

Chapter 1 Fundamental thoughts on the topic of lobbying and stakeholders

1.1 Differences of interest, stakeholders and translation conflicts

By Armin Nassehi

Interests always occur in the plural. An interest can only be held by someone who encounters other interests. This indicates that interests always refer to specific viewpoints – or to express it more precisely: interests only exist wherever the same object, the same problem, the same circumstances, the same resource, etc. is presented from very different perspectives. At the same time, this divergence also unites the different interests, since they refer directly to each other. This therefore usually involves something like the unity of differences of interest. Only when these are determined will it also be possible to understand the interests of different viewpoints or stakeholders.

Classic conflicts of interest are those such as the differences of interest between unions and management. One side has an interest in higher wages, the other side has an interest in lowering labour costs – the unity of the difference of these divergent interests lies in the fact that they are related to each other in a complementary manner. Another classic case would be a company's negotiations with the responsible state bodies regarding permissible emissions in industrial production. One side is interested in asserting specific environmental standards whereas the other side is interested in improving or maintaining its own market position. Again, the divergent interests are related in a complementary, almost dichotomous, manner in this case. Such divergences of interests produce conflict systems in which each utterance by the actors involved is drawn into the vortex of this divergence. Even if the representative of a company proposes a solution, in the second case for instance, this is ascribed to his interest, just as a trade unionist's concession in collective bargaining is always regarded as driven by interest.

Interests do not simply exist – they are attributed by observers. To genuinely be able to understand the divergent interests of different stakeholders within a conflict and develop tools to enable different stakeholders to productively relate to one another, it is not at all necessary to decode the “real” interest at first, i.e. to fathom out what an actor really “means”. What is of particular interest is rather the fact that modern societies are characterised by their constant understanding of actor positions as a specific expression of different viewpoints.

The form of functional differentiation inherent to a modern, complex society (see Section 1.1.1), which then leads to a precise understanding of stakeholders (see Section 1.1.2), should therefore initially be pointed out in the following. Following

on from this, I will use the term “translation” to attempt to indicate the form which an appropriate strategy for dealing with complexity must take (see Section 1.1.3).

1.1.1 Complexity and differentiation

Calling modern society complex is almost a platitude. However, what complexity means is rarely specified more precisely on use of this diagnosis. The fact that things are complex means considerably more than the implicitness that things are difficult rather than simple. So what does complexity mean?

Even pointing out the divergent interests of different stakeholders indicates complexity. The fact that there can be different, mutually exclusive perspectives of the same object indicates that what we see depends on our relevant viewpoint. Stakeholders differ particularly due to the fact that they are stakeholders in terms of a topos, but that they have different perspectives, interests and success criteria within this. This may appear trivial at first glance, since it has always been thus. However, the particular feature of a modern society lies in the circumstance that these different perspectives not only occur simultaneously but that they also encounter one another on an equal footing.¹ A modern society suspends the logical figures of the *principle of non-contradiction* and *excluded middle*.

According to the principle of non-contradiction, a sentence cannot be true or false at the same time. Evidently this no longer applies empirically, because a situation is basically different for different stakeholders, with the result that different sentences about an object can apply as well as the fact that a specific sentence can apply to one but not the other.

According to the principle of excluded middle, a statement is either true or false. This principle is also empirically suspended when different perspectives of the object encounter each other on an equal footing.

Both figures of classical logic get by without the observer. One simply has to imagine that things are ultimately as they are independent of the observer. If this were the principle according to which the world was constructed, it would be possible to distinguish different stakeholders according to whether they have the right or wrong perspective of something specific. However, what we are dealing with here is situations in which effectively contradictory perspectives of the same object are both different and also each indisputably legitimate. The relationship between stakeholders is not therefore characterised by the question of which of the perspectives should continue to apply and which must be discarded. What is instead involved is how a society deals with the fact that it is not all cast from the same mould, that its different perspectives cannot simply be mapped onto each other

¹ See Nassehi (2015), p. 97 ff.

without leaving a remainder and that we have ultimately come to terms with the fact that this is precisely what a modern society has to deal with.²

Such a situation is complex because it is aware of several links to a situation and because there are simultaneously several possibilities for considering an object. To express this in a very simplified form: in the old world, something was either true or false, either legitimate or not; one was either a believer or a heretic, either a legitimate spokesperson or not. Ultimately, everything was pigeon-holed in these distinctions, at least in clear, hierarchically structured classifications. Conversely, things can no longer be placed into such simple contexts in the modern world. The fact that something is valid or not is effectively dependent on different perspectives, and social modernisation is always characterised by the fact that one becomes more or less accustomed to how dependent on viewpoints the worlds in which we live are. Such worlds are complex insofar as they cannot be regarded one-dimensionally – and they develop forms for handling this multi-dimensionality. The historic development of the market economy, for example, was a reaction to increased complexity since it established different interests and viewpoints; the establishment of democracy in politics virtually anticipates the multi-dimensionality of interests and perspectives for solutions; modern science is only possible because it permits competing forms of knowledge.

The simultaneity of differences therefore indicates differentiation, in this case the functional differentiation of society. System differentiation is misunderstood when it is confused with the division of labour, since the division of labour ultimately necessitates an operational unit beyond the differentiated systems that divides something which already exists in such a way that things are meaningfully related to one another. Whoever divides labour must already presuppose an idea of the unity of labour in order to be able to divide it so that different operations can be undertaken on the same workpiece.

With reference to social theory questions, the division of labour as a social differentiation principle would necessitate pre-differentiation unity. The paradigmatic case of such a social theory originates from Émile Durkheim, who does not see the “division of social labour” as being held together at random by a social moral. Such a differentiation theory is not really consistent, because it regards differentiation as a subordinate principle and understands social diversity in terms of unity and not, conversely, social unity in terms of the differentiation. The unity of a functionally differentiated society consists of its differentiation – and, as the sole principle of unity, the operational substrate of “communication” is assumed as the common operational basis of everything societal in this system theory perspective which originates from Niklas Luhmann.³

² See Nassehi (2011); Luhmann (1997).

³ See Luhmann (1997).

Functional systems begin and end with positive and negative code values – in the case of the economic system – this is the distinction between payments or non-payments, mediated through money. Money is perhaps the simplest medium, since it leaves little scope for interpretation. It is able to simulate hard factualities and can be translated into all possible goods, services, experiences, etc. if only one is able to pay. Again, however, it only follows its own logic in this. This is why this particularly potent medium has never been able to solve social problems – and has thus been the crucial culmination point for criticism. The market alone is unable to establish any order, it cannot sustain populations, it cannot ensure justice and it is not interested in how goods and opportunities are distributed. All of this is of no interest to the market because it cannot ultimately be mapped economically in the narrower sense of the word. In this regard, the economic market is effectively an operationally closed system of payments which in turn have consequences – for payments.

Such a description of the economic system is based above all on the closed way in which it operates but disregards the system's openness. Because whilst the ultimately blind mechanism of the system-based cycle of payment processes in chains of payments and their consequences for solvency generate radical immanence in terms of their cumulative impact, the operations themselves are ultimately unable to perceive their systematic nature. "The openness of the economy is thus expressed in the fact that payments are bound to reasons for payments, which ultimately refer to the system's environment."⁴ What one then sees are other market participants with their purposes and intentions, narratives about price developments, supply and demand on product and service markets, availability of capital and, by no means least, assessments of how others will act on the market and how this will develop. The market then appears as a network. It was Harrison C. White⁵ who most clearly pointed out that it is above all mutual observations and battles for position on the part of market participants in markets which render consumption or investment decisions plausible. Information, observations, assessments, customs, prejudices, expectations and, by no means least, appropriate descriptions of the market arise in networks. The market is characterised primarily by the fact that nobody has complete information, as it would otherwise collapse, because if everybody did (supposedly!) the right thing on a market, i.e. invest in the same stocks or purchase the same products, if they were actually so well informed that they could no longer take a risk, profit and loss opportunities would disappear and everything would ultimately meet in the middle, in which only monopolists would then remain.

The remarkable thing about the economic system is that it operates inexorably according to its own logic but that one constantly has to make sense of it and find

⁴ Luhmann (1988), p. 59.

⁵ See White (1981; 2002).

categories in order to achieve the bases for decision-making. Not for no reason has the differentiation of a modern, market-oriented economic system always been related to the moralisation of the economy and the politicisation of markets. And not for no reason do forms of self-interpretations and reflection theories, which serve no purpose other than to make sense of what is inexorably taking place, arise around this ultimately purely economically-based interface logic: the fact that the conditions for the success of payments and non-payments are to be sought exclusively in further payments and non-payments.⁶

Society's operational order problem is resolved through the differentiation of code-based interface logics and the systemic cycle of functional systems – conversely, the practical order problem of dealing with the consequences of this differentiation in society is resolved through two mechanisms: on one hand by the formation of organisations, which provides patterns for handling the different interface logics in the long term and consequentially, on the other hand, the establishment of specific organisation-based action types in the form of audience and service roles, profession types, expectation styles and mentalities. It is ultimately these two mechanisms which manifest themselves as the economic system (and all other functional systems) to a normal observer, i.e. observers such as those in the networks described by Harrison White which ensure that order patterns, which then use the code accordingly, arise above the brutal logic (in the sense of a *factum brutum*) of economic interface conditions.

I describe this duality of the economy firstly as a very simple, systemically self-contained autopoiesis of payments, and secondly as an area of an economic practice which above all has to demonstrate its plausibility within social expectations, consequences and forms in order to point out that the same mechanism also applies to other functional systems. It is simply most clearly demonstrable using the obstinacy of the economy. However, it is also true of the political, the scientific, the legal, the religious or the educational functional system that its systemic closure lies exclusively in very simple coding and symbolically generalised interface forms. The political system is able to observe everything, but the conditions for success are exclusively dependent on whether political communication leads to the maintenance of power or pushing through decisions using the resource of power. What Harrison White says about the network conditions of markets then also applies here: it is mutual observations, assessments, expectations of political actors which lead to corresponding self-interpretations, i.e. to the maintenance of political programs and differences, to the remarkable interaction of factual assessments of the “situation” with the actual “political” sense of such assessments in terms of the code-based conditions for success. Similar effects can also be demonstrated for other functional systems.⁷

⁶ See Händler (2012).

⁷ See Nassehi (2012).

