

STAKEHOLDER ENGAGEMENT: A CRUCIAL ELEMENT IN THE GOVERNANCE OF CORPORATE REPUTATION

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ABSTRACT

The King III Report on Corporate Governance for South Africa (with a separate chapter on Governing Stakeholder Relationships) highlights the importance of stakeholder management in corporate governance. For the first time the inclusive approach to stakeholder relationship management is explained more fully and principles on how stakeholder relationships can be managed in a corporate governance context are provided. These have implications for corporate communication strategy in all organisations. The inclusion of all stakeholders in corporate issues has taken centre stage in corporate governance. In any given communication situation, a stakeholder could play many roles in an internal or external organisational environment. Total stakeholder involvement (engagement) is crucial and will have implications for organisational practices, reputation and corporate sustainability. The explosion in social media and networking has empowered stakeholders beyond imagination. Their roles are no longer merely employees, clients or the community in general, but on the virtual stage of communication, stakeholders are taking on roles as citizen editors, journalists, writers, recipients and interpreters of their own communication material. They can become reputation ambassadors or demolishers in the corporate environment. In this continuous neo-corporate communication environment, it is not about communication control, but about communication power-sharing. In this article stakeholder engagement as an all-inclusive communication management approach will be illustrated by considering stakeholder theory, corporate governance and integrated reporting and the growing importance of reputation management.

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INTRODUCTION AND PROBLEM STATEMENT

The recent focus on governance and sustainability has altered the contemporary business-society landscape and as a result also that of corporate communication. Stakeholder theory in general and the inclusive stakeholder approach to corporate governance in particular posit that all stakeholders should be engaged in the strategic decision-making processes of an organisation. The oversight function of a board of directors should therefore include the consideration of the legitimate interests of all stakeholders – employees, customers, investors, government, community, media – in their strategic decision-making (King III 2009). On-going dialogue between organisations and their stakeholders provide the best approach to the management of complex issues that characterise contemporary society. Organisations therefore have to engage in dialogue within and beyond the boundaries of the organisation in order to engage all significant stakeholders (Foster & Jonker 2005: 56).

Katsoulakos and Katsoulacos (2007: 55) state that the need for a proactive role by governments, business and civil society in development has motivated three interlinked business movements, namely corporate social responsibility (CSR), corporate sustainability, and global reforms on corporate governance. CSR and corporate sustainability involve the organisation's assessment and improvement of its economic, environmental and social impact to align it with stakeholder requirements using integrated reporting. Corporate governance (legal responsibilities) provides the foundations upon which CSR and corporate sustainability practices can be built.

According to Aula and Mantere (2008: 118) a recent trend in strategic management emphasises the role of networks in strategic management. Organisations operate within networks formed by customers, partners, subcontractors, legislators and other stakeholders. Quirke (2000: 21, cited in Welch & Jackson 2007: 178) furthermore argues that the assets of an organisation in the information age include the knowledge and interrelationships of its people. This requires novel management approaches, entailing that stakeholders (like employees) accept increased responsibility for the destiny of the organisation. The management style is about individual and collective leadership – the ability to build relationships, connections, community and a positive culture and value system (Verwey 1998: 13). Beerel (1998: 3) states that in the “adaptive age” there is a need for leaders who can deal with the “systemic” problems that go to the very core of human existence in a dynamically interrelated and interdependent world.

This responsible leadership focuses on recognising interconnected relationships, developing adaptive capacities, and forming communities that can learn through dynamic feedback. Van Wyk (2002: 13) further refers to ethical leadership plus rational management as “good governance” and states that: “The lack, or absence of sustained good governance remains the greatest challenge in the world today.”

As a result of the above, the role of communication in information dissemination and conversation in organisations is changing in a triple context (people, planet, and profit)

environment. Engaging stakeholders in decision-making processes according to the “stakeholder-inclusive approach to governance” has become important globally, but particularly in South Africa with the publishing of the King III Report. Following the traditional approach to integrated communication will not be sufficient in a new organisational context where governance and sustainability issues have become important in organisational decision-making.

It is proposed in this article that communication in the new enterprise, with its strong focus on stakeholders, should be considered as part of a multidisciplinary approach to integrated internal communication, resulting in integrated reporting on organisational performance. Strategic management and strategic communication management theories will support the argument that one of the main purposes of integrated internal communication should be to disseminate strategic information – obtained from internal and external stakeholders – to the dominant coalition, top management and the board. Information on the legitimate expectations of stakeholders should be obtained by communicators through research and environmental scanning; contextualised from the perspective of the strategic intent of the organisation; and subsequently included in the development of its different strategies. Feedback should then be given to stakeholders through various communication channels, such as the web, brochures, events and specifically the integrated report, on how these expectations were addressed by the organisation.

