic? Hallahan (1999)

has a definitive article on framing in the public relations context, as have Leitch and Neilson (1997).

Some of the above writers discuss the framing of particular realities as hegemonic, ideological processes. They see framing or constructing reality via particular terminology as a process controlled, or at least strongly influenced, by the intentions of those with power over the means of communication. Habermas (1984) sees strategic attempts to orient opinion within the public sphere as attacks on 'communicative reason'. For Habermas, 'communicative reasoning' is the benign, non-self-destructive reasoning that is only possible if people and their communities are able to associate and communicate in a fair and unfettered manner unconstrained by the ideological orientations of major commerce and power-politics. Habermas argues that communicative reason is constantly under attack in the present social and political milieu by the 'strategic action' of the dominant commercial and political power blocks.

In the terms of Habermas and Lakoff, those who have the power of definition manipulate our reasoning for strategic purposes. For instance, they define or frame global warming as the initially less-scary-sounding 'climate change'; investment schemes become the more reliable-sounding 'financial products'; armed revolutionaries become 'terrorists'; opposed political regimes become an 'axis of evil'; police action to stop drug smuggling becomes the more emphatic 'war on drugs'; and so on.

As Hallahan (1999) shows us, public relations is a field in which the selection and propagation of terminology—the framing of perceptions and conceptions—is very important. In fact, framing, or 'helping people to see things in certain ways', could be said to be the bread and butter of public relations practice. The public relations field is to do with the use of culture to frame perceptions and events. But if this is so, then surely public relations practitioners and associated scholars should be very alert in a self-reflexive manner when the field in which they operate is itself being 'framed' in a certain way? They should be alert to the semiotic manipulation of one of the

key concepts—the concept of the target of public relations programs and campaigns. But where is the critique about the consequences of morphing this concept between the terms 'public' and 'stakeholder'? A distinction is sometimes alluded to:

The concepts of stakeholders and publics often are used interchangeably; however, J. Grunig and Repper (1992) ... defined stakeholders as general categories of publics linked to an organisation such as employees, investors and customers. (L. Grunig, J. Grunig, & Dozier, 2002, p. 2)

Despite this occasional gesture at separating the terms, in the 2005 *Encyclopaedia of Public Relations* Grunig and Hunt's well-known 1984 work is quoted to affirm that groups and individuals with *any* of the four types of linkage to an organisation—enabling, functional, diffuse, or normative—can *all* be described as some sort of 'stakeholders'. For example:

Stakeholders belonging to the diffused linkage often identify themselves when the organisation does something that affects them. These publics include members of the community, environmental groups, the media, voters and other groups that organise to face a situation ... (Rawlins & Bowen, 2005, p. 719; J. Grunig & Hunt, 1984)

Thus, in public relations literature it is hard to find a distinction between the use of the terms 'public' and 'stakeholder'. This article alleges that this lack of a distinction is a lacuna and that important critique and analysis in this area is missing from the field. It goes further to suggest that a significant reason for this lacuna is the inclination of this field to avoid analysis, which makes obvious the strategic communication—the 'lifeworld colonisation' implications—of this would-be profession. 'Lifeworld colonisation' is another term from Habermas, meaning the interdiction of ideas from wider community-based culture by ideological intervention—interdiction by the strategic action of powerful, self-interested cliques. Following Moloney (2006), this article is written in the

belief that public relations *can* be performed in a legitimate manner that does not colonise lifeworlds and that encourages communicative reason, albeit as a process of ‘weak propaganda’ (Moloney, 2006). However, political, professional, and academic legitimacy will only come to this field at the price of genuine intellectual self-reflection and critique.

The next section broadly outlines the two major source-fields of the term ‘stakeholder’. It suggests the minor source-field has been the recent UK Government political sphere. It suggests that the major source-field has been the late 20<sup>th</sup> century US business sphere. In outlining these source-fields, a critique of how and why those other spheres have adopted and used the term is offered. It is hoped that a reading of this critique will help form a judgement about the appropriateness or otherwise of the transfer of the term to the field of public relations. The suggestion will be that public relations already has perfectly satisfactory terms to signify more appropriately, more ethically, and more accurately the concepts alluded to when the terms ‘stakeholder’ or ‘stakeholders’ are borrowed by writers in the public relations field. These more appropriate, tried, and tested terms are sometimes ‘citizen’ and ‘person’, but more usually ‘public’ or ‘publics’. The conclusion will be that ‘stakeholder’ is *not* a useful neologism for public relations and that it is in fact a worrying instance of what Habermas refers to as a ‘colonisation’—a hegemonic, ideological distortion of the otherwise, potentially professional lifeworld of public relations.