It is the different conditions for success which fundamentally distinguish economic and political operations. The connectivity of economic operations is generated solely in terms of expected effects as regards the ability to pay and the balancing of scarcity; in the political system, however, it is dependent on the extent to which political operations serve to maintain power or lead to collectively binding decisions in terms of an assignable collective. What sounds very formal here is ultimately determined through the simplicity of the coding – and accordingly leads to complex forms. In particular, the negotiable interaction between the different operation forms is complex in this case. As the conditions for success of economic and political operations are fundamentally different, the theory of functional differentiation suggests that anything approaching the co-ordination of both modes of operation is ultimately out of the question – and must nevertheless take place time and again at certain points. This makes it clear why the relationship between these two functional systems has become the central problem of social disputes in functionally differentiated societies and actually influences the self-interpretation of society. All of the keywords of such debates – political economy of capitalism, social market economy, neoliberalism, socialism, new deal, etc. – are aimed at the relationship between the two modes of operation, which is ultimately irreconcilable in operational terms. Formally, as in the discussion surrounding the minimum wage which extensively marked 2013's German parliamentary election campaign, this means that, from an economic perspective, the concept is focussed on the economic consequences of such an instrument, whereas the question concerning voter loyalty or the electability of the concept is registered from a political perspective. It is interesting that neither of the two perspectives is more appropriate, simply because the conditions for appropriateness are different.

Incidentally, this argument cannot be used to argue either in favour of or against a universal minimum wage. It is more important to point out that even such a simple example is able to show that the different logics of both functional systems apply irreducibly – and that specific solutions are still found for each of them. It should at any rate have become clear that the operational relationship between the economy and politics (and science, law, religion, etc., although this is not the issue here) is genuinely difficult, irreducibly difficult. This is perhaps why we imagine successful socialisation to be such that the different parts are interrelated in such a way that they do not mutually interfere with their conditions for success too extensively. The classic image of an integrated, western post-war industrial society with its stable institutional arrangement may well come close to this ideal – but it is increasingly coming under pressure. A great deal can be said about this in social theory terms, but the following is crucial here: this differentiation theory design can now be used to determine the reference problem, in which the reference problem of a convincing political stakeholder is to be systematically sought. The issue of lobbying or the negotiation of interests of different provenance and above all different fundamental logics, namely a primarily economic and a primarily politi-

cal logic, is directly concerned with the differentiation principle of a modern society. It does not involve simply divergent interests, nor does it involve pitting the economic interests of industries, associations or companies, for instance, against the political interests of regional, national or European political levels. These are not simply power struggles between various interests, in which the stronger opponent wins or in which consensuses can be reached. Instead, it involves the fact that governmental relations have to work with the circumstance that different forms of success and knowledge encounter each other here, and have to find forms for co-ordinating these different conditions for success.

Ultimately, such processes are translation processes. Modern societies can simply no longer be regarded as communities cast from the same mould; their complexity is also underestimated if it is assumed that only a balance of interests is involved. Today, the primary issue is whether the different perspectives, logics and conditions for success can be translated into each other. Contemporary conflicts concerning solutions and divergent interests therefore arise primarily in the form of translation conflicts.

Political and economic actors, for example, are aware of each other, have an image of their opposite party and are ultimately reliant on dealing with mutual expectations. These expectations – this is the crucial aspect – are not controlled centrally, they are not integrated in the sense that an instance for co-ordinating the two logics with each other could be designated. Instead, this co-ordination takes place in the present, in practical form, in real time and in the form of temporary adaptation processes in each case. This is carried out through fiscal policy measures as well as through legal specifications for work safety, environmental protection, credit protection, minimum wages, collective bargaining autonomy or product control; it is carried out through investment decisions with the option of switching to geopolitical areas; it is carried out through the creative layout of legal specifications as well as through attempts to reach a compromise between companies and administrations; it is reflected in concepts such as emissions trading or agreements between industry associations and the public sector; it is carried out through the exertion of influence by trade associations, trade unions or stakeholders on parties, parliaments and public opinion, etc.

With this both unsystematic and incomplete list, it should be pointed out that the loosely coupled, different logics of a political and economic nature have diverse points of intersection and contact, but no one-to-one interface which could genuinely co-ordinate both logics. This is precisely the point in the system at which lobbying, persuading, convincing and negotiating processes take place. The non- or semi-public form of lobbying which is often the subject of public criticism, the negotiation of specific issues and individual cases, and by no means least the clear formulation of own objectives and interests are inseparable parts of modern society. Whoever wishes to conduct the mental experiment of how these forms of lob-

bying could be forgone can only possibly encounter two models: either a dictatorial form of politics which, without looking at specific cases, specifies structures to which adherence is simply mandatory, or a completely deregulated economy. Neither can be desirable. This is because in the former case, this would not only lead to a loss of legitimation in political terms, but it would also rule out opportunities for learning, because only a normative expectation style could be used as the possible basis. In the second case, this would mean that the adaptation of economic dynamics to social requirements would lead to considerable problems, thus significantly overloading the political system's possibilities for action.

These short comments should already have made it clear that such forms of lobbying and negotiation between stakeholders of different provenance must never be treated as an anomaly or special interest in order to adequately understand the problem. In modern society, forms of organisation in which the different logics of society have to be re-referenced to each other occur at different points and in different areas. The case in question here falls into this context and can only be understood appropriately from there.

The above considerations are rather general in nature and do not argue using specific cases but instead provide an insight into the social framework in which lobbying takes place. Their specific form will be dealt with in the following chapters. Two aspects should be pointed out very briefly here; the concept of the stakeholder and the rather more competence theory-based aspect of translation.

1.1.2 One theory of the “stakeholder”

The concept of the stakeholder is largely undisputed in the commercial and management-oriented literature.⁸ Interestingly, it is often used in connection with business ethics issues, which is only logical since the consideration of stakeholders firstly also takes into account the different interests of an economic process and secondly is also able to portray non-economic interests in the narrower sense, e.g. the interests of affected parties, the public, customers, etc. If one therefore wishes to model divergent interests, the stakeholder model can be used not only to give consideration to different actors but also the type of their interests or their perspectives in order to enable a better understanding of the process. In this regard, political actors, bureaucracies and administrations as well as media and scientists are also stakeholders in processes involving the specific mediation of interests but also participation in the formulation of policies.

The above described structure of functional differentiation makes it clear that diverse perspectives, each of which stake their own claim to the outcome of processes without the occurrence of a central form of final decisions through level hierarchies, encounter each other at the interfaces of different societal functional sys-

⁸ See e.g. Freeman (1984).

tems and logics. Not even society's political system is able to stake such a claim, leading to the representation of the structure of modern society when such processes are modelled in a stakeholder model.

1.1.3 Translation conflicts

Finally, brief reference should be made to the structure of the implied differences in perspective. It has already been indicated in the above that conflicts in modern societies do not so much involve mere conflicts concerning finite resources in the sense that things simply have to be distributed better to find something approaching a balance. Resource conflicts naturally play a significant role, but regarded in terms of the system, translation conflicts come to the fore. What is involved in the issue of lobbying? It also involves preparing the concern of, for example, an industry association or a company such that one's own concern is not simply pushed through. Whoever wishes to assert a concern must anticipate the other party's logic, so must ask himself what is politically and legally possible; must see, for instance, that, from a political perspective, the challenges are entirely different to those that emerge when the same problem is viewed from one's own economic or corporate perspective. This literally involves translation: I have to translate my concern into the other party's perspective to enable it to be formulated such that a decision is possible in the first place. In turn, I must be able to understand the other party's translation to determine what is possible and what is not.

The representation and assertion of interests are not simply a power struggle between communicating tubes in the sense that what one party receives the other has to give, and vice versa. This would be a simplistic perspective. What is instead involved is determining how actors arrive at common solutions from different perspectives – and if not that, then different solutions which are acceptable to both.

This can be formulated as translation rather than integration.⁹ Modern social forms are simply not always already integrated, not organised collaboratively and certainly not co-ordinated through common interests. Instead, these different logics have to be translated into each other, whereby a translation process is by no means simply a transfer process.

The insight that the translation of contents cannot amount to transfer from one context to another is not new. The modern translation approach breaks with Humboldt's or Herder's romantic concepts of translation as an act of "faith" which helps to transport what is "foreign" into what is "familiar" in order to further the "development" of one's own nation. Since the 1920s at the latest, however, the clear distinction between the original and the translation has been elimi-

⁹ See Nassehi (2015), pp. 270ff.

nated. Walter Benjamin¹⁰ developed a lovely image for this: he compares translation with the image of a tangent touching a circle; they come into contact at one point and then each go their own way.

This way was subsequently pursued further by theoreticians such as Jacques Derrida,¹¹ who is interested in the fact that the translation is in no way dictated by the original. The possibility of the pure translation from one language into another was not therefore discussed any further but rather the question of how the relevant translation context determines how a text to be translated is culturally shaped. The translation is not therefore carried out according to the image of the output material but ultimately according to one's own image, the translator's image. The relationship between what is translated and the translation thus ultimately disappears in the indeterminacy of the relevant character systems. It is precisely this indeterminacy which defines the location of negotiation or translation processes and which constitutes the social significance of lobbying.

1.2 Stakeholder orientation: perspectives of corporate management beyond the classic shareholder value approach in the face of more complex framework conditions

By Anton Meyer,^{*} Maximilian Wagner, Ana Jakić and Carola Neumann

1.2.1 "Be ahead of change"¹²: challenge of stakeholder orientation

*"New Group strategy: E.ON is to concentrate on renewable energies, power networks and customer solutions, and will be hiving off its majority stake in a new, listed company for conventional power generation, global energy trading and exploration & production."*¹³

On the same date, Spiegel Online reported:

*"Strategy change: E.ON plans to dispose of its nuclear, gas and coal business. Utility company E.ON is undertaking a radical strategy change. It plans to dispose of its conventional power supply business. The Group will instead be concentrating on renewable energies and service products."*¹⁴

¹⁰ See Benjamin (1992).

¹¹ See Derrida and Venutti (2001).

^{*} In addition to my three co-authors, I would also like to thank the former employees of the Institute of Marketing at Ludwig-Maximilians-University in Munich; Professor Andreas Munzel, Dr Jan Engel and Dr Anna Girard, and also particularly Professor Manfred Schwaiger and Professor Anja Tuschke, for their contributions and commitment in establishing the "Convincing Stakeholders" seminar in the M.Sc. study program within the Munich School of Management at Ludwig-Maximilians-University.

¹² Peter Drucker.

¹³ E.ON (2014).

¹⁴ Diekmann (2014).