In this article, integrated communication as a prerequisite for internal communication will be discussed first and will then be followed by a discussion of three phases of development of internal communication, namely “the stakeholder approach”, “the knowledge management approach” and “the resource-based approach”. A next phase of development in integrated internal communication will be proposed, namely that of “enterprise communication from a corporate governance and sustainability approach”.

CONTEMPORARY BUSINESS AND COMMUNICATION PERSPECTIVES

The basic philosophy of the King I (1992), King II (2002) and King III (2009) reports on corporate governance in South Africa is the inclusive stakeholder approach to corporate governance. The King II Report states that by developing good governance practices, managers can add significant shareowner value to an organisation. However, organisations not only need to be well-governed, but also need to be perceived in the market as being well-governed. The board’s responsibilities in the inclusive stakeholder approach are therefore to define the purpose of the organisation and the values by which the organisation will perform its operations and to identify the stakeholders relevant to the business of the organisation. All these factors must be included in the corporate strategy and must be implemented by management. The board must also ensure that there is effective communication with stakeholders for its strategic plans and ethical code. The King III Report was developed around the three pillars of governance, sustainability, and strategy. Chapter 8: *Governing Stakeholder*

Relationships specifically addresses the inclusive stakeholder approach to corporate governance (King III 2009: 13).

Profit-organisations have recognised that embedding an organisation in society is a beneficial strategy that promotes business continuity and growth. Consequently, managers are increasingly interested in the management of corporate performance and its effects on various stakeholders within society (Epstein & Roy 2001, as cited in Galetzka *et al.* 2008: 435). Managers need to know the most effective way in which to communicate about performance throughout the organisation. External disclosure initiatives to communicate (positive) performance indicators may also be a way to overcome stakeholders' concerns and promote stakeholders' relationship with an organisation; and to validate success and justify the use of resources (Behn 2003, as cited in Galetzka *et al.* 2008: 436). According to Van Tulder and Van der Zwart (2006: 138-140) it is increasingly acknowledged that both management and stakeholders can influence the profitability of organisations. Corporate social responsibility is now referred to as corporate *societal* responsibility to avoid the narrow interpretation of the term as applying to "social welfare issues only". The issue of CSR then shifts from a largely instrumental and managerial approach to one aimed at managing strategic networks where longer-term relationships with stakeholders are considered in the strategic planning of the organisation. The business-society approach developed along with techniques such as (strategic) "stakeholder dialogue". This development signals the quest for the "balanced organisation", which has a moral identity and combines medium-term profitability with longer-term sustainability (Kaptein & Wempe 2002, as cited in Van Tulder & Van der Zwart 2006: 138-140).

In the light of the above developments, the global communication profession developed the Stockholm Accords during the first half of 2010 and approved these at the Global Alliance for Public Relations and Communication Management's Public Relations Forum in June 2010 in Stockholm, Sweden. This guiding document for communication management professionals and academia highlights the role that governance, management, sustainability, internal communication, external communication, and the coordination of internal and external communication can play in strategic communication management.

The arguments in this article are based on certain communication management and strategic management theories and theoretical perspectives that assisted with the conceptualisation of a new integrated and multifaceted approach to communication management across porous organisational boundaries.

THEORETICAL PERSPECTIVES

Margaret Wheatley (1999: xii) explores the territory of the *new* science – the theories of biology, chemistry and physics – that creates a framework to rethink worldview. Wheatley (1999: 4) discovers new ways of understanding the challenges that contemporary organisations face: chaos, control, freedom, communication, participation, planning, and prediction. In an environment where information is an

essential element, more fluid, organic structures of boundary-less and seamless organisations are emerging; whole systems or “learning organisations” where people exhibit self-organising capacity. These organic organisation forms change, but the mission remains clear – structures emerge, but only as temporary solutions that facilitate rather than interfere (Wheatley 1999: 15-18). From Wheatley’s (1999: 105) perspective it is only the *meaning* of information that makes it useful – meaningful information circulates, grows and mutates in the conversations and interactions that occur between people. She refers to “meaning” as “the most powerful force of attraction” in organisations and in individual lives and regards it as the “strange attractor” in organisations. She also suggests that values create such attractors. Beerel (1998: 2) suggests that people are moving out of a “technical age” of technical fixes into an “adaptive age” where there is a return to meaning-making and a focus on the values that underlie those meanings.

