Stakeholder salience in corporate environmental strategy

Roberto Fernández Gago and Mariano Nieto Antolín

**Abstract** Stakeholders affect, and are affected by, the decisions taken by companies. They have varied and often conflicting interests, so it is essential for managers to know both who they are, and what are their attributes. This work has the aim of determining the main attributes of stakeholders with regards environmental issues, and how these attributes influence stakeholders’ environmental salience (i.e. the attention and priority accorded to them by managers). In order to do this we surveyed environmental managers from 277 Spanish manufacturing firms for their perceptions of stakeholders’ power, legitimacy, urgency and salience, with regards environmental issues.

**Keywords** Environmental management, Stakeholders, Spain, Manufacturing industries

1. Introduction

In recent years environmental issues have become of increasing social, political and economic importance. Increasing environmental awareness has led to the development of international standards (ISO 14000, EMAS), along with complex environmental legislation in every country that has changed firms’ competitive environments (Rugman and Verbeke, 1998). The environmental component of processes, products and services is increasingly valued by society (Owen and Scherer, 1993). The impact on the environment of business activities, insofar as it is reported in the media, directly affects a firm’s image and can influence its reputation (Roome, 1994). Thus, the environmental behavior of firms provokes particular responses from consumers through the demand function, and investors take it into account when building their portfolios (Harrison and Freeman, 1999).

Firms have therefore placed more importance recently on environmental factors when designing their strategies (Aragón, 1998). In the academic literature this fact has been explained from various perspectives and using very different reasoning.

On the one hand, under the classical approach of strategic management, it has been suggested that environmental factors, rather than representing an external threat, should be seen as a source of opportunities for the firm. Thus, by developing environmental strategies firms can take advantage of the opportunities the environment provides for stimulating the emergence of different resources and capabilities (Hart, 1995; Russo and Fouts, 1977; Sharma and Vredenburg, 1998). Under this perspective various types of environmental strategies have been identified (Aragón, 1998; Henriques and Sadowsky, 1999), and authors have analyzed how these can lead to sustainable competitive advantages (Porter and Van der Linde, 1995; Shrivastava, 1995; Berry and Rondinelli, 1998; Christmann, 2000).
Alternatively, the firm’s attitude to the environment has been studied from the corporate social responsibility approach. Corporate social action, and all the concepts derived from it, has continued to develop, and it continues to do so now. The debate about the service a corporation should give to society, which is at the same time its market, is complex and still open (Reich, 1998). In corporate social action the environment has been considered an element of great importance (Brenner and Molander, 1977). The approach, notably influenced by the seminal work of Carroll (1991), has analyzed how the system of values and the psychology of managers with respect to the environment influences a firm’s environmental behavior (Cordano and Frieze, 2000; Egri and Herman, 2000; Flannery and May, 2000).

In this work we try to combine both approaches by making use of the framework provided by stakeholder theory (Freeman, 1984). This theory has proved fundamental in achieving a more practical view of corporate social responsibility, and in helping managers to determine strategies to confront it (Wood, 1991; Lamb, 1994; Clarkson, 1995; Cordano, 1996; Waddock and Graves, 1997). In this sense, a firm’s environmental strategy can be seen as a response to the pressures and demands of different stakeholders (Fineman and Clarke, 1996; Henriques and Sadorsky, 1999).

In order to define (socially responsible) environmental strategies it is crucial to identify the stakeholders relevant to the firm with respect to environmental issues. In other words, how far should the firm’s environmental strategy satisfy the aspirations of the different stakeholders?

In most of the research on environmental strategy to date the various stakeholders are defined a priori on the basis of a single attribute, without assessing its relevance (Clarkson, 1991; Polonsky, 1995; Henriques and Sadorsky, 1999). This limitation has been pointed out by Mitchell et al. (1997) and Agli et al. (1999), who believe that it is more appropriate to identify relevant stakeholders on the basis of four general attributes (power, urgency, legitimacy and salience). Concurring with this view, in the present work we analyze these attributes with respect to a specific social issue – the environment – an issue that has not been studied to date. We have the aim to thereby identify the stakeholders relevant to firms designing their environmental strategies.

With this goal in mind, in the next section, after a brief discussion of stakeholder theory and corporate social responsibility, we discuss our choice of stakeholders and their attributes for the issue under consideration, the environment, before proposing some hypotheses concerning these attributes. Next, in part three we describe and justify the design of the empirical research. In part four we present and analyze the results, and finally in part five, we briefly discuss the main conclusions.

2. Environmental attributes and stakeholders

2.1 Stakeholder theory and corporate social responsibility

As we said in the introduction, stakeholder theory, whose usefulness has been proven in management, is the basis for this analysis.