Admittedly, such an offensive and equally courageous, radical strategy change is an “extreme” example to make it clear that it is not (no longer) sufficient to include customers and commerce plus market influencers, competitors, debt capital providers or internal target groups such as employees and equity providers in the calculation of a company’s target groups.¹⁵ Other stakeholder groups in a company often have to be taken into account from a strategic point of view because they are of great importance to the future success of the company. With the above strategy change, E.ON is also attempting to integrate stakeholder groups previously neglected by the company into its strategic calculation as a utility company and also satisfy their interests. This realisation is not limited solely to E.ON. In many industries (e.g. power supply, telecommunications and financial services sectors), the issue of a licence to operate is no longer any guarantee that a company will find political and social acceptance, support and tolerance to enable it to successfully further develop and defend its competitive advantages in its core business in the future. Framework conditions – irrespective of whether they are determined by the environment, company or politics – can change and lead to the fact that companies are unable, or not permitted, to continue their previous core business as they no longer have the social legitimisation. In short, the licence to operate for a company’s future constantly has to be earned anew. Boundary conditions are transformed into target groups, important stakeholders whose goals, interests and plans the company’s management must interact and deal with. The objective is to convince diverse social and political stakeholders of the benefit, nature and content of the company’s activity and its effects (or at least achieve their continued toleration).

The reasons for reorientation and strategy changes by companies are not only due to technological changes. In recent years, a variety of social, political, ecological and economic developments such as globalisation, European integration, German reunification, the dissolution of the Eastern Block, the Internet and economic crises, environmental catastrophes, etc. have led to an increase in social criticism regarding the behaviour of companies and their shouldering of responsibility for negative developments as well as the need for transparency – and thus also requirements on successful communication on the part of such companies. One consequence of these developments (see following summary) is that the intensifying involvement of the company’s environment in all corporate planning, decisions and actions plus the communication of these are attaining ever increasing strategic and operational importance. This noticeable development can be described with the keywords “stakeholder orientation”, “stakeholder approach”, “stakeholder view” or “stakeholder theory”, and is the subject of this article.

To be able to understand the far-reaching consequences of these developments, it is initially necessary to take a closer look at the drivers of this increasing stake-

¹⁵ See also the example case of the “Enron débâcle” in Culpan and Trussel (2005).

holder orientation. Central issues which are promoting these changes include: what are the social, political and economic development trends enabling or necessitating increased stakeholder orientation that companies will have to deal with in the 21st century? What are the challenges that they will pose to the companies' own actions?

1.2.2 Drivers of stakeholder orientation

1.2.2.1 Internet and digitisation

Buzzwords such as the Internet, Web 1.0, Web 2.0, the "Internet of Things", digitisation but also data protection, data espionage and copyright protection are major talking points. The Internet and its precursors (such as Arpanet) – the bright idea of a few highly intelligent military minds and scientists – have revolutionised the way in which contemporary societies interact. Communication, as well as many other digitisable value creating processes between individuals and/or organisations, increasingly takes place in the online environment. All stakeholder groups, not only customers or employees, are constantly accessible 24/7, in real time, personalised – but also anonymous – (in)visible to each other and to other stakeholders. The spread of "smart devices" and interconnectedness via social media are leading to the fact that information, opinions, experiences and comments can be exchanged at rapid speed around the globe. However, it is always uncertain as to whether these statements are true or perhaps falsified.

Knowledge of, about and amongst all stakeholders substantially increases the transparency of many processes and promotes what is often a viral spread of all kinds of information on the Internet. All stakeholders have the same tools and means at their disposal for representing their interests in society, politics and business and for making themselves heard. Together with their members and other stakeholders, they can exchange ideas, form bonds and interconnect to contribute to value creation.¹⁶ The consequences can be both positive and negative in nature. Fans of certain brands, celebrities, stars, companies or not-for-profit organisations can push them extensively – but can drop them again equally quickly if displeased, and destroy brand values(s), which have taken decades to build up, in a matter of days. The above mentioned developments and the resulting influence exerted by stakeholders on the economy and society must always be evaluated ambivalently: for instance, hackers can disable entire industrial plants, as was recently the case with the TV station TV5MONDE, but can also improve security systems and software products – or even revolutionise them. Without the Internet, political movements and developments such as the Arab Spring would not have spread at such a dynamic pace, but neither would the Islamic State organisation have seen the swell in ranks which it is currently experiencing.

¹⁶ See Kornum and Mühbacher (2013), p. 1461; Driessen, Kok and Hillebrand (2013), p. 1465; Korschun/Du (2013), p. 1495.

“Where there is much light, the shadow is deep” – this aphorism from Johann Wolfgang von Goethe once again proves true.

In summary, it must be assumed that the Internet and digitisation speed up development processes in society and the economy like a catalyst and enable all stakeholder groups to actively influence and participate in corporate processes and decisions. Conversely, of course, this also applies to the influence which companies have over their stakeholders.

1.2.2.2 Climate change and demographic trend

Ecological changes can be observed across the globe. Climate change is manifesting itself, for instance, in the melting of the polar ice caps combined with the threat to animal species, which touches people on an emotional level, such as the polar bear or the whale. The precise causes and effects remain the subject of dispute, but man’s influence has now been scientifically proven. In our view, one factor which fosters this negative development is an excessive desire to achieve short-term profits and sales growth coupled with short-term, aggressive marketing practices. One further aspect is the explosion in global population growth in developing countries. The people there often do not have the knowledge or the opportunities required to make sparing use of resources. At the same time, it is not possible to demand that they make use of the same tools available to saturated national economies with ageing and declining populations such as many of the economically dominant industrialised nations in the west. In addition, emerging markets such as China and India, but also Brazil or Russia, still have a vast amount of catching up to do in terms of environmental protection. Whilst some are insisting on their right to economic growth and consumption, the others are admonishing them to use and consume goods and resources more consciously and sparingly. At first glance, economic growth and a simultaneous increase in environmental awareness appear irreconcilable. Multinational companies which act globally on markets are operating in precisely this area of conflict. They have to meet the widely divergent needs and expectations of their customers and stakeholders – the simplest method, resolving this task in a standardised way as possible for all parties, is often the wrong approach. What constitutes waste for some is part of the standard of living and the expected quality of life for others. Society’s implicit demand on companies to take a more social approach can already be seen extensively across Europe: today, it is no longer sufficient to evaluate quality of life on the basis of economic and material prosperity indicators. Instead, criteria such as adherence to specific values by companies and their suppliers (even across entire value creation networks), conserving resources, the respectful treatment of employees and authentic behaviour towards customers, etc. are playing an increasingly important role.¹⁷

¹⁷ See Meyer and Niedermeier (2011).

1.2.2.3 More social responsibility on the part of citizens and companies: increased complexity of political decision-making processes in the European Union

What is known by the generic term “Hartz IV” (German unemployment benefit) simultaneously equates to more personal responsibility for each citizen and the related restructuring of public expenditure for politicians. At present, it is the “break even” austerity policy publicised by Finance Minister Wolfgang Schäuble which, for many citizens, is associated with hardship and increased personal responsibility for their own security in the event of disease, accident or old-age poverty.

What the Federal Republic of Germany has achieved in a radical reform process, namely ensuring the competitiveness of German companies in a globalised economy, still remains to be confronted by some other European countries. The dispute regarding the continued development of European society is therefore a fundamental problem which also extensively concerns companies. In the future, they may well be required to take on increased responsibility in terms of child care or old-age provisions for their employees.

1.2.2.4 Globalisation and critical trends in a globally interconnected economic and financial world

Like many technological developments, globalisation, too, offers opportunities and risks. As a stakeholder group, customers benefit from lower prices – and opine: “Tight is right”. On the other side of the fence, companies see themselves facing increased competitive pressure which not only compels them to lower production costs but also, logically, to subject their employees – the company’s internal stakeholders – to rationalisation measures in terms of payment (minimum wages), social benefits or precarious working conditions. Suppliers, also stakeholders, additionally have to optimise their production and supply conditions to ensure their existence. This process runs through all partnerships within the value creation network of each company. Locations (countries, regions, communities) which offer liberal tax regimes and other regulations favourable to companies are also relevant stakeholders and compete against each other. Their concern is to secure jobs and ensure that their citizens prosper. In this environment, regional coalitions of states assume an existential importance for states, citizens and companies. One of the fundamental objectives within the EU (European Union) is to harmonise living conditions for all citizens in the member states. This can lead to the increasing communitisation of the different policy areas (with regard to the process of European integration and the European treaties, see Chapter 4). Whilst competing fiscal and tax policies in the member states may be advantageous for individual states, regions and companies, they may possibly have significantly destabilising consequences for the EU states and the European economy as a whole. The complexity, lack of transparency and interactions of political decision-

making processes in the EU are on the increase, as are the interactions between the political decisions of the various member states and the decision-making levels of the member states.

The issue of the communitisation of the policy areas has the potential for considerable conflict within the EU. The situation becomes even more difficult when the negotiations surrounding further treaties with external EU partners are added, as currently seen in the efforts involving the transatlantic free trade agreement with the USA – Transatlantic Trade and Investment Partnership (TTIP). Back in the 1990s, this Transatlantic Trade and Investment Partnership treaty's predecessor failed due to France's veto following fierce resistance from NGOs (non-governmental organisations), amongst others. Individual negotiation items such as the issue of fracking licenses or the authorisation of genetically modified foods call into question fundamental principles such as the precautionary principle of the state for its population as prevalent in Europe. This easily eclipses opportunities such as the equality of a construction company in a Baltic state with a bidder in California in a public invitation to tender within the future scope of TTIP. The topic of international arbitration actually affects state sovereignty rights, and the negotiations, which have thus far been conducted mainly in secrecy, strongly suggest that this involves a fierce dispute between powerful stakeholder groups in the USA and EU as well as major, globally operating companies. Citizens are merely being informed about the results which are achieved.