The section below analyses the notion ‘stakeholder’ and concentrates on the use of the term ‘stakeholder’ where the term ‘public’ might be used. This article does not go into detail about the term ‘public’. The use of the term ‘public’ in public relations is a whole other area of critique and discussion. In terms of that debate, the way ‘public’ is generally meant when it is used below is in line with the critique of Shirley Leitch and David Neilson (2000, pp. 130–131). Leitch and Neilson take a similar Habermasian and discourse theory perspective to the one offered here. As with this article, they

advocate Habermas’s defence of the public sphere as a core component of democracy and point to the implications of this defence for the way the notion ‘public’ should be treated in the field of public relations when it escapes replacement by the notion ‘stakeholder’.

### **Stakeholding: The political dimension**

The contemporary use of the notion of ‘stakeholding’ in public relations literature would seem to have two origins. One was the 1990s UK political sphere, and the other was the 1980s US business sphere.

In 1996, then UK Opposition Leader Tony Blair outlined a new aspect of the UK Labour Party’s ‘Third Way’ political philosophy. ‘Third Way’ philosophy had existed for some time and was a general heading for New Labour’s compromise approach between unfettered capitalism and traditional socialism. The ‘Third Way’ called for a politics of cooperation between these two contrasting socio-economic forms so that the best could be elicited from each. In his Singapore speech of January 7, 1996, Blair christened a new aspect of ‘Third Way’ politics the fostering of a ‘Stakeholder Economy’:

The economics of the centre and centre left today should be geared to the creation of the Stakeholder Economy which involves all our people, not a privileged few, or even a better off 30 or 40 or 50 per cent. If we fail in that, we waste talent, squander potential wealth creating ability and deny the basis of truth upon which a cohesive society, one nation, is built. If people feel they have no stake in society, they feel little responsibility towards it, and little inclination to work for its success. (Blair, 1996)

The implication that stakeholding involves ‘work for the nation’ was emphasised in the passage:

The creation of an economy where we are investing and producing goods and services of quality needs the engagement of the whole country.

It must become a matter of national purpose and national pride. We need to build a relationship of trust not just within a firm but within a society. By trust, I mean the recognition of a mutual purpose for which we work together and in which we all benefit. (Blair, 1996)

There was much subsequent debate about the 'stakeholder society'. In 2006, a keywords search on UK Government and UK Labour Party website search engines found 'stakeholder' used in less euphoric terms. It is now generally used as a term instead of 'citizens', or 'citizen groups' in a way that arguably casts those citizens and their groups in the terms suggested above—that is, as clients but also as contributors to decisions—as recipients and as people with duties.

This reciprocity is echoed in sympathetic political-academic writings on the subject. Will Hutton in *The Stakeholding Society* writes:

Yet stakeholding is a genuine departure ... The unifying idea is inclusion: the individual is a member, a citizen and a potential partner. But inclusion is not a one way street; it places reciprocal obligations on the individual as well as rights—and in every domain and in every social class. These rights and obligations can be organised in a voluntary code; or they may be codified into law. (Hutton & Goldblatt, 1998, p. 74)

Race Mathews in *Jobs of Our Own: Building a Stakeholder Society* (1999) suggests:

Stakeholder democracy was in turn linked with a corresponding emphasis on reciprocal rights and responsibilities—with the notion that authentic communities cannot exist other than on the basis of mutual obligation ... based on responsibilities as well as rights, on obligations as well as entitlement (p. 245).

However Anthony Giddens, a major academic architect of Labour's 'Third Way', is

critical of the stakeholder concept. In *The Third Way and Its Critics* (2000), Giddens emphasises the need for good corporate citizenship. But in terms of the stakeholder approach to economics and politics he argues:

Shareholder capitalism is capitalism in its stripped down version—with management concerned in principle, with maximising returns to its owners. In the stakeholder model a wider range of individuals, groups and communities is recognised to have a stake in the fortunes of the corporation ... Neither of these positions is especially persuasive ... Instead some of the principles of corporate responsibility just listed can be fought for. (pp. 151–152)