Reflective paradigm

The reflective paradigm is a theoretical model developed to understand the conditions of existence for late modern organisations and the function of public relations. It defines, analytically, phenomena such as the triple bottom-line (people, planet, profit), multi-stakeholder dialogue, symmetrical communication and ethical accounts. It is based on the ability of reflection (Luhmann 2000, as cited in Holmstrom 2002: 1), and is based on two analytical assumptions: (1) social systems are capable of reflection; and (2) there is an evolution towards the coordination of society which activates learning processes towards reflection as a general feature of social processes (Holmstrom 2002: 3). As a communicative network, an organisation is kept together by a specific logic, a social system of *meaning*. The organisation’s perception of its function and role in society is based in this particular perspective (Holmstrom 2002: 3). In the reflective paradigm, a basic dynamic for a business enterprise is economic. However, reflection opens up the possibility for a broader perspective involving the horizon of a public sphere. It is in this broader perspective that “reflection” is identified: an expression of polycontext-referential self-regulation – a “multi-stakeholder dialogue”, ethical programmes, a broader value orientation, “triple bottom-line” and “symmetrical communication” (Holmstrom 2002: 8-9).

Excellence theory

The excellence theory is a broad, general theory that begins with a general premise about the value of public relations to organisations and to society. It integrates a number of middle-range theories about the organisation of the public relations function; the conduct of public relations programmes; and the environmental and organisational context of excellent public relations (Grunig, Grunig & Dozier, cited in Botan & Hazleton 2006: 54). Grunig, Grunig and Dozier (as cited in Botan & Hazleton 2006: 34) used the following premise to integrate a number of theories of public relations into a general theory:

Public relations contributes to organisational effectiveness when it helps reconcile the organisation’s goals with the expectations of its strategic constituencies. This

contribution has monetary value to the organisation. Public relations contributes to effectiveness by building quality, long-term relationships with strategic constituencies. Public relations is most likely to contribute to effectiveness when the senior public relations manager is a member of the dominant coalition where he or she is able to shape the organisation's goals and to help determine which external publics are most strategic.

Grunig, Grunig and Dozier. (in Botan & Hazleton 2006: 31-33) state that the value of communication can be determined at least at four levels: programme level, functional level, organisational level, and societal level. Since the completion of the Excellence Study a theory of organisational effectiveness was developed, defining it as the stakeholder approach to organisational wealth (Grunig, Grunig & Dozier, as cited in Botan & Hazleton 2006: 33). It was pointed out that organisations have intangible assets as well as physical and financial assets. The most original current approach to estimating the value of these intangible assets is that of relational wealth (Grunig, Grunig & Dozier, as cited in Botan & Hazleton 2006: 34). Business is also regarded "as a connected set of relationships among stakeholders where the emphasis is on the connectedness" (Grunig, Grunig & Dozier, as cited in Botan & Hazleton *ibid.*).

Stakeholder theory

Friedman and Miles (2006: 1) quote Freeman (1984: 46) when they define a stakeholder as "any group or individual who can affect or is affected by the achievement of the organisation's objectives". They furthermore state that the stakeholder concept represents a redefinition of all organisations to be thought of as a grouping of stakeholders – the purpose of the organisation should then be to manage the interests, needs and viewpoints of stakeholders. The concept of stakeholder management was later elaborated on resulting in the following two principles: (1) *Principle of corporate legitimacy*: The organisation should be managed for the benefit of its stakeholders. The rights of these groups must be ensured and they must participate in decisions that substantially affect their welfare; and (2) *The stakeholder fiduciary principle*: Management bears a fiduciary relationship to stakeholders and to the organisation. It must act in the interests of the stakeholders as their agent, and it must act in the interests of the organisation to ensure the survival of the firm, and in so doing safeguard the long-term stakes of each group (Friedman & Miles 2006: 1).

A different definition of stakeholders is later developed, as "those groups who are vital to the survival and success of the corporation", in which the two above principles are redefined and altered: (1) *The stakeholder-enabling principle*: Organisations shall be managed in the interests of stakeholders; and (2) *The principle of director responsibility*: Directors of the organisation shall have a duty of care to use reasonable judgement to define and direct the affairs of the organisation in accordance with the stakeholder enabling principle (Friedman & Miles 2006: 2). A relatively new tendency in stakeholder theory is to consider the stakeholder concept from the perspective of the stakeholders: (3) *The principle of stakeholder recourse*: Stakeholders may bring an

action against the directors for failure to perform the required duty of care (Friedman & Miles 2006: 2).

Structuration theory

Witmer (in Botan & Hazleton 2006: 366) recommends structuration theory as an extension to systems theory that enables public relations scholars to overcome some of the limitations inherent in the traditional systems perspective, such as the organisation/environmental interface and environmental scanning; the communicative practices of social organisations; and the recursive nature of institutional structures through human interactions.