1.2.2.5 New organisational structures for the representation of civil interests

In view of the above described political and economic changes, certain of the current social developments are understandable. When official institutions and their representatives lose credibility and operate in realms which the "normal citizen" no longer understands, and the ability of trade unions to exert an influence is on the wane, non-governmental forms of organisation increase in importance. In this case, civil interest groups, which also increasingly represent local interests, form alongside the classic development, human rights or environmental policy NGOs such as Greenpeace, Human Rights Watch and the World Wide Fund For Nature, etc. These are aimed primarily at the moderate representation of their own interests, but radical groups, which come together at specific times, in specific locations or for specific issues, are also often formed at "their fringes". Examples of this include radical groups at the inauguration of the European Central Bank building in Frankfurt's banking district following the sub-prime crisis or during the "Stuttgart 21" railway construction protest. All of these actions document citizens' growing need to increasingly make themselves heard as the "actual sovereign" through their own commitment and to play an active role in political and social decision-making processes. The fear of no longer being able to independently structure one's own life but instead being controlled by economic, state or social crises whose origin is far removed from one's own environment is driving

people to become active and take to the streets. The virtual counterpart of this is the previously addressed social, digital media, which extensively facilitate the possibility of exchange for these interest groups and also extensively promote it.¹⁸

1.2.2.6 Interim result

Faced with the conflicting priorities of intensifying competitive pressure and increasing demands for responsible activities, companies in the 21st century are being compelled to operate increasingly pro-actively and less reactively. They, and above all corporate management, play a key role in the structuring of future framework conditions for the coexistence of societies in a globalised world. The many legitimate interests of diverse parties have to be reconciled with one another. In this, companies can act as valuable advisors to government representatives, e.g. when structuring new international treaties: they are able to bring their entire economic expertise to bear. They can also become champions of the citizens, since the latter's interests also determine the companies' own interests. After all, their customers, employees and suppliers also number amongst their ranks. The common understanding of many textbooks and practitioners concerning the framework within which a company acts is that these are predetermined and cannot, or can barely, be influenced or shaped by companies. Within this understanding, framework conditions merely offer static business opportunities and threats to which the companies can react. Since this is only partially correct and companies most certainly can actively help to structure framework conditions, both monitoring and early warning systems are important for companies that want to have a strategic "edge". Above all, however, the attempt to change framework conditions through lobbying and the political representation of interests, etc. is not only legitimate but also necessary, irrespective of whether the objective is to facilitate future strategies or prevent the deterioration of their current business. In the final analysis, active political lobbying can therefore be regarded as an offensive attempt to actively structure the framework in order to represent and implement one's own and stakeholders' interests better, and ultimately to create common value creation for the stakeholder network in collaboration with the stakeholder network in question.

1.2.3 Ideal of the honourable merchant: a stakeholder-oriented concept?

The ideal of the honourable merchant takes on new topicality as part of the above described changes. The honourable merchant is the ideal for responsible economic operators. It stands for a pronounced sense of responsibility for one's own company, for society and for the environment or for "conscious" stakeholder orientation. An honourable merchant's behaviour is based on virtues aimed at ensuring

¹⁸ With regard to the growing importance of NGOs, see also the German Federal Agency for Civic Education (2010).

long-term economic success without opposing the interests of society:¹⁹ he conducts business in a sustainable manner.

There is no single definition for “honourable”, since the term has to be reexamined every time according to the historic context. Today, for instance, the merchant is often represented by companies and their salaried managers, whose scope of responsibility is significantly wider than that of their historic predecessors. What remains unchanged, however, is an ethical basis which emerges from social responsibility. One key term in this context is that of reciprocity, the principle of mutuality in social interaction, i.e. giving and taking as a characteristic of the honourable merchant. As reciprocity is part of a behavioural norm in every society²⁰ and, at the same time, the honourable merchant is not subject to any separate code, he, like every member of society, is obligated to society in general.²¹ It can accordingly be concluded that this central norm of behaviour also applies to the honourable merchant. Concepts such as corporate social responsibility and corporate ethics are becoming increasingly important in economic and business affairs for precisely the same reasons.²²

One aspect is becoming clear in this: the more extensively companies succeed in integrating their interests into the common good, i.e. integrating all stakeholder interests into their corporate policy – as far as possible – the more successful these companies will be. Even if their objective is to credibly help structure favourable framework conditions for their future activities.

Conclusion

Stakeholder-oriented corporate management aligns its interests with the common values and feels obligated to and responsible for not only the interests of the owners but, like an honourable merchant, also the common good. This also serves as a superordinate, integrative objective in the alignment and reconciliation of interests with all other stakeholders. In a global world, this logically leads to the question: “What is meant by the global common good, the ‘common good’ of ‘global society’?”²³

1.2.4 Complex and dynamic perspectives of stakeholder orientation

When taking various stakeholder interests into consideration in the corporate policy and analysing the stakeholders’ interconnectedness at global, regional and local level as well as the dynamics of this, useful contributions can be made by the stakeholder theory, which is based on its numerous precursor theories. Accordingly, sustainable corporate success can only be ensured if companies regard

¹⁹ See Klink (2008), p. 72.

²⁰ See Phillips (2014), p. 26.

²¹ See Klink (2008), p. 72.

²² See Ulrich (2014), pp. 19 ff.

²³ See Wahlers (2009), p. 3.

themselves as part of an ecosystem or a holistic stakeholder network. This value creation network not only includes equity providers, customers, employees, entrepreneurs and managers but all suppliers, competitors, alliance partners, trade unions, regulatory authorities, social and political organisations (NGOs), citizens' initiatives, governments, authorities, associations and other participants as legitimate stakeholders (stakeholder groups) interconnected with and between each other as well as with the focal company. On this basis, all actors in this stakeholder network are able to interact with one another and jointly structure value creation contributions and relationships, co-creation is the characteristic, central design element in this. As both a prerequisite and consequence, the actors should be familiar with, understand and respect these mutual interests and take them into account in their decisions and their behaviour. The normative bases of the stakeholder theory and its instrumental conclusions and methods can support stakeholder management in the resulting, complex tasks.

The following quotations are intended to serve as a simple introduction to the abstract deliberations on the stakeholder theory:

*"The behavioural norm of reciprocity exists in every human society."*²⁴

*"One crucial difference between the stakeholder theory and many predecessor theories on strategic management is the fact that the stakeholder theory explicitly recognises the role of ethics and values and takes it seriously. Perhaps the most important task as part of the management of stakeholder relationships is the development of a common vision – a co-ordinating ethic – which aligns the interests of value-oriented people with one another."*²⁵

*"There are as many authentic values which can form the umbrella of stakeholder relationships as there are companies. However, what is common to all of them is that they are ultimately always ethical values. No vision and no value system could fulfil this commonality-giving function if it is not also based on benefits for the community [...] All companies act in a network of relationships with their stakeholders."*²⁶

The economy is not an end in itself but has the task of supplying society with goods. *"As a sub-area of society, the economy performs a service function, is so to speak subordinate to society and is subject to changes in the social state of consciousness, which it in turn influences."*²⁷

*"The permanent link between the economy and society is a fact which cannot be disputed. At the same time, this applies a polarity, a tension which is not resolvable, between society and the sub-area of the economy."*²⁸

²⁴ Philipps (2014), p. 26.

²⁵ Philipps (2014), p. 29.

²⁶ Philipps (2014), p. 30.

²⁷ Meyer (1973), p. 21.

²⁸ Meyer (1996), p. 13.

For a long while, the shareholder value approach was the dominant corporate management practice approach. Public enterprises, the majority of family-owned companies and small and medium-sized enterprises (SMEs) are explicitly excluded from this. The objective was to increase the market value of the equity capital, the fundamental interest of each shareholder, since this was the basis for evaluating the company's success. Back in the 1970s, with the oil embargo, car-free Sundays as a result of the Yom Kippur War, the collapse of the international monetary system (Bretton-Woods) and discussion surrounding the boundaries of belief in growth and progress, the corporate environment became less predictable and "more risky" from a strategic point of view. This growing risk led to increased consideration in strategic management.

At the latest since the dot-com crisis (2000), the financial crisis (2007), and the changing framework conditions and profound processes of transformation in society, politics and the economy in recent decades (see Section 1.2.2), a reorientation is being seen in corporate management and business administration, leading to a paradigm shift from shareholder value to stakeholder orientation. In their book entitled *Stakeholders Matter – A New Paradigm for Strategy in Society*, published in 2011, Sybille Sachs and Edwin Rühli explain this reorientation as follows:

*"The dominant shareholder-value model has led to mismanagement, market failure and a boost to regulation, as spectacularly demonstrated by the events surrounding the recent financial crisis. 'Stakeholders Matter' challenges the basic assumptions of this model, in particular traditional economic views on the theory of the firm and dominant theories of strategic management, and develops a new understanding of value creation away from pure self-interest toward mutuality. This new stakeholder paradigm is based on a network view, whereby mutuality enhances benefits and reduces risks for the firm and its stakeholders. The understanding of mutual value creation is operationalized according to the licence to operate, to innovate and to compete."*²⁹

R. Edward Freeman, the scientific pioneer of the stakeholder approach, comments on this in his preface to the publication by Sachs and Rühli:

*"When the authors claim that a new paradigm emerged for strategic management, they are being too modest. Their proposals do no less than rewrite the contract between business and society. First of all, they broaden the notion of business as the engine of economic activity by focusing on value for shareholders rather than economic value for shareholders. Business in the twenty-first century must be seen as an institution which creates value for customers, suppliers, employees, communities, financiers and society."*³⁰

²⁹ Sachs and Rühli (2011), p. I.

³⁰ Sachs and Rühli (2011), p. XV.

If the new credo of corporate management is now stakeholder management and no longer shareholder value maximisation, it involves an incomparably more complex approach and process for formulating and communicating, implementing and checking corporate goals and corporate strategies and measuring their success. After all, this necessitates involving all companies and all stakeholder groups, which are influenced by the focal company and which in turn influence the company, in decisions and activities, and meeting their requirements. In this reorientation process, a one-dimensional maximisation approach is increasingly transformed into a complex, interaction-oriented reconciliation of interests process equating to a difficult balancing act. Added to this is the fact that the stakeholder management approach goes hand-in-hand with a loss of control due to the qualitative nature of the stakeholder relationship construct. Awareness of this is a central element of successful stakeholder-oriented thinking.

Since, as lecturers within the Munich School of Management at Ludwig-Maximilians-University, we want to prepare our students for the challenges accompanying this paradigm shift that they will encounter in corporate practice, we have been offering the “Convincing Stakeholders” (customers, employees, managers, investors, etc.) seminar since the introduction of the Master of Science study programme in business administration (winter semester 2008/2009) as part of the subject-related basics and an additional seminar on the topic of “Convincing Political Stakeholders” since the winter semester of 2013. Using the example of political lobbying by companies and associations, the latter demonstrates the form taken by professional lobbying for specific stakeholder groups in corporate practice.

To be able to understand the basis and the precursors of stakeholder management, we would like to answer the following questions in the next section:

How did stakeholder approaches and theories develop? What were their important predecessors? Who are the most important representatives? Which publications and findings are central to this development? And finally, what are the benefits of these findings to the practice of stakeholder management?

