



An Introduction to Stakeholder Dialogue

The reciprocity of moral rights,
stakeholder theory and dialogue

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The Three Stepped Approach of Humanistic Management

Stakeholder dialogue in humanistic management



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Why have stakeholder dialogues? Reciprocity, legitimacy and the license to operate

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What can be learned? Concluding remarks on assuming corporate responsibility through dialogue

Why Have Stakeholder Dialogues?

1

Business has much to gain from dialogue

Reciprocity of moral rights as expressed most widely through the *golden rule*

Voluntary submission of business conduct to a *self enforced test of legitimacy*

Engagement in *normative stakeholder dialogue* as the primary tool to *earn moral legitimacy*

License to Operate

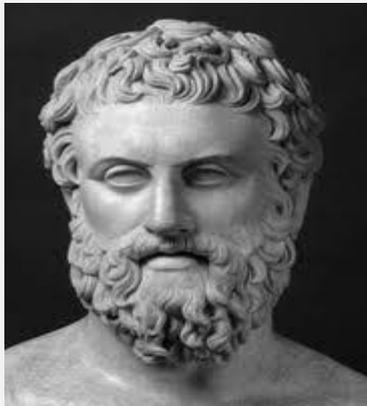


Why Have Stakeholder Dialogues?

1

The *golden rule* and reciprocity of moral rights

- The *golden rule* is a cornerstone of philosophic thought



Ancient Greece
Pittacus, 6th century BC



Chinese Confucianism
Confucius, 5th century BC



Age of Enlightenment
I. Kant, 18th Century

- The *golden rule* impacts not only our thinking on ethics and philosophy, but also on e.g. psychology, sociology, theology and neuroscience

Why Have Stakeholder Dialogues?

1

The *golden rule* and reciprocity of moral rights

'Declaration Toward a Global Ethic' by the Parliament of the World's Religions: (143 different faith traditions and spiritual communities)

“There is a principle which is found and has persisted in many religious and ethical traditions of humankind for thousands of years: What you do not wish done to yourself, do not do to others. Or in positive terms: What you wish done to yourself, do to others!”

(Source: Council for a Parliament of the World's Religions, 1993)

Why Have Stakeholder Dialogues?

1

The *golden rule* and reciprocity of moral rights

The golden rule is ever so relevant in a globally interconnected and interdependent world

“My response to the Clash of Civilizations is to insist on the ‘golden rule’ of ‘Do not do to others what you do not want others to do to you’, which is formulated in almost identical terms both in the writings of Confucius and in the Bible, and indeed in some form or other in all great civilizations.”

(Source: Roman Herzog, 1999)

Why Have Stakeholder Dialogues?

1 Dignity and reciprocity of moral rights

Awareness:

Humans are universally *aware* of their own physical and mental vulnerability (*conditio humana*)

We experience the exploitation of our vulnerability as deeply degrading, as disrespectful of our dignity

Consequence:

We demand others to avoid causing us undignifying experiences under all circumstances, or, in positive terms, we expect others to unconditionally respect our dignity.

Capacity:

Humans are universally *capable* and make use of their *capacity* for imaginative role taking

We frequently 'role play' whenever we say things like "I don't want to be in his/her shoes" or "imagine how this would make you feel"

Why Have Stakeholder Dialogues?

1

Business and reciprocity of moral rights

- Consequently, morally reciprocal behavior is more than the mere strategically motivated individual behavior that calculates utility gains from reciprocal (trans)actions under social interdependence.
- It demands unconditional adherence, for one can only expect unconditional respect for one's own moral rights if one is willing to respect everyone else's unconditionally as well.
- Morally reciprocal behavior is based on a universal moral point of view, in which a person's moral right for respect of his or her vulnerable persona supersedes any calculus regarding potentially resulting future benefits or sanctions.

Why Have Stakeholder Dialogues?

1

Business and reciprocity of moral rights

The relevance in business contexts is evident

“...the moral responsibility of the economic agents remains fundamental; their actions must always be self-critically examined in regard to their *legitimacy* in the light of the moral rights of all concerned and their (argumentative) acceptability for others.”