In summary, Giddens' corporate responsibility principles were: fair commercial competition; monitoring corporations; incentives for corporations to act ethically; ecological safeguards placed on corporations; protection of civil society and freedom of expression; employee share ownership; and unions protection of workers from corporate excesses. In line with his 'Third Way' thesis, Giddens argues that the more aggressive forms of shareholder capitalism and thus corporate excesses risk destroying the social fabric and the civic frameworks that underpin capitalism. But stakeholder capitalism also comes in for criticism. It "isn't quick enough on its feet to respond to the world" (2000, p. 152), and it is "closed and clientelist" (p. 152). By closed and clientelist, Giddens means: "Decisions are taken by interlocking elites, worker involvement is nominal" (p. 152). In other words, representation is shifted onto partnership and other community representation and non-government organisations that necessarily speak on behalf of and manage ordinary people. Giddens does not say this, but his criticisms could be taken to mean that the shift to stakeholder politics is not necessarily an improvement in democracy. Giddens' views could be added to the overt and implied requirement for 'reciprocity' by stakeholders, that is explained above by Hutton, Mathews and

Blair. The following argument emerges: In UK stakeholder society, since Tony Blair came into power in 1997, there has been an accompanying rise of government-NGO-private business partnership arrangements. The rules of this extension of the management of civil society “organised in a voluntary code; or they may be codified into law” (Hutton & Goldblatt, 1998, p. 74), facilitates stakeholder arrangements in a way that tightens and micro-manages society. Voluntary groups, protest groups, trade unions, and other entities that previously were clearly separate from the state and thus independent rallying points for the disenfranchised and uninfluential are now seen as incorporated and beholden to the rest of society. Instead of independent people and groups there is now a network of stakeholders and their associations, rather than more independent citizens and citizens’ associations. This network acts in a consultative manner of patient reasonableness, which tends to bind everyone to the imperatives and the decisions of a state with whose policies, for instance on Iraq, they may or may not agree. It is as if the clear space that used to exist between the atoms of civil society has been filled with a stakeholder fluid that tries to congeal to fix everyone into certain attitudes and responsibilities. Stakeholding in the UK Government sense seems to have come from a worker-focused ideological base. It seems to be more to do with the responsibilities of labour and the shape of the economy. It may be that the currently increasing priorities of environmental politics and anxiety about post-July 7 2005 ethnic politics are leaving the stakeholder notion in the background of UK political thought. A decade of this government-implicated ideology, however, must surely have brought about a measurable shift in values and commonsense along the lines discussed here.

In 1996, Conservative Party critics of the stakeholder notion said that it was a return to corporatism and an anti-democratic brand of socialism (*Guardian*, 1996). Be that as it may, the above argument could at least be offered as an explanation for the emergence of the contemporary UK colloquialism the “Nanny State”—a euphemism for overbearing

interference in the day-to-day life and outlook of Britons. Another relevant metaphor or at least analogy might be the idea of ‘original sin’—there is a notion that laissez-faire capitalism misbehaves and needs to be kept in check. But there is also a notion that ordinary people are not prone to behave with social responsibility. There is a need to instil in ordinary people that they are not just citizens, that is, ordinary people who possess certain rights and responsibilities by virtue of their citizenship (UK people are actually ‘subjects’ of Her Majesty rather than citizens, but that is another issue). Now elevated to, or reassigned as, stakeholders of a state, people are encouraged to think of themselves more as share-owners of UK PLC. They have an investment in the nation doing well economically—whatever they think of the state’s politics as a whole. They need to buckle down and get on with economic productivity. Individualism and dissent, for instance, opposition towards foreign policy, is de-emphasised. The lifeworld term ‘citizen’, with its consequences for independent political thinking and action, gives way to stakeholder and the ideology associated with that term. The consequences for this ideological shift will be developed as this article progresses.

### **Stakeholding:**

#### **The business management perspective**

Preston dates the business use of the term ‘stakeholder’ from the 1930s:

[T]he substance of the stakeholder concept, if not the term itself, has been reflected in the speeches and writings of thoughtful analysts and executives for many decades. The classic formal statement by Harvard Law Professor E. Merrick Dodd appeared in 1932; Dodd quoted with approval the views of General Electric executives and others who identified four major stakeholder groups: shareholders, employees, customers, and the general public ... Robert Wood Johnson’s list of “strictly business” stakeholders—customers, employees, managers, and

shareholders ... first appeared in print in 1947. (Preston & Sapienza, 1990)

However, the majority of the voluminous business studies and management studies literature on stakeholder theory points to its origin in Edward R. Freeman's *Strategic Management: A Stakeholder Approach* (1984). In that book Freeman suggests that the term 'stakeholder' was coined in 1963 by the Stanford Research Institute: "to generalise the notion of stockholder as the only group to whom management need be responsive" (Freeman, 1984, p. 21). Freeman uses 'stakeholder' when he argues for a corporate social responsibility or good corporate citizen-style ethos to be instilled in managers of corporations to adapt to the "turbulent times"—that is, the social, consumer and environmental criticism of corporations:

[T]he social movements of the sixties and seventies in civil rights, anti-war, consumerism, environmentalism and women's rights served as a catalyst for rethinking the role of the business enterprise in society. From Milton Friedman to John Kenneth Galbraith, there are a diversity of arguments. The distinguishing feature of the literature on corporate social responsibility is that it can be viewed as applying the stakeholder concept to non-traditional stakeholder groups who are usually thought of as having adversarial relationships with the firm. In particular, less emphasis is put on satisfying owners and comparatively more emphasis is put on the public or the community or the employees. (Freeman, 1984, p. 38)

From a public relations perspective there is little new in "rethinking the role of the business enterprise in society". For instance, one of the founders of public relations, Ivy Lee (1877–1934) said in 1925:

A sound policy of publicity for a public utility company also involves the adoption of an attitude of citizenship rather than a merely selfish relation to the community at large. What I mean is

illustrated in the present policy of the Western Union Telegraph Company ... "Our first position is as a citizen" (Lee, 1925).

This short passage in a published talk by Lee is about suggestions to the US Federal Government to nationalise Western Union (that is, for this commercial company to be taken over and run by the state). In the public debate over this proposal, Western Union opposed their nationalisation, but implied that it would act like a patriotic citizen and do whatever was required in the national interest. Lee praised this position because his stock in trade as a pioneering public relations counsellor was to advise large corporations to act responsibly. In *Courtier to the Crowd*, Lee's biographer Ray Hiebert wrote:

Lee maintained business had to change its policies of closed, individualistic competitive capitalism to a new program of open cooperation and benevolent enterprise ... Lee worked for the interests of his corporation and millionaire employers, but to the extent that he honestly advised them on public matters, frequently against their personal interests and business profits ... he considered it imperative to remain an independent agent in order to maintain his integrity and provide forthright advice to clients. (Hiebert, 1966, pp. 10–13)

Overlooking this history, and overlooking the whole panoply of the then-extant public relations industry, Freeman explains the purpose of his 'new' approach to the management of corporations in the following terms:

My focus is on how executives can use the concept, framework, philosophy and process of the stakeholder approach to manage their organisations more effectively. (Freeman, 1984, p. 27)

Although he explicitly rejects public relations, Freeman's diagrams of organisations and their stakeholders look strikingly reminiscent of the diagrams in public relations

textbooks depicting organisations and their publics. For instance, on page 25 there is a square labeled “Firm”. Radiating out from the “Firm” are eleven two-way arrows to circles that bear the labels: Local community organisations; owners; consumer advocates; customers; competitors; media; employees; special interest groups; environmentalists; suppliers; governments. This simple diagram is accompanied by the clarification familiar to public relations students: “... each category of stakeholder groups can be broken down into several useful smaller categories. All employees are not alike, just as all government is not alike” (1984, p. 25). The nub of Freeman’s scheme is that managers need to acknowledge and, if possible, try to work with, rather than ignore or obstruct, “any group or individual who can affect or is affected by organizational purpose” (p. 52). This means that

[S]ome corporations must count “terrorist groups” as stakeholders. As unsavory as it is to admit that such “illegitimate” groups have a stake in our business, from the standpoint of strategic management, it must be done. Strategies must be put in place to deal with terrorists if they can substantially affect the operations of the business. (Freeman, 1984, p. 53)

In the above, it is hard to see how Freeman’s notion of stakeholder differs from the public relations field’s notion of public. However, in the chapter “Implementing and Monitoring Stakeholder Strategies”, Freeman lists “transaction processes” in which the alternative options for action are headed:

- Ignore the stakeholder;
- The public relations approach;
- Implicit negotiation;
- Explicit negotiation.

Freeman’s sub-options of advised activities under these major headings would be familiar to scholars of issues management. However, a passage detailing Freeman’s notion of public relations in this chapter is illuminating in terms of Freeman’s views:

Most PR people are trained as communications experts in schools of journalism ... PR people tell the stakeholders or “publics” or worse still “audiences,” about the company’s plans and how the plans affect the stakeholder. Often this approach simply incites a stakeholder group to action. (p. 166)

Here is a clear rupture in Freeman’s eyes between the role of business management with its ‘stakeholder’ concept and the role of public relations and with its concept of ‘publics’. The notion of ‘stakeholder’ is seen as a stabilising or congealing term. Stakeholders are people who are only told what the business managers want them to know and thus these people are not facilitated to have complex responses to company decisions or policies. Public relations people, on the other hand, are to be shunned. They are to be shunned because public relations people consider people relating to organisations in a more detached, more democratic manner. Public relations people conceive people who relate to an organisation as less connected publics, or even as quite unconnected and quite unbeholden ‘audiences’.