1.2.5 Stakeholder theory: central contributions, development stages and selected key findings

The paradigm shift towards a stakeholder orientation was based on a variety of theoretical preliminary works in the field of corporate ethics and on the relationship between the economy and society in various scientific disciplines such as philosophy, sociology, psychology, economics and business administration. The stakeholder orientation also benefited from best-sellers by certain management gurus, first and foremost Peter Drucker, and the study of the behaviour of many family-owned companies and SMEs which have been successful and engaged in sustainable management for a number of decades or centuries (see the left column of Figure 1.2).

1.2.5.1 Central contributions to the stakeholder theory

Important contributions to the development of the stakeholder theory arose from the inadequacies of the prevailing shareholder value approach: above all, these can also be found in strategic management³¹ and occurred – as is so often the case – at the fringes of the domain rather than in the mainstream. With the growing “impact of crises and shortfalls”, they attracted attention in the fields of organisational theory³² and corporate ethics.³³ Due to its references to the area of corporate social responsibility (CSR), it was also dealt with and implemented there³⁴ and subsequently also in the “sustainability debate”.^{35, 36}

This is hardly surprising, since it is ultimately the common concern of stakeholder management, CSR, corporate citizenship and corporate ethics to relativise, push back, overcome or replace the shareholder value approach with the objective that the corporate environment and particularly society as a whole (also indirectly nature) or individual social groups have more influence on or in corporate decisions.

It is also understandable that these new perspectives of stakeholder orientation were not bid an immediate and uncritical welcome, and are still not, by salaried managers and their principals. At first glance, the classic shareholder value approach (in comparison with the stakeholder theory) has the advantage of simplicity and also puts forth logical arguments. A company should be run by the management such that, above all, the interests of the owners are represented by the managers and, thinking in the short term, this means maximum possible residual profits. The simple reason for this is that the managers are their principals’ actors and their fiduciary task as their trusted representatives is to increase the principals’ wealth and profits. This task is a simpler maximisation task (at least at first glance) than weighing up diverse stakeholder interests against each other. This short-term view is also more prevalent amongst companies represented on the capital market due to high-frequency trading and the specific strategies induced by this as well as speculative transactions with stocks, options and short selling. At second glance – if one thinks in terms of cause and effect relationships and manages accordingly, particularly in the longer term and from the perspective of sustainability instead of just short-term profit maximisation – the various perspectives converge. This may be one reason why this paradigm shift, as we observe it, progressed rather slowly in the past and only picked up pace with the increasing real and digital, global interconnectedness of the economy and society.

³¹ See e.g. Freeman (1984).

³² See e.g. Donaldson and Preston (1995); Jones (1995).

³³ See e.g. Phillips (1997).

³⁴ See e.g. Wood (1991).

³⁵ See Steurer, Langer, Konrad and Martinuzzi (2005).

³⁶ In this regard as a whole, see Laplume, Sonpar and Litz (2008), pp. 1156 ff.

1.2.5.2 Three stakeholder theory development stages

The development of the stakeholder theory can be roughly subdivided into three stages: the (*preliminary*) *development stage*, the *growth stage* and the *maturity stage*.

In the initial stage, the (*preliminary*) development stage, the first stakeholder theory approaches were developed as a response to the shareholder value approach prevailing within management. In the mid-1980s, this phase reached its conclusion with the central publication by R. Edward Freeman (1984): *Strategic Management – A Stakeholder Approach*, one of the best known representatives of the stakeholder theory and stakeholder management, because his work can be regarded as the prototype of a comprehensive treatise on stakeholder management. Freeman understands stakeholders to be specific groups, or individual persons, which exert an influence on an organisation or are affected in some way by these organisations' activities.³⁸ He portrayed the stakeholder view of a company in a so-called simplified hub and spoke model (see Figure 1.1).

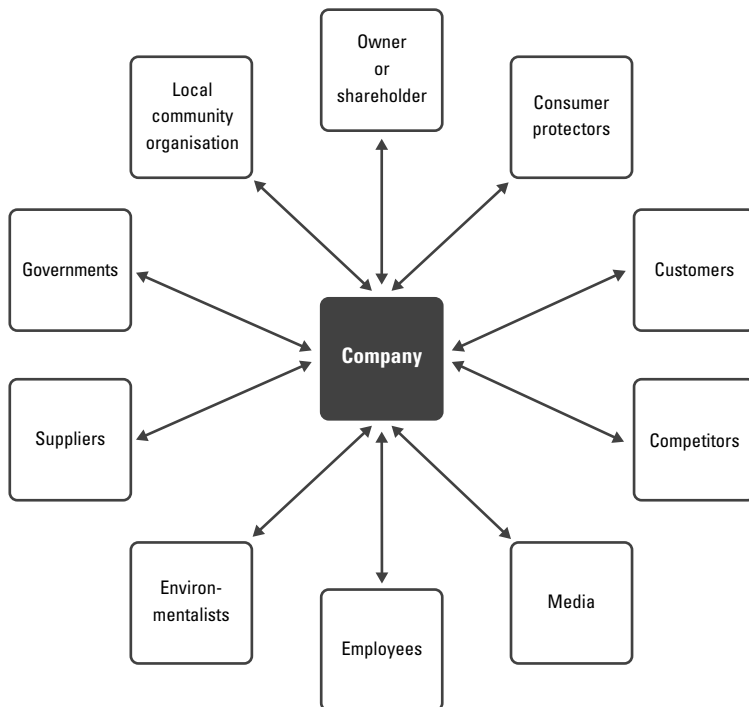


Figure 1.1: Hub and spoke model of a company³⁷

³⁸ See Freeman (1984), p. 25.

³⁷ Own illustration, based on Freeman (1984), p. 25.

On this basis, he developed an extensive framework for the management process for stakeholder management and pleads for a voluntaristic philosophy in this. Finally, he discusses the structural consequences for the co-ordination functions on the management level, on the functional management disciplines and the new roles of the CEO. The stakeholder approach and the view that the management should not only primarily represent the interests of the owners, but that further external and internal target and stakeholder groups as well as the quality of the relationships with these are important to the company's success, were dealt with long before this by management gurus such as Peter Drucker and a number of theoreticians in the social and management sciences, etc. (see the left column of Figure 1.2). Accordingly, the theory developments in this initial stage are based on this preliminary theoretical work.

Freeman (1984) points out that the term stakeholder probably occurred first in 1963 in an internal memorandum at the Stanford Research Institute (SRI), where it was originally defined as *"those groups without whose support the organization would cease to exist"*.³⁹ As explained above, Freeman extends this term to include all individual persons and groups which can influence the achievement of an organisation's goals, or which are affected by the achievement of an organisation's goals. The latter also refers to stakeholders who may be affected in the future. The strategic and integrative orientation of his approach is revealed in the following quotation:

*"Groups which 20 years ago had no effect on the actions of the firm, can affect it today, largely because of the actions of the firm which ignored the effects on the groups. Thus, by calling those affected groups 'stakeholders', the ensuing strategic management model will be sensitive to future change, and able to turn new 'external changes' into internal changes. One way to understand the definition is to think of the stakeholder concept as an umbrella for the problems in business strategy and corporate social responsiveness. To be an effective strategist you must deal with those groups that can affect you, while to be responsive (and effective in the long run) you must deal with those groups that you can affect."*⁴⁰

With his comprehensive and integrative approach (from both a theoretical point of view and a management perspective), Freeman is responding to the social, political and environmental challenges of the 1970s, the emergence of consumer protection and environmental protection as well as further challenges.⁴¹ His approach shows how important the establishment and maintenance of relationships are, particularly with all types of external stakeholder, whilst simultaneously demonstrating that this approach can be used for all types of organisation.

³⁹ Quoted from Freeman (1984), p. 31.

⁴⁰ Freeman (1984), p. 46.

⁴¹ As described, for instance, in the 1973 Davos Manifesto and in "Die Grenzen des Wachstums"; see e.g. Steinmann (1973) or Meadows, Meadows, Randers and Behrens (1972).