One of the factors that impact on an organisation's ability to communicate with its stakeholders (and specifically its employees), is organisational structure. Witmer (in Botan & Hazleton 2006: 368) suggests that structuration theory offers explanations in the following areas: (1) *The organisational/environmental interface*: Structuration focus on the way in which organisational members reproduce social systems. Organisational/environmental interconnections both create and are created by an organisation and its members and are therefore co-constructed through social interaction. Structuration overcomes the time-bounded-ness of general systems theory – it accounts for the development of internal and external opinions and trends over time to facilitate and encourage forecasting and long-term planning; (2) *Publics as discursive communities*: Structuration encourages a view of stakeholders (publics) as created and recreated through shared experiences. In a technological age “new publics arise as discursive organisations through members’ shared experiences”. In online communicative interactions, members utilise their experiences to constitute and enact dominant “ideological meaning systems”; and (3) *Organisational culture as lived experience*: Culture is created through the interactions of human actors, both as organisational members and as constituents of organisational publics (Witmer in Botan & Hazleton 2006: 368-369).

Arena model of reputation

Aula and Mantere (2008: 61) identified a tension between two competing discourses on organisational reputation: the financial, value-driven capital discourse and the meaning-driven, interpretive discourse. For an organisation to become excellent it has to pay attention to both aspects of reputation. The latter can be regarded as a negotiation of *meaning*, taking place between an organisation and a number of stakeholders. The strategic management of reputation requires an understanding of an organisation's internal and external environment.

Aula and Mantere (2008: 62) use the communicative metaphor of *arena* to describe the environment in a *market of meaning*. Organisations interact with their stakeholders in different types of arena where interactions create mental impressions. They also integrate the concepts of “negotiable reputation” and “reputation arenas” into their discussion. They argue that organisational communication occurs in exchange of texts, new and digital media, meetings, unofficial networks and the Internet. Ralf Stacey

(1991) calls these places of organisational communication the “arenas” of communication.

Arenas can also be studied through the interrelationships between an organisation and its external stakeholders. The media is an arena, as are interactions with stakeholders or between employees. Arenas are places where the organisation and its stakeholders encounter each other and create new knowledge, representations and interpretations about the organisation. Arenas are therefore the birthplace of reputations where interactions between organisations and their stakeholders occur (Aula & Mantere 2008: 62). Statements about an organisation create stories that are transmitted among stakeholders and these statements generally concern issues or themes that are interesting to stakeholders (Aula & Mantere 2008: 63).

In the ritualistic view of human communication, communication can be defined as a process, in which a common culture is created, reformed, and regenerated. From the ritualistic view of organisational communication, reputations can be seen as the production and renewal process of the conceptions and representations of an organisation, whether positive or negative (Aula & Mantere 2008: 66).

Strategic management theories

In a strategic management framework developed by Katsoulakos and Katsoulacos (2007: 356) to “mainstream” corporate responsibility into strategic management approaches, the following six theories of strategic management are conceptualised against the criteria of *value*, *responsiveness* and *responsibility*: (1) industrial organisation/environmental approaches; (2) resource-based view (RBV) and related theories of core competencies and dynamic capabilities; (3) business networking and relational perspectives; (4) knowledge view of the firm; (5) corporate responsibility and sustainability; and (6) stakeholder approaches.

The reference model for stakeholder-oriented integrative strategic management illustrates the interaction of the above theories in developing a single strategic management capability. An important contribution includes the development of the concepts for advantage-creating knowledge and advantage-creating stakeholder relations according to resource-based theory. Katsoulakos and Katsoulacos (2007: 356) furthermore differentiate between the *instrumental elements* of stakeholder approaches and the ethical aspects or *intrinsic elements* of these approaches.

INTEGRATED COMMUNICATION: FROM FRAGMENTATION TO INTEGRATION

In acquiring physical and symbolic resources, organisations have established specialised groups and departments (community relations, government relations, customer relations, labour relations and human resources) at corporate and business unit level to communicate with targeted stakeholders. This has led to a fragmentation of the organisation’s communication system that has limited its effectiveness (Van Riel & Fombrun 2007: 3).

According to Van Riel and Fombrun (2007: 4; cf. Vos & Schoemaker 2001) integrated communication is a systematic process for building a coordinated communication system inside the organisation to support a coherent corporate image, brand and reputation. Doorley and Garcia (2007: 269) define integrated communication as a dynamic communication practice aimed at advancing not only the marketing plan, but also the overall operating or business plan of the organisation and in so doing aligning *brand with reputation*. Knecht (as cited in Van Riel & Fombrun 2007: 30) furthermore describes integrated communication as follows: Corporate communication helps an organisation to create distinctive and appealing images with its stakeholder groups, build a strong corporate brand, and develop reputation capital. Integrated communication requires the organisation to conduct communication management from the perspective of stakeholders and to perform research on their communication needs and then disseminating it to appropriate individuals in the organisation. The integration process needs to be supported by a planning process from senior management focussing on the vision, mission, philosophy and annual goals.