Even though the essence of the stakeholder concept was already present in the literature and conferences of analysts and executives as early as the 1930s (Preston and Sapienza, 1990), the theory was mainly developed in 1984 by Freeman. Several attempts have been made to define the nature of stakeholders, but the most widely used definition is from Freeman (1984, p. 25), who considers that a stakeholder is “any group or individual who can affect or is affected by the achievement of the organization’s objectives”.

When all the groups that have a stake in a company or play an important role in its success are taken into account, it becomes necessary to modify our view of the company and the way it is managed (Halal, 1990). Even the identity of the organization could be described as the result of a complex, dynamic and reciprocal process between the management and stakeholders (Scott and Lane, 2000). In confronting the competing claims of various interest groups, stakeholder theory is no different from the essence of management itself, i.e. the allocation of scarce resources to satisfy competitive priorities (Vinten, 2001).
The framework of the stakeholder approach can provide a more practical basis for socially responsible decision-making (Wood, 1991). As Goodpaster and Atkinson (1992, p. 14) indicate, “stakeholder analysis of business decisions offers hope for a fruitful resolution of the enduring tension between individual rights and the common good”. Concepts such as responsibility, commitment or social action seem to have been created apart from the world of business corporations. It has not been clearly determined who corporations should be socially responsible to, nor what they should be committed to; nor is it clear who should assess corporate social performance, and on what basis they should do so (Carroll, 1991). Managers for their part are aware of their responsibilities towards shareholders, customers, workers, the government, etc., since “…corporations and their managers manage relationships with their stakeholders and not with society” (Clarkson, 1995, p. 100).

Thus, stakeholder management contributes to defining the recipients of corporate social action, allowing it to be treated as a product to be offered according to stakeholders’ demands.

### 2.2 Stakeholder environmental attributes

Salient stakeholders in a company can be classified in different ways, according to the issue under consideration. Likewise, each individual or group can be affected differently depending on the issue. Therefore, it seems logical to limit the analysis to a specific topic and determine stakeholders’ interest in it, as well as the response each should receive from management. We limit our analysis in this work to the problem of the natural environment, currently the most important social issue within corporate social action from the management point of view (Owen and Scherer, 1993).

Some authors advocate consideration of a broad group of stakeholders (Polonsky, 1995; Rodríguez and Ricart, 1997), while others prefer to narrow the scope (Henriques and Sadorsky, 1999). For this analysis, we take the following groups to be corporate stakeholders: the government, business associations, customers, the local community, the global community and future generations, employees, environmentalist groups, the media and suppliers. Thus, no group worth being considered for corporate environmental action is left out.

Mitchell et al. (1997) considered that writers on stakeholder theory had been too restrictive and had not considered all possible attributes. In contrast, these authors classified stakeholders according to their power, legitimacy, and urgency: variables that can condition the stakeholders’ salience.

It can be said that one of the parts involved in a relationship has power when it can impose its will on the other. Legitimacy implies that the demands comply with the prevailing norms and beliefs. Power and legitimacy can appear together, giving authority to those who have both, but they can also appear independently. Finally, urgency is a concept sustained on two elements: on the one hand, the importance stakeholders accord their own demands; and on the other, their sensitivity to how long it takes managers to deal with their demands.

The number of attributes a stakeholder has will determine the importance, salience or priority it will be accorded by the firm, i.e. the attention it will get from corporate managers. Not having any of these attributes would imply being defined as a non-stakeholder. The precise definition for each stakeholder environmental attribute can be seen in section 3.2 (Measures).

In this respect, it is interesting to consider the relative importance of each stakeholder when its expectations concern the company’s environmental policy. As there can be differences among the stakeholders when dealing with an environmental issue (Cordano, 1996) and, for different reasons, not all stakeholders have the same relationship with the company, the perception and consideration managers have of them will also vary. Thus, stakeholder attributes will be assessed differently, depending on the stakeholder and the issue concerned, in this case, the environment.
In this work we use empirical research to describe the firm’s stakeholders according to their environmental attributes. We shall also examine if the salience managers give a specific stakeholder in environmental issues is higher when its power, urgency and legitimacy is also high. Apart from the individual effect of each of these attributes, a combined effect of all three is also considered. This view is held by Mitchell et al. (1997) and by Agle et al. (1999) when dealing with stakeholders in general. In the present work we shall test if this proposition also holds true with the environmental attributes of the stakeholders. Thus, we propose the following hypotheses:

H1. A stakeholder’s environmental power will positively affect its environmental salience.