As previously mentioned, the current literature on stakeholder theory that refers to Freeman’s initiative is large. To offer evidence for the above critique I will look at just two papers of many that expand the ‘stakeholder’ concept. Then I will look briefly at the deployment of the concept ‘stakeholder’ within public relations scholarship, where it is used in a normative sense rather than in a descriptive or directly instrumental manner.

Stakeholder theory is a normative managerial approach in the sense that religion or socialism or neo-Liberalism are normative projects—they are schema that propose or imply what should be normal thought. They are apparently internally consistent systems of beliefs or systems of presumptions that imply a certain ontology: They are: “Hypotheses or other statements about what is right and wrong, desirable or undesirable, just or unjust in society” (Scott & Marshall, 2005, ¶ 1).

Thomas Donaldson and Lee Preston explain that stakeholder theory is a normative theory:

[S]takeholder theory is “managerial” and recommends the attitudes, structures and practices that constitute a stakeholder management philosophy .... For these reasons, we believe that the ultimate justification for the stakeholder theory is to be found in its normative base. (Donaldson & Preston, 1995, p. 87)

In their significant paper following the Conference on Stakeholder Theory at the University of Toronto in 1993, Donaldson and Preston conclude that although the theory is descriptive of how business processes actually work and although it is an instrumental theory—a theory to direct business initiatives—it is fundamentally a ‘normative’ theory that requires the acceptance of certain ideas. These are ideas, or this is an ideology, for adoption by managers to induce them to think how things should be and consequently how they should act, to wit:

Stakeholders are identified by their interests in the corporation, whether the corporation has any corresponding functional interest in them ... The interests of all stakeholders are of intrinsic value ... stakeholder theory ... recommends attitudes, structures, and practices that, taken together, constitute stakeholder management. (1995, p. 67)

Mitchell, Agle, and Wood agree with the depiction of stakeholder theory as normative in their attempt to recast the theory to clarify the many, sometimes conflicting, ways the concept has been used:

We begin our analysis with Freeman's definition of stakeholder: “any group or individual who can affect or is affected by the achievement of the organization's objectives” (1984:46) ... We then propose that classes of stakeholders can be identified by their possession or attributed possession of one, two, or all three of the following attributes: ... power to influence the

firm ... legitimacy of the stakeholder's relationship with the firm, and ... the urgency of the stakeholder's claim on the firm. This theory produces a comprehensive typology of stakeholders based on the normative assumption that these variables define the field of stakeholders: those entities to whom managers should pay attention. (1997, p. 2)

### Critique of stakeholder theory

The main thrust of the argument below will be that stakeholder theory is pathological towards democratic society. Stakeholder theory is an ideology that induces managers to bargain directly with particular interests in society (stakeholders) in terms that satisfy the managers and the particular stakeholders irrespective of the ethical and cultural basis of the social milieu in which they are situated. In stakeholder theory the most important consideration is satisfying or accommodating or dealing with the interest group that has an imaginary investment of some kind in the organisation, or to which the organisation is beholden or fearful of in some way. The organisation is *not* primarily beholden to, or fearful of, or guided by the norms, ethics, customary practice, spirit or other guides to ethics and politics of the exigent national or traditional culture – the lifeworld in Habermasian terms (Habermas, 1984), or the virtues in terms of Alistair MacIntyre (MacIntyre, 1988; see also Leeper, 1996 and Leeper & Leeper, 2001 on the nexus between ethical discourse in Habermas, ‘virtue ethics’ in MacIntyre and the treatment of these concepts in public relations scholarship). In this way, stakeholder managerialism sets to one side the imperatives to which cultural historians could point as more general or more important in the specific society than the interests of specific groups. As bringers of their own particular normalisation, stakeholder managers are not so interested in the artistic culture or the political and educational critique that energises, stirs debate and keeps pre-existing wider-society norms alive and developing. These are the annoying considerations of more proper

public relations communication that may “incite a stakeholder group to action” (see Freeman’s comments above). Stakeholder theory cuts across this democratic milieu and corresponding ethical public relations milieu to set up direct deals on a client basis. These external-to-democratic-society norms can be downplayed because stakeholders have been reeled in, as it were, across the boundary line of the organisation’s system. Stakeholders, as opposed to external publics, exist within the systems of reciprocity of the organisation. They are not divorced, free-standing, un beholden publics beyond the boundary line of a closed system diagram of the organisation. Stakeholders, unlike publics, have been figuratively drawn, or at least are imagined to be, inside the tent as co-conspirators of the power centre in the middle of the organisational system diagram.