According to Gronstedt (1996: 39-40) some organisations have adopted a corporate-wide planning process called “policy deployment” to integrate departments and achieve the organisation’s vision. Vos and Shoemaker (2001: 15) cluster their approach to integrated communication in three principal domains, each requiring its own approach: (1) *concern communication* (seen by the organisation as a whole, especially aiming at external relations); (2) *internal communication* (aimed at internal relations); and (3) *marketing communication* (aimed at the consumer). They describe the concept of integrated communication on a *macro-level* (communication policy should be embedded in organisational policies), a *meso-level* (harmonisation of communication policy on departmental level), and a *micro-level* (harmonisation between the various communication activities of an organisation).

Van Riel and Fombrun (2007: 14-15, 25) argue for a more integrated approach to corporate communication, which encompasses marketing communication, organisational communication and management communication (regarded as the most strategic cluster – the communication that takes place between the management level of the organisation and its internal and external stakeholders). They define corporate communication as “the set of activities involved in managing and orchestrating all internal and external communications aimed at creating favourable starting points with stakeholders on which the organisation depends”. Blaaw (in Van Riel & Fombrun 2007: 25) defines corporate communication as: “The integrated approach to all communication produced by an organisation, directed at all relevant target groups. Each item of communication must convey and emphasise the corporate identity.” Van Riel and Fombrun (2007: 31-36) state that criteria against which corporate communication should be evaluated, are embedded in corporate reputation.

Electronic communication as a tool for integration

At a time where the focus is on systemic principles and a trend towards connectivity, networks are growing in size and complexity. Driven by information technology and

in particular the social media, organisations are forming partnerships and becoming part of social networks – even networks of networks. The ability to effectively manage networks is the new measure of success (Verwey 1998: 7). This is referred to as *network economics*.

The real change – that which is reshaping the economy, is not a computer revolution, but a *communication revolution*. The effect of connectivity is what economists call “the law of increasing returns”. Verwey (1998: 1) states that as a result of information technology in the age of communication, shifts are occurring in the relationship of the organisation to individuals and society as a whole. The new corporate building blocks of connectivity, corporate renewal, and culture can evoke and liberate the intellectual capital in the organisation, and more importantly revive its spirit. Engaging and communicating with stakeholders to identify their concerns allows the organisation to set objectives and key measures of performance for each of the stakeholder groups. The Internet has an important role to play in this process, and as a result is increasingly becoming part of business models. The accessibility and interactive possibilities of the Internet allow users to easily identify and convey information relevant to their interest (Cooper 2003: 232; Einwiller & Will 2002: 104-105).

Bonsón and Flores (2011: 34) state that opportunities for corporate dialogue should be created by organisations, thereby increasing the level of transparency. In this space of social networks and virtual communities, places are created where people learn, co-create knowledge and share their experiences. A process of technological democratisation is currently taking place in the electronic media environment. Adopting corporate dialogue would mean facilitating multi-directional flows between the stakeholders of an entity and engaging them in communication through the contribution of content, comments, tagging, etc. (Bonsón & Flores 2011: 35). Apart from information conveyed by the organisation itself, transparency is also enhanced by other Internet sources like independent sites for corporate information, consumer communities, anti-corporate sites and discussions in newsgroups (Einwiller & Will 2002: 105).

Communication and corporate reputation

Communication plays a central role in increasing stakeholder identification with the organisation – a dimension of corporate identity and consequently corporate reputation. Kennedy (as cited in Melewar 2008: 8) found that images held by external stakeholders are a function and a reflection of those held by employees – the internal stakeholders or an organisation. Gotsi and Wilson (2001) state that corporate reputation reflects a stakeholder’s overall evaluation of an organisation and is based on the stakeholder’s direct experiences with it. Reputation is built within the stakeholder networks that surround organisations. Dortok (2006: 322) furthermore found a correlation between corporate reputation and internal communication.

Corporate communication: a stakeholder approach

Welch and Jackson (2007: 184-186) suggest the following four dimensions of internal communication: line management; team level internal communication; project level internal communication; and internal communication that focuses on communication with all employees. From the latter, they conceptualised internal corporate communication, which they define as “communication between an organisation’s strategic managers and its internal stakeholders, designed to promote commitment to the organisation, a sense of belonging to it, awareness of its changing environment and understanding of its evolving aims”.

Their Internal Communication Matrix furthermore focus on the importance of corporate messages, goals of internal communication (commitment, awareness, belonging, and understanding) and the context of internal communication (external and internal environment). A stakeholder approach is followed in the Internal Communication Matrix to highlight the interrelationships between all forms of internal and external communication.

According to Foster and Jonker (2005: 52) messages should not be passively received and “understood” by stakeholders. Rather, the stakeholder should actively develop *meaning*, created in terms of their perspective on the world in which they live and the situation at hand, which implies a strong reflexive quality. The process of stakeholder engagement will lead to more communication and interactions, and finally to a “nexus of transactions”. The key to this emerging organisational concept is managing the “transactivity” of the organisation. This approach to communication, being action-oriented, is also compatible with the achievement of organisational goals (Foster & Jonker 2005: 56).