H2. A stakeholder’s environmental legitimacy will positively affect its environmental salience.

H3. A stakeholder’s environmental urgency will positively affect its environmental salience.

H4. The accumulation of environmental power, legitimacy and urgency in a stakeholder will be associated with a greater environmental salience.

3. Methodology

3.1 Sample

In 2001 we carried out a survey of manufacturing firms in Spain with the objective of finding out how managers assess different stakeholders and their attributes in relation to environmental issues. The companies surveyed were taken from the Duns 50,000 – Year 2001 directory of the largest Spanish firms. After a stratified random sample according to industrial activity, 2,120 firms with an annual turnover of more than €2m were selected from the 15,087 manufacturing companies in existence. The questionnaire was completed by the managers in charge of environmental issues. This data collection resulted in 277 valid surveys with a sampling error of 5.95 percent and a reliability rate of 95 percent. The response rate obtained was 13.07 percent, similar to that obtained by Agle et al. (1999), which was 13.6 percent.

3.2 Measures

The questionnaire explicitly defined stakeholder attributes in relation to the environment. Subsequently, we asked the managers to score attributes from one to five for ten stakeholders (government, owners, customers, local community, employees, global community and future generations, business associations, environmentalist groups, mass media and, finally, suppliers). The attributes were the following:

- Environmental power: Capacity and ability to make the company adopt decisions in accordance with the stakeholder’s environmental demands, either by means of economic rewards or punishments, by resorting to direct force or legal action, or by influencing the company’s public image (1 = no power; 5 = maximum power).

- Environmental legitimacy: Capacity of the stakeholder’s environmental demands to be considered as appropriate by managers (1 = no legitimacy; 5 = maximum legitimacy).

- Environmental urgency: the importance stakeholders give their environmental demands and how fast they demand satisfaction (1 = no urgency; 5 = maximum urgency).

- Environmental salience: Attention, time and priority managers accord to the stakeholder’s environmental demands (1 = no salience; 5 = maximum salience).

3.3 Tests

Using the data obtained from the survey we first undertook a descriptive analysis of the environmental attributes of stakeholders. The average attribute values of each stakeholder were compared to see if there were statistically significant differences between them. In this way we discovered which stakeholders were more important with respect to environmental issues. In addition, a correlation analysis was carried out on the saliences of the different stakeholders in order to find out if there were similarities among the stakeholders.
We then used multiple linear regression to try to explain the environmental salience of the stakeholders in terms of their environmental attributes (power, legitimacy and urgency). Subsequently, in order to find out how these three attributes jointly affect salience, we used the Kruskal-Wallis test and bivariate correlation analysis.

4. Results

4.1 Descriptive analysis

The first analysis of the available data was descriptive. Stakeholders were individually classified according to their environmental attributes in order to find out how managers perceive their relative positions.

Table I shows the mean values obtained by the different stakeholders in each of their environmental attributes. Even though no stakeholder was unanimously given the highest score or totally ignored, a number of differences can be detected.

On average, and according to the survey, the government stands out among the stakeholders. In Table II we can see that for all the attributes the differences between the mean values of this stakeholder and the others are statistically significant, with the government attributes always exceeding the other stakeholders’ attributes. The government has greater power to impose environmental actions, more legitimacy to do so, its environmental demands are more urgent and it receives more attention and priority.

Owners occupy second place. This is understandable, as managers have been hired to adopt decisions in accordance with owners’ interests. Nevertheless, managers do not rank owners in second place when evaluating the legitimacy and urgency of their environmental demands. For both these attributes, the local community occupies second place, which implies that those directly affected by corporate environmental actions have a particularly legitimate right and demand rapid action when that right is violated.

Customers constitute a group of important power and salience because their buying decisions have a direct effect on company performance. However, their legitimacy and urgency in environmental demands is lower than those of other stakeholders, such as the global community and future generations.

Among the least valued stakeholders, suppliers probably play the least important role in corporate environmental decisions. Compared to other stakeholders, they have little power or legitimacy, make few urgent demands and have little priority. The media, despite having some power, is also ranked low. It is also interesting to see that environmentalists’ visible protests place them in third place with regards to urgency, even though they are not very influential and do not have much salience.

<table>
<thead>
<tr>
<th>Table I Evaluation of stakeholders’ environmental attributes</th>
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<td><strong>M</strong></td>
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<td></td>
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<td>Government</td>
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<td>Owners</td>
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<td>Customers</td>
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<td>Local community</td>
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<td>Employees</td>
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<tr>
<td>Global community and future generations</td>
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<tr>
<td>Business associations</td>
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<td>Environmentalist groups</td>
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<td>Mass media</td>
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<tr>
<td>Suppliers</td>
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<td>Mean</td>
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<td>N = 277</td>
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Finally, employees and business associations occupy middle-to-low positions in comparison with the other stakeholders.