Pioneers (from 1930) & preliminary/development stage		Growth stage	Maturity stage
Predecessors, origins, pioneers and initial outlines of stakeholder approach and stakeholder theory development as a response to the prevailing shareholder value approach		Theoretical, normative and instrumental formulation and development, plus criticism and empirical checks	Theoretical further development, differentiation and application in management
<p>Tönnies, F. (1937): <i>Gemeinschaft und Gesellschaft</i></p> <p>Vershofen, W. (1930): <i>Wirtschaft als Schicksal und Aufgabe</i></p> <p>Barnard, C. I. (1938): <i>The Functions of the Executive (system theory)</i></p> <p>Drucker, P. (1942): <i>The Future of Industrial Man</i></p> <p>Drucker, P. (1946): <i>The Concept of the Corporation</i></p> <p>Müller-Armack, A. (1946): <i>Soziale Marktwirtschaft [and Christian social ethic plus "Freiburg circle"]</i></p> <p>Abrams, F. W. (1951): <i>Management's Responsibilities in a Complex World</i></p> <p>March, J. D. & Simon, H. A. (1958): <i>Organizations (incentive-contribution theory)</i></p> <p>Cyert, R. M. & March, J. G. (1963): <i>A Behavioral Theory of the Firm (coalition theory)</i></p> <p>Ulrich, H. (1968): <i>Die Unternehmung als produktives soziales System</i></p> <p>Davoser Manifest (1973) auf dem 3. European Management Forum (see Steinmann, 1973: <i>Zur Lehre von der Gesellschaftlichen Verantwortung der Unternehmensführung</i>)</p> <p>Hailey, A. (1975): <i>The Moneychangers</i></p> <p>Pfeffer, J. & Salancik, G. R. (1978): <i>The External Control of Organizations: A Resource Dependence Perspective</i></p> <p>Luhmann, N. (1984): <i>Soziale Systeme: Grundriss einer allgemeinen Theorie</i></p>		<p>Dawson, L. M. (1969): <i>The Human Concept: New Philosophy for Business: Marketing Concept Outmoded Today</i></p> <p>Granovetter, M. S. (1973): <i>The Strength of Weak Ties</i></p> <p>Dill, W. R. (1976): <i>Strategic Management in a Kibitzer's World</i></p> <p>Holscher, C. (1977): <i>Sozio-Marketing: Grundproblem und Lösungsansätze zum Marketing sozialer Organisationen</i></p> <p>Carroll, A. B. (1979): <i>A Three Dimensional Conceptual Model of Corporate Performance</i></p> <p>Ackoff, R. L. (1981): <i>Creating the Corporate Future: Plan or be planned for (especially the chapter: Our Changing Concept of the Corporation)</i></p> <p>Freeman, R. E. (1984): <i>Strategic Management – A Stakeholder Approach</i></p> <p>Ulrich, P. (1988): <i>Integrative Wirtschaftsethik: Grundlagen einer lebensdienlichen Ökonomie</i></p> <p>Wellman, B. & Berkowitz, S. D. (1988): <i>Social Structures: A Network Approach</i></p> <p>Meyer, A. & Holscher, C. (1993): <i>Sozio-Marketing</i></p> <p>Kipper, H. U. (2011): <i>Unternehmensethik: Hintergründe, Konzepte, Anwendungsbereiche (good summary of the current status)</i></p> <p>Donaldson, T. & Preston, L. E. (1995): <i>The Stakeholder Theory of the Corporation</i></p> <p>Clarkson, M. E. (1995): <i>A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance</i></p> <p>Jones, T. M. (1995): <i>Instrumental Stakeholder Theory</i></p> <p>Marcoux, A. M. (2003): <i>A Fiduciary Argument Against Stakeholder Theory</i></p> <p>Post, J. E. et al. (2002): <i>Redefining the Corporation: Stakeholder Management and Organizational Wealth</i></p> <p>Phillips, R. A. (2003): <i>Stakeholder Theory and Organizational Ethics</i></p> <p>Zakheim, A. J. et al. (2008): <i>Stakeholder Theory, Essential Readings in Ethical Leadership and Management</i></p> <p>Thommen, J. P. (2003): <i>Glaubwürdigkeit und Corporate Governance</i></p> <p>Boatright, J. R. (2006): <i>What's Wrong – and What's Right – with Stakeholder Management</i></p> <p>Phillips, R. A. (2011): <i>Stakeholder Theory, Impact and Prospects</i></p>	<p>Mitchell, R. K. et al. (1997): <i>Toward a Theory of Stakeholder Identification and Salience</i></p> <p>Varadarajan, P. R. & Menon, A. (1988): <i>Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy</i></p> <p>Jones, T. M. & Wicks, A. C. (1999): <i>Convergent Stakeholder Theory</i></p> <p>Figge, F. & Schaltegger, S. (2000): <i>Was ist Stakeholder Value – Vom Schlagwort zur Messung</i></p> <p>Jensen, M. C. (2002): <i>Value Maximization, Stakeholder Theory and the Corporate Objective</i></p> <p>Wheeler, D. & Davies, R. (2004): <i>Gaining Goodwill: Developing Stakeholder Approaches to Corporate Governance</i></p> <p>Pastowski, S. (2004): <i>Messung der Dienstleistungsqualität in komplexen Marktstrukturen: Perspektiven für ein Qualitätsmanagement von Hochschulen</i></p> <p>Thompson, G. & Driver, C. (2005): <i>Stakeholder Champions: How to Internationalize the CSR Agenda</i></p> <p>Jones, T. M. et al. (2007): <i>Ethical Theory and Stakeholder-Related Decisions</i></p> <p>Laplume et al. (2008): <i>Stakeholder Theory: Reviewing a Theory that Moves us</i></p> <p>Sachs, S. & Rühl, E. (2011): <i>Stakeholders Matter: A new Paradigm for Strategy in Society</i></p> <p>Aguinis, H. & Glavas, A. (2012): <i>What we Know and What we Don't Know About Corporate Social Responsibility: A Review and Research Agenda</i></p> <p>Hauswald, H. & Hack, A. (2013): <i>Impact of Family Control/Influence on Stakeholders' Perceptions of Benevolence</i></p> <p>Korrmann, N. & Mühlbacher, H. (2013): <i>Multi-stakeholder Virtual Dialogue: Introduction to the Special Issue</i></p> <p>Jones, T. M. & Felps, W. (2013): <i>Stakeholder Wealth Maximization and Social Welfare</i></p>

Figure 1.2: Selected contributions on the development of stakeholder theory & stakeholder management⁴²

For strategic management, he also developed a comprehensive range of planning, analysis and control instruments up to and including a strategic early warning system based on existing instruments, and integrated this range of instruments into his stakeholder management framework and the existing strategic management processes. Further on in the development stage, important theoretical distinctions, further developments and substantiation of the stakeholder approach, which provide new perspectives, now take place on the basis of Freeman's framework concept. These are joined in the growth and maturity stage of the stakeholder theory by works on specific theoretical questions or works which particularly concern the management applications specified by Freeman.

Based on this pioneering work, the second stage, the *growth stage*, of the stakeholder theory and stakeholder management in the 1990s, is marked by further theoretical substantiation, the development of certain topic areas, critique of the overall approach and empirical checks (See Figure 1.2).

The article by Donaldson and Preston (1995): *The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications*, is central to this period since it summarises the findings concerning the stakeholder approach and their substantiation thus far.

⁴² Own illustration: extensive own further development of a portrayal by Munzel and Ullmer (2009, unpublished, Institute for Marketing) and Zakheim, Palmer and Stoll (2008) as well as a review by Laplume, Sonpar and Litz (2008).

The authors distinguish between three dimensions⁴³ of the stakeholder theory:⁴⁴

- A *descriptive/empirical perspective* (i.e. a perspective which describes the theory and explains relationships which can be observed in the real world).
- An *instrumental/predictive perspective* (i.e. a perspective which postulates the theory, explains positive cause and effect connections between stakeholder management and the achievement of corporate goals and thus has a predictive value).
- A *normative perspective* (i.e. that decisions made on a normative basis choose the right alternatives).

These differ according to the statements they make and therefore also have different implications. At the same time, however, it must also be remembered that the three dimensions are related, and mutually support and influence each other.

Under certain circumstances, the *descriptive perspective* is useful in order to describe and understand which stakeholders a company has, which interactions also take place between the company and these stakeholders, i.e. what type of interactions these are, what strategic importance various stakeholder groups have for the company and what specific contributions they make.

On the basis of “if-then” relationships, the *instrumental perspective* of the theory enables predictions regarding the advantageousness of various uses of resources for a specific objective (profitability, growth, return on investment) to be made in the search for solutions or competitive advantages. In this phase of stakeholder development, this is methodically implemented with the aid of statistical methods or empirical methods such as monitoring, surveys, case studies and experiments. Margolis and Walsh (2003), for instance, analysed more than 120 studies in terms of the relationships between the financial results of companies and the implementation or omission of stakeholder-related corporate policies/practices, discovering positive relationships in over 70 studies, negative relationships in 30 studies and mixed relationships in the remainder.⁴⁵ In another study, Banks and Vera (2007) determined that stakeholder management has a positive impact on both the financial and social performance of a company.⁴⁶

The *normative perspective* refers to the ethical and social value basis and responsibility of a company, i.e. the fact that stakeholder management which is based on norms behaves according to its ethical, moral and social standards (e.g. principles of justice/fairness) in its relationships/interactions with stakeholders.⁴⁷

⁴³ See Donaldson and Preston (1995), p. 65. Called “descriptive accuracy”, “instrumental power” and “normative validity” in the original. The authors also mention that more than 12 books and 100 scientific articles on the stakeholder concept have appeared in the ten years following Freeman’s publication (1984).

⁴⁴ See Pastowski (2004), pp. 10 ff.

⁴⁵ See Margolis and Walsh (2003), pp. 273 ff.

⁴⁶ Quoted from Sachs and Rühli (2011), p. 43.

⁴⁷ See also Donaldson and Preston (1995).

Criterion	Approach
Descriptive or empirical	<ul style="list-style-type: none"> ▪ What is the nature of the company? ▪ What do managers think about management? ▪ What do management boards think about the interests of stakeholders? ▪ How are specific companies managed?
Instrumental/ predicative	<ul style="list-style-type: none"> ▪ Conventional statistical methods for generating implications for stakeholder management
Normative	<ul style="list-style-type: none"> ▪ Interpretation of the corporate culture on the basis of philosophical, ethical and social responsibility

Figure 1.3: Characteristics of the stakeholder approach⁴⁸

As Donaldson and Preston (1995) add, this is joined by the fact that, in addition to these three theory dimensions, the stakeholder theory is also “managerial” when it does not merely describe, explain and predict cause and effect relationships but also

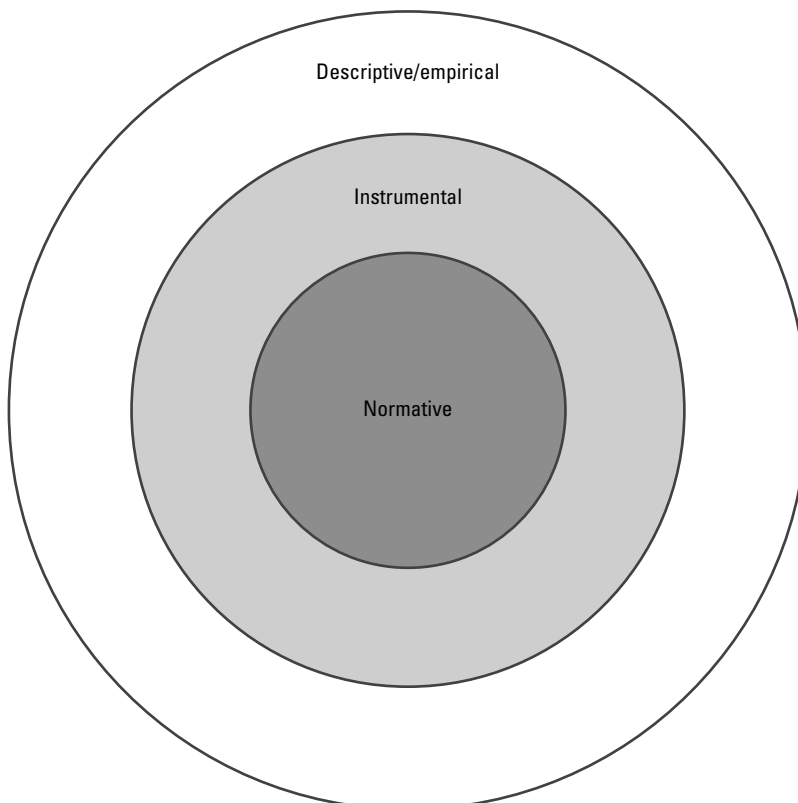


Figure 1.4: Three aspects of the stakeholder theory and their relationship⁴⁹

⁴⁸ Own illustration, based on Pastowski (2004), p. 10.