This perspective on internal communication can be linked to the responsibility dimension of strategic management as conceptualised by Katsoulakos and Katsoulacos (2007: 362). They refer to the “enterprise strategy”, which highlights the need for changing the relations between organisations and society to enhance an organisation’s societal legitimacy. From this perspective the “redefined corporation” mobilises resources to create wealth and benefits for all its stakeholders. CSR, and related concepts such as corporate citizenship and social accountability, are associated with ethical issues and can be seen as a way of corporate self-regulation. Stakeholders have also been defined as risk-bearers based on the argument that a stakeholder should have some form of capital at risk, either financial or human, and therefore has something to lose or gain depending on an organisation’s behaviour (Clarkson, as cited in Katsoulakos & Katsoulacos 2007: 362). From this perspective the King III Report (2009) refers to stakeholders as the organisation’s “compliance officers”.

Integrated internal communication: a knowledge management approach

Many scholars stress that the ability to effectively share knowledge internally in the organisation is fundamental for maintaining a competitive advantage. Kalla (2005: 310-311) describes knowledge-sharing as a function of integrated internal communication.

Knowledge-sharing is the formal and informal exchanges through ongoing social interaction, which mobilise knowledge that is dispersed around the organisation.

Two themes, namely efficiency, and security and motivation, emerge around knowledge-sharing. This approach to internal communication can be linked to the responsiveness dimension of strategic management as conceptualised by Katsoulakos and Katsoulacos (2007: 360). They state that dynamic strategies associated with enhanced organisational responsiveness can be subdivided into: (1) strategies associated with flexibility and agility addressed by core competencies and business networking strategies; and (2) strategies associated with detection and reaction speed addressed by dynamic capabilities and learning/innovation strategies.

According to King and Cushman (1994: 2) communication functions as a second-level support activity in an environment where organisational strategy focuses on non-communication activities such as product cost or product differentiation. However, when response time becomes the primary source of competitive advantage or organisational strategy, the effective functioning of communication within and between organisational units and business processes becomes the primary cross-organisational activity. “High-speed management”, as King and Cushman (*ibid.*) define it, is a set of communication and management principles designed to assist an organisation in its reaction to environmental volatility by allowing for rapid adaptation to changing environmental conditions. It uses communication principles and information technology in creating a rapid response system that is innovative, adaptive, flexible, and efficient.

Responsiveness is also dependent on the learning and innovative capacity of the organisation. Learning is ultimately “the only sustainable source of competitive advantage” and depends on the “capacity for knowledge absorption” by the members of knowledge networks and their “collaboration motivation”. Stakeholder engagement is closely related with the concept of social capital described by the Organisation for Economic Cooperation and Development (OECD) as “... networks, together with shared norms, values and understandings which facilitate cooperation within or among groups” (Katsoulakos & Katsoulacos 2007: 360). Responsiveness is also facilitated by transparency as advocated by responsibility strategies as it encourages broad stakeholder participation in risk management processes (Katsoulakos & Katsoulacos 2007: 361).

Strategic internal communication: a resource-based approach

The fuzzy boundaries of contemporary network organisations and the complexities that they create, prompted Mazzei (2010: 221) to consider alternative approaches to internal communication. She proposes a definition and model of internal communication on the basis of the resource-based theory and intangible resources for competitive advantage, instead of the traditional systems approach of organisational boundaries. Internal communication is defined as a set of interactive processes to generate *knowledge* (as an intangible resource) and *allegiance* (through communication behaviours such as

dialogue). Mazzei (2010: 231) states that the internal communication department has a key role in encouraging active employee behaviour in addition to delivering messages. Inactivity derives from a lack of awareness, sensitivity, ability and a sense of constraint. In planning activation strategies, it is necessary to forge a link between internal communication and human resource management systems (Mazzei *ibid.*).

This approach to internal communication can be linked to the value dimension of strategic management as conceptualised by Katsoulakos and Katsoulacos (2007: 360). Environmental-based strategies focus on market characteristics and examine how best an organisation can configure its value chain to obtain a competitive advantage, while resource-based theories address how organisations can perform activities within the value chain more efficiently. Organisations adopting a resource-based approach begin the strategy process by identifying their core resources and how they can be leveraged and developed to achieve corporate goals.

The collective knowledge and learning capacity in the organisation enables resource recombination and offers opportunities for developing core competencies. Strategies for developing core competencies are frequently combined with networking and knowledge management strategies. The focus of resource-based theory may be too narrow by concentrating on the acquisition and protection of critical resources since knowledge of how resources are brought together, coordinated, integrated, and put into use is the essence of a successful organisation. Networking strategies should combine a “competence” perspective for the acquisition and development of knowledge and capabilities with a perspective of “governance”, for the management of “relational risks” and the minimisation of transaction costs.