(Source: Peter Ulrich, 2008)

Why Have Stakeholder Dialogues?

1 Legitimacy-seeking through dialogue

- *Reciprocity of moral* rights is fundamental for civilized human interaction; the universal character and acceptability is demonstrated by the *golden rule*
- Dialogue enables us to better understand if and how we affect the moral rights of others, representing the *dialogical extension of monological ethical reflection*.
- The translation to a more direct business context is based on *legitimacy-seeking* of the economic agent, providing the basis on which businesses can *earn* their license to operate

Why Have Stakeholder Dialogues?

1 Legitimacy-seeking through dialogue

In a broad definition, legitimacy can be regarded as:

“...a general 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.”

(Source: Suchman, 1995)

Why Have Stakeholder Dialogues?

1 Three main legitimacy conceptions

Cognitive legitimacy:

- An organization or institution is seen as inevitable or necessary
- Its existence is taken for granted
- It emerges where any other option seems unthinkable
- Based on pre-constructed beliefs and empirically accepted

Pragmatic legitimacy:

- Bestowed by self-interested, calculating stakeholders
- Based on receiving utility gains
- For the organization, legitimacy is (only) desired from key stakeholders
- Builds trust in social exchange processes

Moral legitimacy:

- Arises when normative evaluation results in the perception that an organization is 'doing the right thing.'
- It is based on values and reason
- May be granted consequentially or procedurally

Why Have Stakeholder Dialogues?

1 Three main legitimacy conceptions

Cognitive legitimacy is established when the very existence of an organization or structure has been removed from the perceived sphere of influence of actors

Pragmatic legitimacy creates a 'business case for legitimacy' encouraging organizations to provide certain stakeholders with tangible rewards in exchange for trust

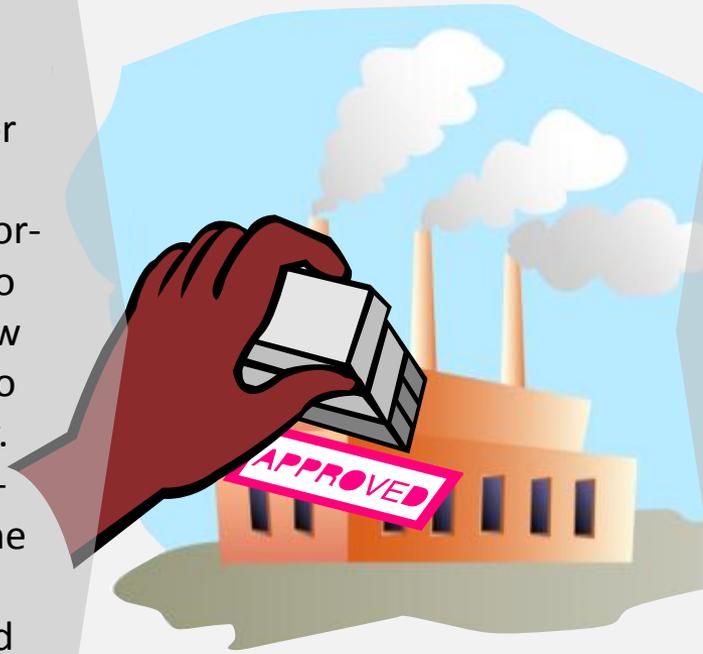
Moral legitimacy forces a business to assess its conduct, rationalize its behavior and compare it to expectations and the desirability of its impact on all those affected

Why Have Stakeholder Dialogues?

1 The license to operate depends on dialogue

Corporate perspective:

Corporations that are serious about being, or working towards becoming, responsible corporate citizens have no alternative but to allow for ethical argument to supersede expediency. Only moral legitimacy-seeking can provide the *foundation for ethical arguments* to be heard and acted upon.



Societal perspective:

Only moral legitimacy can lead civil society to willingly grant a license to operate for it is not based on the power of certain stakeholders, or tangible asset allocation towards them. Instead it is based on the *logic of reciprocating moral rights* and the resultant equal respect for all those affected by a business.