The public relations approach, in contrast, is to do with counselling organisational management about the wider positioning of the organisation vis-à-vis internal, but also clearly external (as it were ‘divorced’ and un beholden), democratically empowered publics. For this reason, public relations counsel have to juggle more reputational balls in the air than stakeholder counsel do. Should a courageous decision be taken to oppose the sectional interests of people with a stake in the organisation because wider social responsibilities demand it? Should the organisation take a hit on one issue that is the favourite of stakeholders because the organisation will be proved right about the larger picture in the longer term? One illustration of this is Shell’s 1996 apparent bowing to stakeholder Greenpeace over the Brent Spar sinking. This can be seen as an example of a protest stakeholder being placated in a manner which was later viewed by many to have been against more general interests. Another example, to do with Phillip Morris, is supplied by an article from Cynthia Clark. Both these illustrations are discussed below.

In contrast to stakeholder theory, notions of corporate citizenship or corporate social responsibility would seem more efficacious for describing the imperatives and activities of

public relations. CC or CSR along the lines outlined by Giddens’ “corporate responsibility principles” implies management within the norms, ethics and culture laid down by the wider external society. These are norms, ethics and culture to which everyone in the society should conform. Giddens is not outlining a specific deal between an organisation and its (somewhat internal) clients. All that is needed is for managers to be counselled to get on board with the general ethics of society and to be exposed and to face sanctions when they do not. This is a schema more appropriate to the notion of independent organisations and independent publics rather than the notion of beholden organisations congealed in terms of consideration and patronage with beholden stakeholders.

### **Other pathologies of stakeholder theory**

A theory that enlists terrorists along with employees and shareholders as stakeholders in the same organisations looks a little odd. But a more pervasive pathology of stakeholder theory is the way users frequently co-opt journalists as stakeholders. ‘The media’ are often listed as stakeholders both in business management literature and in public relations literature. See the example of diffuse publics from the *Encyclopaedia of Public Relations* above (Rawlins & Bowen, 2005). This co-option is anathema to the principles of democratic civil society.

Clearly there are different types and grades of media. People in the public relations sphere are also well aware of the concept of information subsidy<sup>i</sup> and the concern that under-funded and corporately owned journalism organisations apparently rely more and more on pre-produced material from public relations sources. But the term ‘news media’, by default or design, often encompasses the notion of the professional journalist. In a modern democratic society genuine journalists, by dint of their profession, are charged with conducting themselves in a disinterested and unbiased manner. They are the fourth estate—that pillar of society that acts as a watchdog, a watchdog that scrutinises, fearlessly represents, explains

and, if necessary, exposes society to itself. If journalists have a pre-existing investment or reciprocal connection of some sort—a stake in the organisation they are scrutinising—then credibility is lost. If some pre-existing special relationship is not what casting journalists as stakeholders means, then why use this term? Why not simply consider journalists for what they are—legitimate independent viewers of and reporters on society? As such, they should be ethically facilitated by organisations and their queries should be responded to appropriately in terms of the kind of democracy and civic duty implied *inter alia* by Giddens above. Public relations professionals, as professionals always have been and always will be, are quite capable of carrying out media relations without filtering this activity through the tag of stakeholder relations.

### **The use of the term stakeholder in public relations literature**

#### *Brent Spar*

The Brent Spar saga has been narrated extensively from many different perspectives. It is used here as an illustration of a type of situation that might be worsened by ‘stakeholder’ ideology. The story is still referred to in management and public relations textbooks and on voluminous www pages, against which the representation below can be checked.

In 1995, the UK Government and Royal Dutch Shell eventually agreed with Greenpeace protesters to dismantle, rather than to sea dump, the oil rig. But this agreement was later criticised in many quarters as an environmental mistake. This case can be seen as an example of favoured, high-profile protest-stakeholders getting an agreement that wider opinion later decided was in fact a worse environmental option. In retrospect, dismantling was viewed by many as more energy wasting and polluting than if the rig had been sunk as initially planned.

Whatever the truth of the environmental argument, it is beside the point of what is being argued here.<sup>ii</sup> The Brent Spar incident is offered merely as a convenient narrative to make the argument that catering to stakeholders poses

dangers. The literature on Brent Spar is peppered with references to ‘stakeholders’, including Greenpeace as a stakeholder.