From a value perspective, instrumental stakeholder approaches view stakeholders as controlling resources that can facilitate or slow down the implementation of strategies and therefore must be managed to create competitive advantage. Trust is also regarded as a moderating mechanism facilitating coordination of expectations and interactions between economic actors (Katsoulakos & Katsoulacos 2007: 359).

Enterprise communication: a corporate governance and sustainability approach

It is proposed in this article that communication in the context of the governance and sustainability of the enterprise should be considered as part of a multi-dimensional approach to integrated communication. Governance and sustainability communication supports ethical corporate governance and more specifically board communication, the governing of stakeholder relationships, corporate social performance, social auditing and integrated reporting. Simmons (2004: 601) uses stakeholder theory to advocate “ethical corporate governance” as an alternative philosophy and practice for managerialism, which is seen as morally and commercially inferior to “moral management” in the new era of stakeholder-accountable organisations. This alternative philosophy centres on the concept of “the responsible organisation” with a stakeholder systems model of corporate governance offered as the means of operationalising this. Simmons (2004: 601) suggests that effective governance can be integrated with CSR,

and that incorporating stakeholder views in decision-making processes enhances organisation performance and reputation. The ethical stance is also more participative in recognising extended stakeholder relationships across increasingly permeable organisation boundaries (Soloman, as cited in Simmons 2004: 602).

Two types of organisation-stakeholder relationship constitute challenges to conventional approaches to corporate governance: the organisation's *relationship* with its employees; and *alignment* between how an organisation describes its actions and how stakeholders perceive these (Simmons 2004: 603). According to Van Riel and Fombrun (2007: 34) success of corporate communication results when organisations demonstrate their accountability on three levels: (1) *overall accountability* (involves demonstrating the effects of corporate communication on building a favourable reputation for the entire organisation. Having quantitative information about the organisation's reputation demonstrates overall accountability.); (2) *specialist accountability* (involves creating protocols describing both the procedures applied and the success criteria used at the functional level); and (3) *coordinated accountability* (results when all communication specialists draw on the same core elements to implement their specialised communications).

GOVERNING STAKEHOLDER RELATIONSHIPS

Muzi-Falconi (2009) states that the ability to effectively govern relationships, within and amongst networks as well as with society at large, reinforces the organisation's "license to operate". In the mid-eighties corporate governance concerns began to emerge in organisations with the shareholder versus stakeholder debate. The stakeholder model has since gained significant ground and has now become a primary responsibility of the board of directors in many countries, and one that management needs to monitor and report on to the board. The 2009 King Report on Corporate Governance for South Africa is an example of this shift towards stakeholder relationship governance, with its Chapter 8: *Governing Stakeholder Relationships*, as mentioned before.

Muzi-Falconi (2009) furthermore refers to stakeholder relationship governance from an organisational and relational perspective; considering the societal perspective and integrating this with the value network society model of the organisation. From this perspective the stakeholder decides to have a stake in the organisation. However, the organisation may decide to *ignore*, to *involve* (allow access and input) or to *engage* (actively attempt to include in its decision-making processes) some or all of its stakeholders. The principal contributions of communication management to organisational value rely on (1) the ability to collect, understand and interpret stakeholder and societal expectations to organisational leadership, with the result of improving the quality of management decisions; (2) the ability to introduce organisational processes to effectively govern stakeholder relationships; and (3) the ability to facilitate and enable other organisational functions to govern stakeholder relationship systems.

By ensuring a permanent stakeholder dialogue based on contents (rather than messages), both the organisation and its stakeholders can reciprocally modify opinions, attitudes, decisions, and behaviours in closer alignment with the public interest and prevailing expectations of society, represented by active citizenship groups (rather than merely those of the organisation or its stakeholders). From this perspective the quality of effective relationships with stakeholders is based on the dynamics of the following four indicators which may be measured before, during and after: trust, commitment, satisfaction, and control mutuality. A responsible organisation is effective when it achieves balance on objectives between the three different levels of interests involved in organisational activity: the organisation's interest; the different and often conflicting interests of its stakeholder groups; and the public interest (Muzi-Falconi 2009).

In research conducted by Spitzack and Hansen (2010: 378) it was found that stakeholders of contemporary organisations are granted a voice regarding operational, managerial and strategic issues. The power granted to stakeholders by the organisation varies from non-participation to co-decision making. Another way of giving stakeholders a voice is through the participation of non-executive directors ("public interest directors") on the board. They come from outside the bubble of organisational reality to the inside and have the challenge of continuously aligning the worldviews of those inside and outside.