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Who are Stakeholders?

2

Business has much to gain from

Principled openness towards dialogue is fundamental to civilized human interaction in situations of conflict

Stakeholders are a dynamic group; just as business operations change so do the corresponding stakeholders

Not the power of claimants but the power of the claims must determine engagement with stakeholders

Alignment of Business and Societal Aims



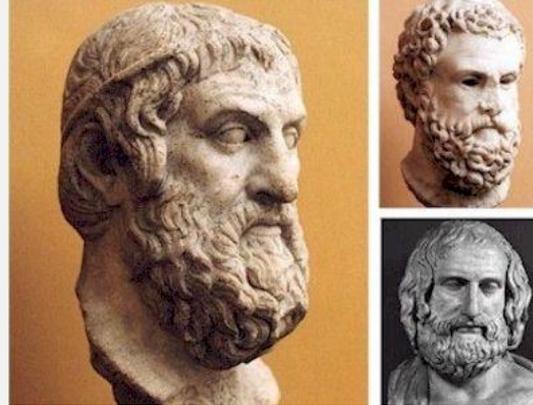
Who are Stakeholders?

2 Interpersonal conflict and dialogue

- Dialogue has long been the means of civilized conflict resolution



Buddhism: Buddha,
6th - 5th century BC



Ancient Greece: Plato, Socrates,
Aristotle, 5th century BC



Communicative action: Habermas, today

- We have little alternative but to *combine rational thought and speech* in order to find compromise when interests are in conflict

Who are Stakeholders?

2 Interpersonal conflict and dialogue

We are living in a globally interconnected and interdependent world in which we need to actively seek dialogue to resolve conflicts

"Proper conflict resolution should be through dialogue. It needs more determination and more patience. It may take more time but it is better."

(Source: Dalai Lama, 2003 April 8 AFP news release)

Who are Stakeholders?

2 Interpersonal conflict and dialogue

“The central principle is that for a norm to be valid, its consequences for the satisfaction of everyone’s interests must be acceptable to all as participants in a practical discourse. This shifts the frame of reference from Kant’s solitary, reflecting moral consciousness to the community of moral subjects in dialogue. Whether a norm is justifiable cannot be determined monologically, but only through discursively testing its claim to fairness.”

(Source: Foreword to Habermas, 1990)

Who are Stakeholders?

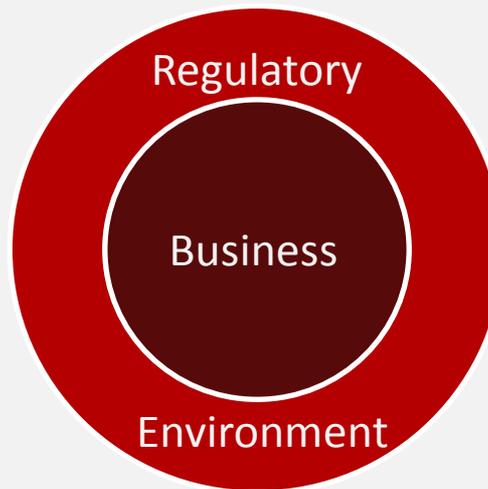
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Shareholder focused view

Corporate perspective:

- 'Stakeho...what'....?
- The business of business is business as long as no law is broken
- Prime objective function of the firm is to maximize financial returns to its owners.

- Legal compliance suffices in answering all calls for responsible corporate conduct



Stakeholder perspective:

- Stakeholders are not recognized as representing interests of intrinsic value
- Stakeholder interests are accounted for only if and when doing so benefits shareholders

- The logic of reciprocating moral rights is supplanted by a 'might is right' logic

Who are Stakeholders?

2

Static stakeholder focus

Corporate perspective:

- Stakeholders are important constituents of the firm
 - Profits ought to be pursued with respect for the interests of predefined groups
- Responsible corporate conduct is based on engagement with a predefined group of societal actors



Stakeholder perspective:

- Such lists draw attention to the claimant rather than the claim
 - They either represent a limited view or become so exhaustive that they lose their relevance
- Stakeholders are recognized as representing interests of intrinsic value but only selectively

Who are Stakeholders?