Table III shows the correlations between pairs of stakeholders’ environmental saliences. According to these results, we can say that there is a positive and significant correlation between most of the corporate stakeholders. This means that companies that pay attention to the environmental demands of a specific stakeholder probably do the same when dealing with other stakeholders. A closer analysis of the results allows for some interesting interpretations.

The relationships between two particular pairs of stakeholders stand out. First the local community and global community/future generations both represent an abstract entity in which the company takes part; one is closer and easier to define, while the other is more distant and conceptual. Second, those who pay attention to the media also pay attention to environmentalist groups. This is probably because media attention is often the response to a movement or state of opinion created by the environmentalists.

Conversely, giving the owners a higher environmental salience does not seem to imply giving more attention to the global community, environmentalist groups or the media. Owners’
interests are doubtless of an economic nature, often do not coincide and sometimes even conflict with the demands of these three other stakeholders. This probably explains the lack of correlation.

Likewise, the correlation between the government salience and that of environmentalist groups and suppliers is not significant. We wonder if the government is considering other stakeholders, like the local community, business associations or employees, rather than the environmentalists, since the importance they have for companies is quite different. In the case of suppliers, this circumstance is not relevant, because as we said, these are the least salient stakeholders in corporate environmental matters.

Finally, there is no correlation between the saliences of customers and environmentalists. This could be interpreted from the companies’ perspective as a difference between these stakeholders’ interests and the actions taken to defend them.

4.2 Environmental salience and other stakeholder attributes

As a next step, we analyzed the individualized and joint effect that environmental power, legitimacy and urgency have on stakeholder salience.

The individualized study for each stakeholder is based on a multiple linear regression analysis using the stepwise method. The model considers environmental salience as a dependent variable and the rest of the attributes, power, legitimacy and urgency, as independent variables. As can be seen in Table IV, the determination coefficients range from 0.39 for customers to 0.55 for business associations. Table IV also shows the regression coefficients in the ten analyses performed.

First, environmental power significantly influences the environmental salience of all stakeholders except for owners and suppliers. In the analysis of these two stakeholders, therefore, the power variable was excluded from the final model for not meeting the minimum criteria established by the stepwise method. The positive regression coefficient for the environmental power variable found in all equations confirms that an increase in environmental power will also increase a stakeholder’s salience. Consequently, hypothesis H1 is supported except for owners and suppliers.

With regards of environmental legitimacy, the regression method used did not exclude it from the final model of any of the stakeholders. Its coefficient was always positive and statistically significant. This proves that the environmental legitimacy of a stakeholder influences its salience in a positive way, which supports hypothesis H2.

Finally, all ten analyses showed that the environmental urgency of all stakeholders influences their salience positively. These results support hypothesis H3.

In practically all stakeholders environmental urgency stood out as having the greatest effect on environmental salience. Specifically, in all the regression equations, except for the environmentalists, this attribute has a higher coefficient than power and legitimacy, always having a significant influence. Comparing the coefficients and significance levels of environmental power and legitimacy, the second attribute showed higher coefficients in seven out of the ten cases analyzed. It seems, therefore, that the capacity of a stakeholder to influence corporate environmental actions is not as important for managers as the urgency and legitimacy of its claim.

The technique put forward by Aglie et al. (1999) was used to analyze the joint effect of environmental power, legitimacy and urgency on stakeholder salience. It involved creating a new variable for each of the ten stakeholders, which adopted four possible values (0, 1, 2, 3) according to the number of attributes (environmental power, legitimacy and urgency) given by each individual manager. The criteria established to determine if a stakeholder had a specific attribute or not was the comparison between the score given by the different managers surveyed and the mean score corresponding to the 277 companies in the sample. If a manager gave a score greater than the average to a particular attribute of a particular stakeholder, that attribute was considered present for the stakeholder.
The variable that measured the accumulation of attributes established four categories for each stakeholder according to the number of attributes present. Table V shows the main results from the Kruskal-Wallis test, defined by the accumulation of attributes, in relation to the environmental salience of stakeholders. It rejects the hypothesis that all the effects are homogenous – in other words, there are significant differences in the environmental salience of stakeholders depending on the number of other attributes accumulated.