Social auditing, corporate sustainability and stakeholder engagement

Literature on corporate sustainability posits that businesses should integrate sustainability principles into corporate strategic policies and business processes (Gao & Zhang 2006: 722). Corporate sustainability as an ideology for rethinking business beyond corporate social and/or environmental responsibility activities requires systemic corporate culture changes "consistent with the concept of sustainable development".

The key premise of corporate sustainability is that organisations should fully integrate social and environmental objectives with financial aims and account for their actions against the wellbeing of a wider range of stakeholders through an accountability and reporting mechanism. Social auditing is a practical approach to engage stakeholders in assessing and reporting on corporate sustainability, with a focus on the framework of AA1000 and the dialogue-based social auditing model. The AA1000 standard stresses the principle of inclusivity in the dialogue process, so that organisations should seek to include as wide a collection of stakeholder groups as possible (Gao & Zhang 2006: 724, 730).

Legislation and market mechanisms are ways of persuading businesses to shift towards sustainability; however, they largely ignore the "internal" impetus and peculiarities of a business for change. Engaging stakeholders through constructive dialogue is perhaps a more effective way to achieve change as "dialogue draws together the values, issues and indicators relevant to stakeholders in a language that is meaningful, consistent and useful for decision making". Dialogue should not only be intended as a forum to share

ideas but must lead to “discrete action” and “parties should be prepared to change if the results ... demand it”. In other words, parties to genuine dialogue should be open to the transformative effects of their communication (Gao & Zhang 2006: 729). Social or environmental reports are key stages in any stakeholder dialogue process. Therefore, social auditing designed as a process of assessing and reporting on social and environmental performance of an organisation has an important role to play in the above engagement process (Gao & Zhang 2006: 730).

Integrated reporting, corporate governance and stakeholder engagement

It is commonly recognised that there is a strong relationship between the *stakeholder perspective*, which stresses non-financial aspects of organisation behaviour, such as CSR, sustainability (including environmental respect), and *corporate governance*. Zambon and Del Bello (2005: 130) refer to these emerging corporate phenomena and attitudes as “stakeholder responsible (or oriented) approaches”, which provide insights into the “active role” subtly played by stakeholder-oriented reporting (for example, social and sustainability statements).

In the last few years, issues linked to CSR, sustainability, environmental respect, corporate governance and similar aspects have influenced the governance and the actions of a growing number of organisations and institutions, thus contributing to a change in their attitudes and actions. A particular outcome of these dynamics is that more and more organisations declare the importance of preparing reports showing information of a non-financial nature to stakeholders with the aim of providing them with a clearer view of organisational performance in terms of social responsiveness, long-term sustainability, environmental respect and corporate governance (Zambon & Del Bello 2005: 130). These concepts also foster a concrete change in corporate behaviours and practices since they pose an “urgent” implementation challenge, thus implying a need for making concrete behavioural and reporting choices (Zambon & Del Bello 2005: 131).

CONCLUSIVE REMARKS

With interactive relationships built through communication in a shared arena of meaning, an organisation and its stakeholders create a common vision – a shared reality of the organisation and its operations. Effective communication should therefore be built more upon the idea of community (*communicare*) than on the transfer of information (*communicatio*) (Aula & Mantere 2008: 177).

Contemporary business and communication perspectives are changing to include strategic stakeholder dialogue in the communication mix when communicating with stakeholders (Van Tulder & Van der Zwart 2006: 138-140). Taking into account the reflective paradigm, the excellence theory, stakeholder theory, structuration theory, the arena model of reputation and specific strategic management theories, this article posited a new approach to communication in the boundary-less organisation, considering the strategic dimensions of value, responsiveness, and responsibility. Its (1) overview of traditional integrated communication approaches; and (2) its link to

reputation management; (3) corporate communication from a stakeholder perspective; (4) integrated internal communication from a knowledge management perspective; (5) strategic internal communication from a value-based perspective; and (6) enterprise communication from a corporate governance and sustainability perspective, provide new insights and considerations on a paradigm for “stakeholder communication”.

Important considerations in this debate include accountability, transparency and reporting of the financial and social performances of organisations. Galetzka *et al.* (2008: 434) state that stakeholders provide an organisation with essential resources, such as finances, employees, and legitimacy, which makes it vital for organisations to invest in relationship management to justify additional resources. The purpose of legitimisation is often a strong motivation for internal and external communication about organisational performance to those “who have a right to know”. The quality of an organisation’s relationships with stakeholder communities is vital for business performance, and corporate communication management will therefore have an indispensable role to play on various levels in the future organisation. Its unique approach to and understanding of multi-faceted issues and reputation arenas also makes it the ideal function to facilitate communication processes across boundaries to create value for all stakeholders involved.

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