2

Dynamic stakeholder focus

Corporate perspective:

- Stakeholders are a dynamic group
 - Profits ought to be pursued with respect for the interests of all those affected
- Responsible corporate conduct is based on the dialogical extension of monological ethical reflection

Business

Stakeholders

Stakeholder perspective:

- Stakeholders find open channels to approach a business if the need for dialogue arises
 - Stakeholders feel invited to voice concerns
- Stakeholders are receiving respect based on the logic of reciprocating moral rights

Who are Stakeholders?

2

Not static but dynamic in character

- Stakeholder literature and corporate practice often offers lists and models containing static views on who stakeholders are, drawing attention to the claimant rather than the claim.
- They (implicitly) exclude anyone who has not made it on that list.
- Static lists will either not be able to account for the breadth of potential stakeholders, or they must be kept so generic that they lose their relevance.
- Simply put, only an open stakeholder definition can account for the dynamic character of potential claimants.

Who are Stakeholders?

2 Global interdependence and dialogue

We are living in a globally interconnected and interdependent world in which we need to seek dialogue with all parties

“Diversity is not only the basis for the dialogue among civilizations, but also the reality that makes dialogue necessary.”

In this context “Stakeholders help turn words into deeds.”

(Source: Kofi Annan, 2000; 2005)

Who are Stakeholders?

2 Stakeholders are a constant reminder

Business needs to embrace stakeholders and their claims because:

“Stakeholders help turn words into deeds.”

(Kofi Annan, 2005)

Who are Stakeholders?

2 Three main variants in stakeholder theory

Descriptive:

- Stakeholders are parties that (evidently) interact with the corporation
- The corporation is a constellation of cooperative and competitive interests
- The majority of businesses practice stakeholder management

Instrumental:

- Stakeholders are parties that can forward or hinder enhanced profitability
- The prime objective function of the firm is profit maximization
- Managers should (only) pay attention to constituents who affect the value of the firm

Normative:

- Stakeholders are anyone who can forward a valid normative claim
- Stakeholder claims have intrinsic value
- Stakeholder interaction does not rest in the realm of strategy but legitimacy

Who are Stakeholders?

2 Three main variants in stakeholder theory

Descriptive stakeholder theory helps us understand 'how things are' but it lacks the power that could explain how or help a business to gain moral legitimacy

Instrumental stakeholder theory is in stark conflict with reciprocating moral rights as it responds only to the power of the claimant rather than the power of the claim

Only normative stakeholder theory can satisfy the conditions for gaining moral legitimacy as only it has the power to satisfy the moral rights of stakeholders

Who are Stakeholders?

2

The power of claims vs. the power of claimants

- Any meaningful construct of who stakeholders are must be based on the fundamental insight, that the *argumentative power of the claim* must prevail over the *factual power of the claimant* (logic of reciprocating moral rights).
- Any claim and, thereby, any claimant must have the right to equal consideration and receive equal opportunity to bring forward a claim and voice concerns.
- Only then can businesses ensure that they treat all stakeholders as an end and that all valid claims are regarded as having intrinsic value.