⁴⁹ Own illustration, based on Donaldson and Preston (1995), p. 74.

develops “management recipes”, i.e. it advises. – “[...] it also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management. Stakeholder management requires, as its key attribute simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general politics and in case-by-case decision making [...]. The theory does not imply that all stakeholders (however they may be identified) should be equally involved in all processes and decisions.”⁵⁰

In response to the question of how the three dimensions build on one another, the authors state that the core of the stakeholder theory is normative and supplies the reasoning and justification, the moral reference points and responsibility (inner motives = normative basis of the theory) for the other dimensions (see Figure 1.4).

This is also confirmed by the following quotation:

“Thus, the normative principles that underlie the contemporary pluralistic theory of property rights also provide the foundation for the stakeholder theory as well.”⁵¹

Another crucial development step in the stakeholder theory during this phase was that not only relationships between the focal companies and their stakeholders were studied or, as in the “classic” input-output model, only in one direction and for a few central value creation partners, but relationships in both directions to and from the focal company with all of its stakeholders and between all of these stakeholders (see Figure 1.5). Accordingly, the network perspective was introduced into stakeholder management at this point.

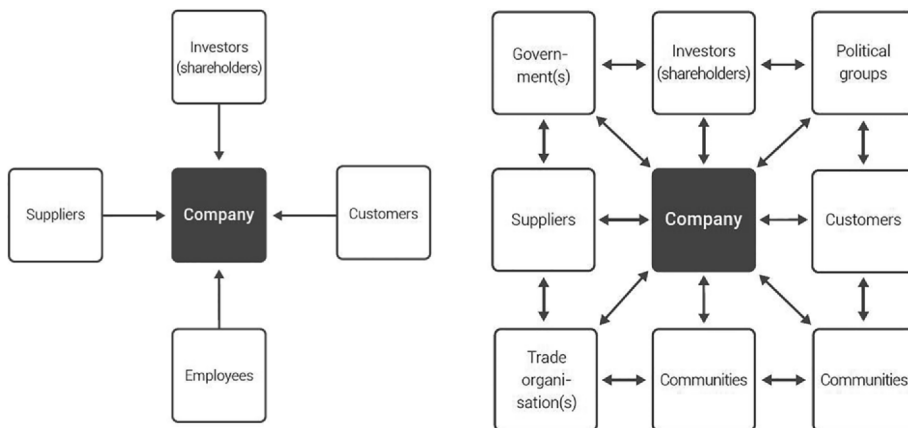


Figure 1.5: Input-output model of the company versus the stakeholder model as a comprehensive relationship network⁵²

⁵⁰ Donaldson and Preston (1995), p. 67. With regard to the three dimensions of the stakeholder theory according to Donaldson and Preston (1995) and their relevant approaches, see the overview in Figure 1.3.

⁵¹ Donaldson and Preston (1995), p. 85.

⁵² Own illustration. The illustration on the left is based on Donaldson and Preston (1995), p. 68. The illustration on the right is also based on Donaldson and Preston (1995), p. 69 and Pastowski (2004), p. 10.

1.2.5.3 Maturity phase as part of stakeholder management

In the third phase, the maturity phase, a high number of contributions were made to further develop specific theoretical topics and practical applications of the stakeholder theory and stakeholder management. We will briefly outline and acknowledge a small selection of these contributions as examples. Prior to this, however, we will present two comprehensive and fundamental contributions which attempt to pick up on Freeman's (1984) extensive overall analysis and continue it in theoretical and content terms. These are the book publications by Post, Preston and Sachs (2002): *Redefining the Corporation, Stakeholder Management and Organizational Wealth*, and Sachs and Rühli (2011): *Stakeholders Matter – A New Paradigm for Strategy in Society*. Common to both contributions is that they further develop the network perspective, the ideas of stakeholder commitment, collaboration and co-creation in the stakeholder theory and stakeholder management and furnish them with new perspectives.

Driven in part by the inadequacies (e.g. market failure, crises, mismanagement) of the shareholder value approach and also particularly against the background of the downsides of globalisation, Post, Preston and Sachs (2002) come to the conclusion in their aforementioned book, as previously stated in this contribution, that the essence of companies should be redefined.

*"The conventional concept is descriptively inaccurate and ethically unacceptable [...]. The corporation cannot – and should not – survive if it does not take responsibility for the welfare of all its constituents, and for the well-being of the larger society within which it operates. The contractual agreements and government regulation it must follow are not always enough."*⁵³ Accordingly, the authors define their "stakeholder view (SHV) of the corporation" as follows: *"The corporation is an organization engaged in mobilizing resources for productive uses in order to create wealth and other benefits (and not to intentionally destroy wealth, increase risk, or cause harm) for its multiple constituents, or stakeholders."*⁵⁴

In their view, this definition is more suitable/contemporary because it:⁵⁵

- Is extremely realistic, since it describes this more precisely.
- Provides management with better guidelines concerning its areas of responsibility.
- Gives consideration to the fact that corporate success has multiple facets and has to be regarded from various perspectives, i.e. including that the owners' interests do not always take top priority and are never the only interests which count.

⁵³ Post, Preston and Sachs (2002), pp. 16–17.

⁵⁴ Post, Preston and Sachs (2002), p. 17.

⁵⁵ See Post, Preston and Sachs (2002), p. 17.

- Continues to determine which stakeholders should be identified and which are the legitimated and important stakeholders. Particularly those that are not bound to the company by contracts and not voluntarily, and which are thus often easily overlooked. The concerns and interests of these stakeholders should also be registered and addressed.

Post, Preston and Sachs (2002) modify Freeman's understanding of stakeholders, as this has since been criticised due to its excessively wide perspective (amongst others, Freeman also included competitors and their interests, which are contrary to those of the focal company and therefore do not usually have a stake in the focal company). Post, Preston and Sachs (2002) regard stakeholders as "*individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers*".⁵⁶ Accordingly, stakeholders have three essential characteristics:

1. Stakeholders provide tangible (monetary) and intangible (e.g. social acceptance) *resources* which are crucial to the success of the company.
2. Stakeholders are directly or indirectly affected by the company's *activities* in a *positive* or *negative* manner. They thus bear a risk ("value at risk") and their prosperity is dependent on the company's fate.
3. Stakeholders have sufficient *power* to influence the company's performance. This also means that they can mobilise political instances, for example, for the benefit (or to the disadvantage) of the company in order to support or prevent corporate activities.

In addition to the classic resources (capital, labour, land), *resources* in this case also include the "licence to operate". *Risks* can be financial in nature, career opportunities, the quality of products or service, or effects on the environment and local residents. The *power* of stakeholders is not only of a financial nature but can also refer to the possibility of mobilising political power or the power of social movements (e.g. through social media including the withdrawal of resources).

In the portrayal of their stakeholder model focussed on bilateral stakeholder relationships (see Figure 1.6), Post, Preston and Sachs (2002) point out that the arrows always point in both directions because this is intended to designate mutual exchange or interactions ("benefits" or "harms" or combinations of these).⁵⁷

At the same time, there are not only bilateral relationships between stakeholders and the company, but also indirect relationships and thus often multiple linkages to other stakeholders via the relationships between stakeholders, e.g. via the same communities. In addition, individual stakeholders can simultaneously have sever-

⁵⁶ Post, Preston and Sachs (2002), p. 19.

⁵⁷ See Post, Preston and Sachs (2002), p. 22.

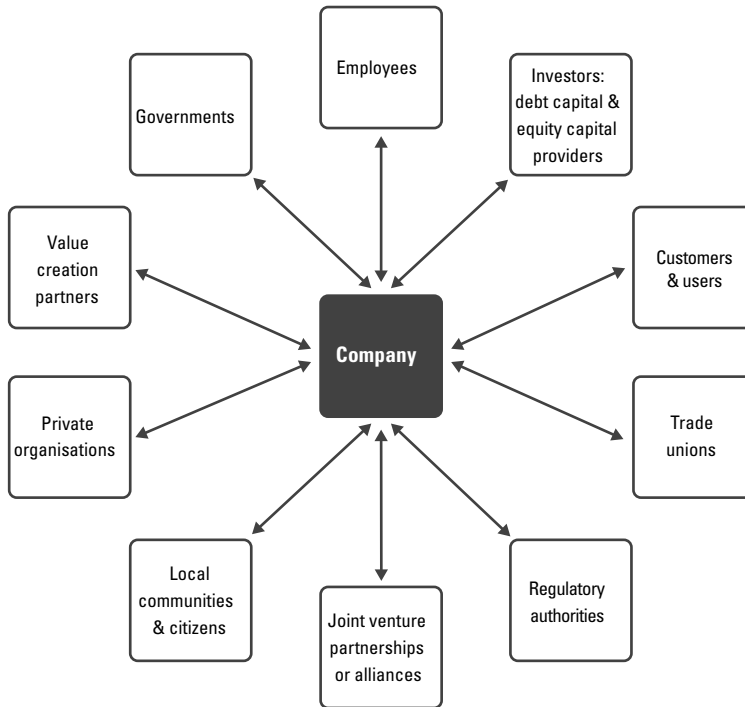


Figure 1.6: The company and its stakeholders⁵⁸

al roles (e.g. employee, stockholder, customer, neighbour, trade union member, etc.). And naturally, the relationships between the company and specific stakeholders also change depending on the relevant concerns and circumstances – they are extensively characterised by dynamics.

Before we now ask which value contributions the various stakeholders can make to the common “organisational wealth” according to the SHV described by Post, Preston and Sachs (2002), the meaning of organisational wealth as a target variable and the benefit which can arise from this for all concerned must first be clarified. The three authors explain:

*“Organizational wealth is the cumulative result of corporate performance over time, including all of the assets, competencies, and revenue-generating capacities developed by the firm. Compared to less successful companies, wealthier firms can pay higher wages and offer better career opportunities, take greater risks, provide greater customer benefits”.*⁵⁹ And based on Sveiby (1997), they go on to explain: *“Organizational Wealth is the summary measure of the capacity of an organization to create benefits”.*⁶⁰

⁵⁸ Own illustration, based on Post, Preston and Sachs (2002), p. 22.

⁵⁹ Post, Preston and Sachs (2002), p. 36.

⁶⁰ Post, Preston and Sachs (2002), p. 45.