Once the difference between groups was established it was necessary to find out how the differentiating effect operates. For this a bivariate correlation test was performed and the results (Table VI) showed a significant correlation between environmental salience and accumulation of attributes. The statistical values range from 0.562 to 0.660, with positive values for all stakeholders indicating a positive correlation in all cases. These results support hypothesis H4.
Table V  Kruskal-Wallis test in relation to environmental salience of groups defined by the accumulation of attributes

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<th>Owners</th>
<th>Government</th>
<th>Business associations</th>
<th>Customers</th>
<th>Local community</th>
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<tbody>
<tr>
<td>$\chi^2$</td>
<td>95.373***</td>
<td>92.981***</td>
<td>120.605***</td>
<td>90.724***</td>
<td>90.479***</td>
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<tr>
<td>Global community and future generations</td>
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<tr>
<td>$\chi^2$</td>
<td>101.418***</td>
<td>103.335***</td>
<td>96.345***</td>
<td>97.732***</td>
<td>93.989*******</td>
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<tr>
<td>$p &lt; 0.001$</td>
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Table VI Correlation between environmental salience and accumulation of attributes

<table>
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<th>Environmental salience</th>
<th>Owners</th>
<th>Government</th>
<th>Business associations</th>
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<tr>
<td>Accumulated attributes</td>
<td>0.576***</td>
<td>0.574***</td>
<td>0.660***</td>
<td>0.562***</td>
<td>0.566***</td>
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<tr>
<td>Global community and future generations</td>
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<tr>
<td>Accumulated attributes</td>
<td>0.606***</td>
<td>0.611***</td>
<td>0.589***</td>
<td>0.593***</td>
<td>0.576*******</td>
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<td>$p &lt; 0.001$</td>
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5. Discussion and conclusions

A broad view of the company in which the different stakeholders are included is a very useful analytical tool, especially when dealing with social issues. Nevertheless, analyzing corporate stakeholders in global terms can be imprecise because their importance for the company will be conditioned not only by their identity but also by the specific issue under consideration.

The natural environment has become an element of great importance in corporate social action, and stakeholder theory has been fundamental in achieving a more practical view of corporate social responsibility to help top managers in their decision-making (Wood, 1991; Waddock and Graves, 1997). Thus, it is interesting to study the stakeholders that can significantly influence corporate environmental management, or that are affected by it (Polonsky, 1995; Rodriguez and Ricart, 1997; Henriques and Sadorsky, 1999).

Mitchell et al. (1997) classified stakeholders generically according to several attributes. The analysis performed here on Spanish manufacturing firms tried to identify those attributes in relation to a specific social issue, the environment. Thus, the following attributes were considered: environmental power, environmental legitimacy, environmental urgency and environmental salience. They were quantified for the main corporate stakeholders according to the perceptions of the managers surveyed.

The results showed a hierarchy among stakeholders, with the government occupying first place in importance. Given the fact that the environment is considered a public good, it is logical for the administration to intervene in order to ensure its appropriate use. The government adds power and urgency to legitimacy by passing new laws and fining companies who fail to comply.

Subsequently, a comparative analysis of the different stakeholders showed how stakeholders’ environmental power, legitimacy and urgency positively influenced their environmental salience.
The conceptual origin of environmental attributes and their correlations sheds a new light on the nature of stakeholders. The theoretical implications of this work could be useful in further studies as well as in corporate decision-making processes.

Classifying salient corporate stakeholders and their environmental attributes is the first step in the process of corporate environmental management. Subsequently, the environmental demands of the most important stakeholders have to be studied and given an appropriate response. This response has to be consistent with the environmental commitment the company decides to undertake.

Our study could also help stakeholders find out “where they stand” with the company with respect to their environmental demands. Different individuals or groups could then adopt different courses of action accordingly. They could, for example, try to reinforce those attributes found to be weak. This might be relatively easy for urgency, being immediate in character, although power and legitimacy are more difficult to change. Alternatively, the weakest stakeholders could try to increase their share of influence by allying with more powerful ones who share their environmental objectives, with the aim of achieving joint synergies.

Obviously, there are limitations to this study. As Podsakoff and Organ (1986) point out, the respondents in a survey tend to give answers that improve their image. Here, some respondents could have overestimated the environmental attributes of some stakeholders, as the environment is an issue of great social sensitivity.

The fact that the empirical study was carried out on manufacturing firms without differentiating sectors also has to be taken into account. Moreover, the environment has been considered in a generic manner without specifying particular problems. Studies on corporations subject to more specific environmental conditions could give more detailed and useful interpretations for management.

Finally, all companies analyzed operate in Spain and the nationality of the headquarters was not taken into account. A possible future research area could be to introduce the concept of environmental culture in business organizations and to study the possible divergences among companies from different nationalities or located in different countries.

References