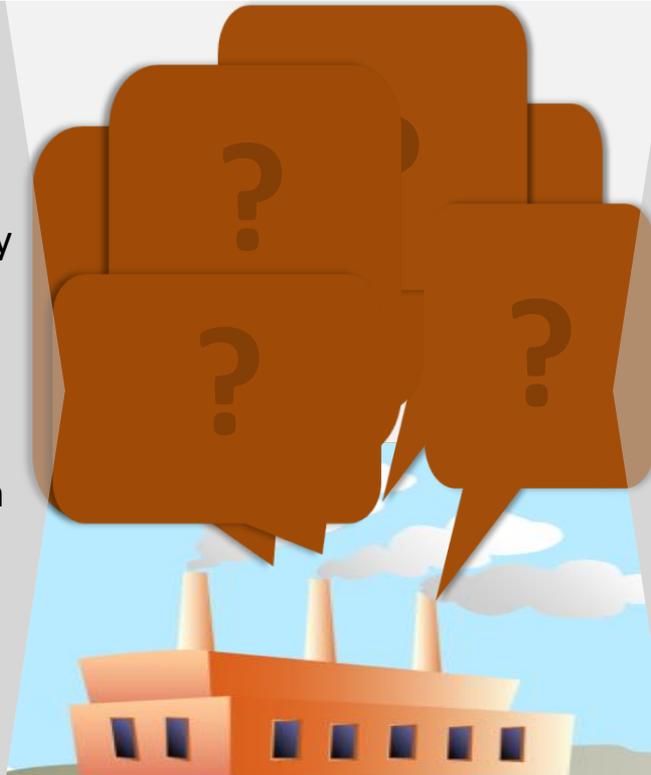
Who are Stakeholders?

2

Stakeholders are a dynamic group

Societal perspective:

Only *normative stakeholder theory* paves the ground for civil society stakeholders to be respected as representatives of claims of intrinsic value. Dialogical interaction with business must be grounded in a dynamic understanding of stakeholders as claimholders.



Corporate perspective:

For corporations to fully reap the benefits of fruitful stakeholder dialogue there is no alternative but to embrace stakeholders based on the power of their claims rather than the power of the claimants. Only normative stakeholder theory can frame dialogical stakeholder engagement accordingly.

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Business has much to gain from dialogue

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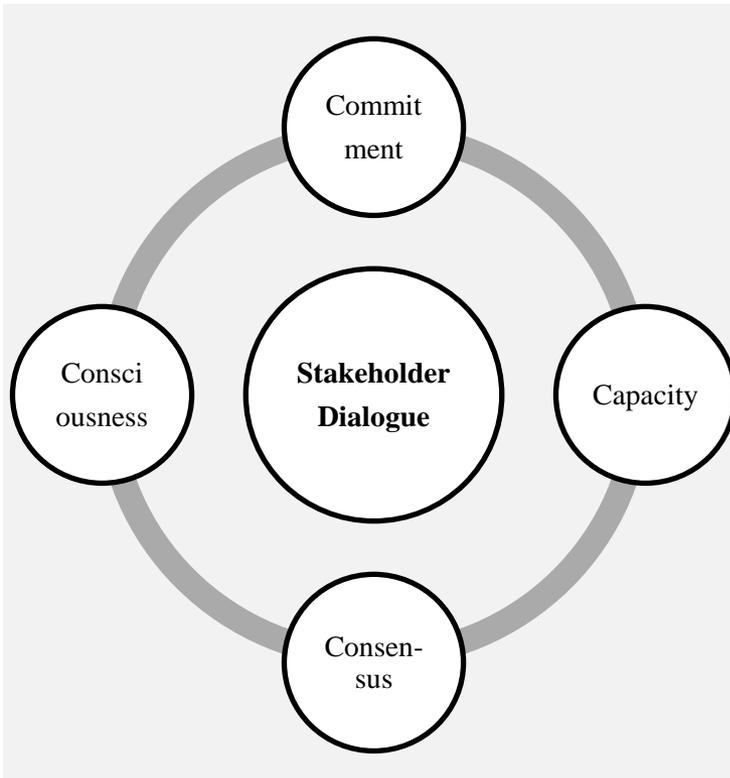
Alignment of Business and Societal Aims



How to Conduct Stakeholder Dialogues?

3

Preconditions for fruitful dialogue



- *Consciousness* is centered on knowledge and awareness. Managerial perceptions of corporate responsibilities impact the way corporations respond to stakeholder claims as managers' personal perceptions of the world around them is inseparable from their decision making as executives.
- *Commitment*, or the sincere willingness to engage in stakeholder dialogue grounded in a discursive understanding of it.
- *Capacity* addresses the need for the availability of material and immaterial resources to carry out dialogues.
- *Consensus* is to be understood as the necessary consensus on the procedures of a dialogue as well as the desirable consensus in its outcomes.