But it may have been wrong—wrong in the sense of the wider democratic values alluded to above—to regard an organisation such as Greenpeace as having a stake in a business to the extent that Shell was particularly beholden to the views of those protesters. A wider public relations judgement may have taken account of Shell’s responsibilities to the polity as a whole. A wider public relations judgement may have rebuffed the notion that there was a particular responsibility to foreground the partial interests of Greenpeace as one particular stakeholder. A public relations decision, as opposed to a stakeholder decision, may have been better made on the rational basis that opponents and protesters are just that—opponents and protesters.

Opponents and protesters sometimes have a good point. But sometimes they do not have a good point. All organisations should act ethically as good corporate citizens and should exercise corporate social responsibility. But to anoint as stakeholders all groups to whom organisations are potentially beholden brings added complications and ideological variables into already complex technical debates and fraught reputational disputes. In the case of Brent Spar, the mystical rubric ‘stakeholder’ may have been just enough to tip the balance of an already complicated decision in a direction that was less than rational.

#### *Philip Morris*

Cynthia Clark writes:

Communications managers and business managers recognize the need to analyse multiple stakeholders (sometimes referred to as publics) to develop a sense of the needs and wants of those who are either critical to the corporation’s existence or capable of expressing significant concern (primary and secondary stakeholders) ... it is helpful to briefly illuminate the case of Philip Morris. It has and will encounter stakeholders who are quite resistant to

its message, that it is a responsible organization, because of stakeholders' attitudes toward the company, although it is one of the most charitable organizations in the United States. These attitudes are based on long-standing historical, political, and social aspects of its behaviour and the nature of its products ... Instead, Philip Morris must take into consideration the perceptions it has among its stakeholder groups as well as the fact stream that can be compiled on its legislative acts, advertising or public relations messages, and its comments on social and moral issues. (Clark, 2000, p. 376)

Clearly, Clark's article should be read in its full context. However, the view could be taken that the above extract means this: If people are divided into different groups of stakeholders the stake or value that accrues to that set of holders is such and such. Therefore, although smoking does harm, particular groups should also take into account Phillip Morris's contrasting delivery of such and such beneficial goods.

While Clark nicely juxtaposes publics next to stakeholders, her conflation of publics with stakeholders is unfair. Publics do not necessarily have a stake in the organisation. In terms of semantics, publics are not simultaneously the receivers of goods from Phillip Morris, while in terms of semantics stakeholders are simultaneously the receivers of goods of some sort—the transition of publics into stakeholders turns the same people into beneficiaries by sophistry.

Publics in the sense of public relations academic writings are closer to viewers or audiences—the term disliked by Freeman. But viewers or audiences are thinkers and people with opinions. They are not necessarily grateful reciprocators. Surely the latter understanding—people as freestanding, independent, un beholden people rather than as patrons or grateful recipients—is a more reasonable basis from which to understand and plan public relations endeavours?

## Heath and Starck and Kruckeberg

A search of public relations literature reveals an overwhelming range and volume of the use of the term 'stakeholder'. Consequently, for an article of this length it is probably best to choose just a couple more important writings to illustrate the nub of what is being argued here.

In their influential book, *Public Relations and Community: A Reconstructed Theory* (1988), Dean Kruckeberg and Kenneth Starck argue that United States civil society and political culture is no longer flourishing or effective in its own right. This has led to a breakdown of community. Political and economic forces have dislocated notions of neighbourhood solidarity and common purpose. This is a similar thesis to Robert Putnam's landmark *Bowling Alone: The Collapse and Revival of American Community* (2000). The part played by public relations in the shaping of United States culture by powerful corporations, which has arguably resulted in this deterioration, is depicted by Stuart Ewen in *PR!: A Social History of Spin* (1996).

Kruckeberg and Starck (1988) argue that public relations people have the capacity and the responsibility to alleviate some of this deterioration:

An appropriate approach to practicing community (and public) relations must be derived through an active attempt to restore and maintain the sense of community that has been lost in contemporary society. [This would kill two birds with one stone because:] Through attempts by the public relations practitioner to help restore and maintain community, many of the community relations problems that practitioners now concern themselves with would not have evolved or would be more easily resolvable. (p. 111)

Readers of Ewen in particular might experience some disquiet at Kruckeberg and Starck's suggestion that those predominately in the pay of the large corporations that arguably have contributed to community breakdown, particularly in the United States, should now be

the key to its repair. Perhaps if the public relations profession *qua* profession was sufficiently independent of sectional interests there might be some merit in this suggestion. The 2000 revision of this thesis rings further alarm bells. The revision is in the chapter “Public relations and community: A reconstructed theory revisited” in *The Handbook of Public Relations* (Heath & Vasquez, 2000). Unlike the 1988 publication, the revisitation of the theory is liberally sprinkled with the insertion of the term ‘stakeholder’. For example:

Corporations must recognise that the greatest stakeholder—the ultimate environmental constituency—is society itself, to which such corporations are ultimately and irrefutably answerable. (Starck & Kruckeberg, 2000, p. 59)

This is reflected in the introductory chapter to this section of the *Handbook*, where Heath writes:

Public relations practitioners are charged with learning how to communicate *with*, rather than to their publics. Organisations operate by consent of communities, their ultimate stakeholders. (2000, p. 5)

It would take a full semantic analysis to justify a negative critique of the way ‘stakeholder’ is employed in these last two passages. However, in terms of the argument made above, the following observations might be drawn: Casting groups of people, or even society itself as a stakeholder or stakeholders implies their existence only in relation to something in which they have a stake. One implication of this is that the project of incorporation implicit in Kruckeberg and Starck (1988) is carried further: They imply that employees or professional agents of corporations should help create, or at least repair ‘community’ and this will help corporations with their community relations. If this argument is not initially seen as the incorporation of people into the sphere of the corporation, after reading Starck and Kruckeberg (2000) there can be little doubt. Groups of people—formerly

known as publics—are now cast as stakeholders of the corporation. Starck and Kruckeberg’s and Heath’s thesis now defines groups of people in terms of an imagination of their prior relationship to the corporation. This prior relationship may be their dependence on the corporation, or their investment in the corporation, or even their ultimate influence on, or control of the corporation—whether they want this influence or control or not. Society or people can no longer be independent, unconnected publics, citizens, audiences, or viewers. In other words, Starck and Kruckeberg solve the problem of the supposed breakdown of an independent real community flourishing in public spheres in a healthy civil society by reuniting people within the communion of the corporation. Groups of people are no longer external individual publics. They are drawn in across the imaginary systems boundary to reside in the particular corporation’s governance and managerial core. In 1988, Starck and Kruckeberg abandoned any hope of communities repairing themselves using independent processes within civil society and public spheres. Twelve years later, this abandonment becomes institutionalised with people hopelessly incorporated as stakeholders. They become involuntary stakeholders of governments and corporations not of their choosing. The indigenous views of these former citizens do not seem to be at issue. The associated lifeworld they might otherwise have inhabited in terms of their democratically independent essence and identity is circumscribed.

## Conclusion

Stakeholder theory is a managerialist, normative creed. It is also a particular political ideology. It developed and deployed from the perspective of how managers and politicians would like to imagine their relationship with people who can affect their business or the national economy positively or negatively. Stakeholder theory is primarily concerned with the dispositions and wants, the particular interests, of particular groups of people. In the normative world of the business variant of this

theory stakeholders are kings and queens. Many kinds of business stakeholders have to be treated with courtly reverence—a reverence previously only given to stockholders (shareholders). In the political variant, stakeholders are viewed as former citizens who are now knaves unless they enter into a pact with the economic ideals of the government of the day. What we might call ‘public relations theory’, in contrast, does not court or patronise. It operates at the level of the citizen and the commoner. Public relations counsel understand the segmentation of publics and also understand and respect different publics’ variety of interests. But public relations professionals should be concerned with the wider view. Public relations professionals bring to bear arts, social science, communication theory and intuition in attempting to consider how all interests—including those derived outside dominant business or political ideologies—fit into the whole cultural, ethical and political picture. Ivy Lee put it this way: “The people now rule. We have substituted for the divine right of kings, the divine right of the multitude” (Hiebert, 1966, frontpiece). As implied in the title of this biography, *Courtier to the Crowd: The Story of Ivy Lee and the Development of Public Relations*, the crowd is enthroned. Corporations and governments are not. Semiotic awareness and language use should reflect this ethic if public relations is to be properly regarded as a profession fit for democratic society. Otherwise public relations will always be a pariah activity that hegemonically frames understandings in particular ways in order to shape the behaviour of the masses.

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## Endnotes

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<sup>i</sup> The term ‘information subsidy’ means the contribution to media stories that comes from public relations activity. This contribution should, but may not be, acknowledged if it is presented as news unedited. There may be an argument that a government or a corporation legitimately originates news and, within ethical guidelines, is entitled to shape and present that news as it wants. The concept of information subsidy becomes murky, however, when under-resourced newsrooms adopt this material unchecked with no or little critique. Controversial information subsidy comes about when news media imply public relations-generated material is their own authentic, professional, independently gathered news.

<sup>ii</sup> The environmental argument has been extensively reported elsewhere and would detract from what is being written here.