How to Conduct Stakeholder Dialogues?

3

Conditions for fruitful dialogue

Stakeholder debate	Stakeholder dialogue
Competition with a winner / loser outcome	Cooperation aiming to create consensus on the basis of procedures that are mutually accepted as fair
Egocentric where the other party is a means to other ends	Empathetic where the other party is representing interests of intrinsic value
Cultivating a desirable image	Being yourself
Talking <i>at</i> others	Talking <i>with</i> and listening <i>to</i> others
Influencing	Convincing
Confrontational, exploiting weaknesses of others who are perceived as a threat	Constructive, mutually accepting weaknesses and finding common ground from which to elaborate on conflicting interests
Closed and defensive attitude safeguarding the 'one truth'	Open and vulnerable attitude admitting to the validity of conflicting claims
Winner takes it all mentality	Sharing mentality
Separate/isolated responsibilities	Shared responsibilities

How to Conduct Stakeholder Dialogues?

3

Novo Nordisk

- Novo Nordisk is the worlds leading company for insulin production, based out of Denmark employing 27,000 staff in 81 countries
- The company's vision is to eradicate diabetes and therefore Novo Nordisk believes all their efforts should be geared towards their patients.
- The vision can only become meaningful when grounded in a set of guiding principles being facilitation, sustainability reporting and balanced scorecard

How to Conduct Stakeholder Dialogues?

3

Tata Group

- The Tata Group is one of the worlds largest steel manufacturer and a leading industrial conglomerate that has seen a staggering growth over the last decades
- The founder of the Tata Group Jamsetji Tata believed strongly in humanist values and in a broader societal responsibility of business
- The Tata Group has made headlines recently for building the world's cheapest car , the Tata Nano, that despite its low price tag adheres to stringent EU safety and environmental regulations

How to Conduct Stakeholder Dialogues?

3 Managing dialogues not stakeholders

- Managing someone is generally output oriented; it presupposes that the manager influences the managed in order to achieve an objective.
- Attempting to manage stakeholders, risks taking an instrumental stance on stakeholder theory, which is not compatible with normative stakeholder theory.
- If rigorously applied, regarding each stakeholder as an end in him / herself means to manage the dialogue by enabling free and uncoerced participation by anyone wanting to make a claim
 - The managerial task lies in the procedural dimension of initiating and maintaining a dialogue with claimants not in managing the claimant him / herself.

How to Conduct Stakeholder Dialogues?

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What can be learned?

4 Why conduct stakeholder dialogues?

- Ethical rationality: seeking legitimacy through the dialogical extension of monological decision making
 - Respect for the moral rights of all affected parties
 - Avoiding “honest mistakes”
- Business rationality: Ensuring long term success for a business organization
 - Building a safety net against repercussions from reputational damages
 - Sharing responsibility and earning trust
 - Learning about tomorrow’s business case today

What can be learned?

4 Why conduct stakeholder dialogues?

The logic of interpersonally reciprocating moral rights is universal und thereby unconditionally valid.

What can be learned?

4

Who are stakeholders?

- It is not the business that determines who its stakeholders are.
- The stakeholders themselves become stakeholders when they are able to argue that they are affected by a business's activities.
- Businesses need principled openness towards accepting new stakeholders

What can be learned?

4

How do fruitful stakeholder dialogues look?

- Not the stakeholder is managed by a business but the dialogue
- The power of the claim must prevail over the power of claimant
- A business will reap greater benefits from stakeholder dialogues when it is not aiming for those benefits

What can be learned?

4 Business has much to gain from dialogue

Stakeholder dialogues allow for sharing responsibilities and build a 'safety net' for honest mistakes



Stakeholder Dialogue

4

The elevator pitch – at last

- When Stakeholders express the desire to engage in dialogue, businesses should not try to avoid it.
- Mutual willingness to engage in dialogue is an indispensable element of civilized human interaction in situations of conflict.
- If done right all parties have much to gain from a fruitful dialogue.

Spot the Difference?





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The reciprocity of moral rights,
stakeholder theory and dialogue

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