The central source of organisational wealth is the relationships with the most important stakeholder groups. The specific value contributions made by these stakeholder groups are shown in Figure 1.7:

Investors: debt capital & equity capital providers <ul style="list-style-type: none"> ■ Provision of capital, equity capital and/or debt capital ■ Recognition and status on the financial market (reduction of lending costs and risks) 	Employees <ul style="list-style-type: none"> ■ Development of specific human capital ■ Team production and routines based on understanding and trust amongst the employees ■ Community relationships or co-operations at the workplace 	Trade unions <ul style="list-style-type: none"> ■ Stability of the workforce and conflict resolution 	Customers/users <ul style="list-style-type: none"> ■ Brand loyalty and reputation of the company or brand ■ Repeat purchase/cross-buying potentials ■ Collaborative design (of products), development and problem solving 	Value creation partners <ul style="list-style-type: none"> ■ Efficiency in networks and value creation chains ■ Collaboratively developed, cost-reducing routines and technologies
Joint venture partners and alliances <ul style="list-style-type: none"> ■ Provision of strategic resources and skills ■ Options for future developments (R&D, technology, etc.) 	Local communities and citizens <ul style="list-style-type: none"> ■ Mutual support and openness to one other ■ Community planning, services ■ 'Licence to operate' 	Governments <ul style="list-style-type: none"> ■ Macroeconomic and social policy ■ Supporting relationships with political decision makers 	Regulatory authorities <ul style="list-style-type: none"> ■ Validation of specific products and service characteristics as well as specific quality levels and standards ■ Reputation for adherence to compliance standards, integrity of the company and best practice 	Private organisations <ul style="list-style-type: none"> ■ Constructive co-operation with organisations and other groups ■ Positive environment in the sense of public opinion ■ Voluntary normative standards (e.g. ISO 9000, UN Global Compact)

Figure 1.7: Value contributions of different stakeholders to organisational wealth⁶¹

The authors then place the SHV into relation with the two other prominent approaches, the resource-based view (RBV) and the industry structure view (ISV) or the similar market-based view (MBV), on the basis of three dimensions (Figure 1.8).

They arrive at the result that *a company's SHV is the more comprehensive basis for strategic management* since it integrates the perspectives of the ISV and the RBV, extending and completing them with the relationship between the company and society and between the company and politics. This is not least important from a management perspective because the involvement of and relationship with these two stakeholders (society and politics) are critical to success.⁶²

The authors underscore this with the following explanation: *"The corporation's most important asset – and the only one it cannot create or replace on its own – is its acceptance within society as a legitimate institution."*⁶³

⁶¹ Own illustration, based on Post, Preston and Sachs (2002), p. 47.

⁶² See Post, Preston and Sachs (2002), pp. 231, 291.

⁶³ Post, Preston and Sachs (2002), p. 256. The authors also practised and harmonised their findings on three companies which have implemented the stakeholder approach over a long period of time spanning several decades in order to check the consistency of their concept on these examples (see Post, Preston and Sachs (2002), p. 2).

Dimensions	Resource-based view (RBV)	Industry structure view (ISV)	Stakeholder view (SHV)
Unit of analysis	Company	Industry	Network of a company's stakeholders
Main sources of organisational wealth	<ul style="list-style-type: none"> ▪ Tangible assets ▪ Human resources ▪ Knowledge ▪ Technology ▪ Financial resources ▪ Intangible resources 	<ul style="list-style-type: none"> ▪ Negotiating power via-à-vis suppliers and customers ▪ Market power via-à-vis competitors 	<ul style="list-style-type: none"> ▪ Relationships leading to higher earnings and/or lower costs and risks ▪ Relationship benefits which enable growth in wealth
Means for maintaining organisational wealth	<ul style="list-style-type: none"> ▪ Imitation barriers at corporate level 	<ul style="list-style-type: none"> ▪ Market entry barriers at industry level ▪ Production savings/sunk costs ▪ Regulation by governments 	<ul style="list-style-type: none"> ▪ Company-specific connections between stakeholders and implicit agreements leading to higher earnings and/or reduced costs and risks

Figure 1.8: The sources of organisational wealth from the perspective of three different theoretical approaches⁶⁴

Stakeholders Matter – A new Paradigm for Strategy in Society by Sachs and Rühli (2011)

Sachs and Rühli (2011) base their work on the SHV formulated by Post, Preston and Sachs (2002). The latter applied the SHV to a network in which the interactions primarily took place between the focal company and its stakeholders.⁶⁵ Sachs and Rühli (2011) adopt a multilaterally more complex network perspective for the SHV which goes beyond bilateral interactions between a company and its network. The addition of this perspective is used to analyse relationships between all partners within a network, with the result that focus is not placed on a specific company which has stakeholders but in which “the company” itself is a stakeholder. This “evolutionary” network perspective, which goes beyond bilateral dialogues, is a central element of their new stakeholder paradigm. They explain “we understand value creation between firm and stakeholders in the context of relation-

⁶⁴ Own illustration, based on Post, Preston and Sachs (2002), p. 54.

⁶⁵ See Post, Preston and Sachs (2002), p. 41.

al embeddedness based on mutual multilateral processes [...] We assume that if corporations want to tap their stakeholders potentials as a source of continuous value creation, they need more than bilateral dialogues. Rather they need collaborative procedures to build common ground with their multiple stakeholders in a network view".⁶⁶ They develop their understanding of the stakeholder paradigm and its assumptions on the basis of this network perspective, which is founded on the "mutuality" and not the "self-interest" of all parties concerned. At its core, they operationalise this using a concept of three licenses (see Figure 1.9).⁶⁷

- "Licence to operate" with the central stakeholders of society and politics (*cast of stakeholders* in the original).
- "Licence to innovate" with the resource owners as central stakeholders.
- "Licence to compete" with all direct and indirect stakeholders in the network.

This concept with the three licences is then exhaustively explained and the important challenges of this paradigm shift are then briefly outlined. On the whole, this is an interesting, very wide-ranging – perhaps even too wide-ranging – concept and is not yet complete, as the authors themselves state with the following remark during their explanations on the three licences: the work "*is not complete, considerable work has to be done*".⁶⁸

⁶⁶ Sachs and Rühli (2011), p. 41.

⁶⁷ See Sachs and Rühli (2011), p. 93.

⁶⁸ Sachs and Rühli (2011), p. 94.

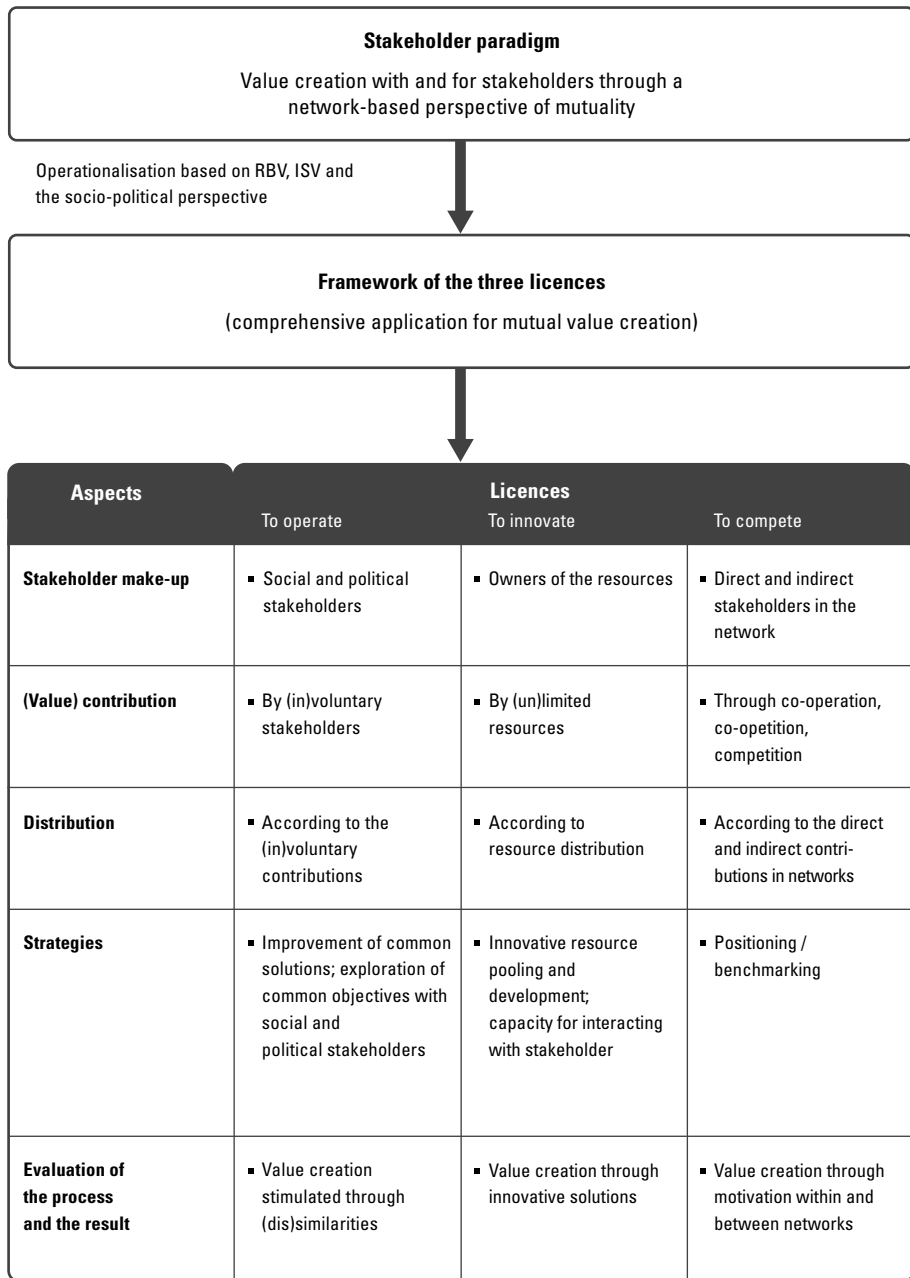


Figure 1.9: Core elements of the three licences for operationalising the stakeholder paradigm⁶⁹

⁶⁹ Own illustration and translation, based on Sachs and Rühli (2011), p. 93.

1.2.6 Stakeholder management and strategies

Tried and tested strategic management and marketing concepts and methods can essentially be applied for stakeholder management but require certain modifications in terms of the special considerations of the various stakeholder relationships. As part of stakeholder analyses, these are above all concepts such as *segmenting – targeting – positioning*⁷⁰ and findings and methods pertaining to relationship marketing in general, business relationships and relationship quality⁷¹ as well as interactive communication theories, particularly social media.⁷²

To clarify the central, basic question⁷³ of who the important stakeholders of a specific company or network are, the overview of stakeholder groups relevant to the company can be classified according to bilateral stakeholder relationship characteristics⁷⁴ or can be subdivided into three categories according to proximity to the company's activities (see Figure 1.10).⁷⁵

According to Mitchell, Agle and Wood (1997), the status of *stakeholder groups* in society can be assessed based on the dimensions of power, legitimacy and urgen-

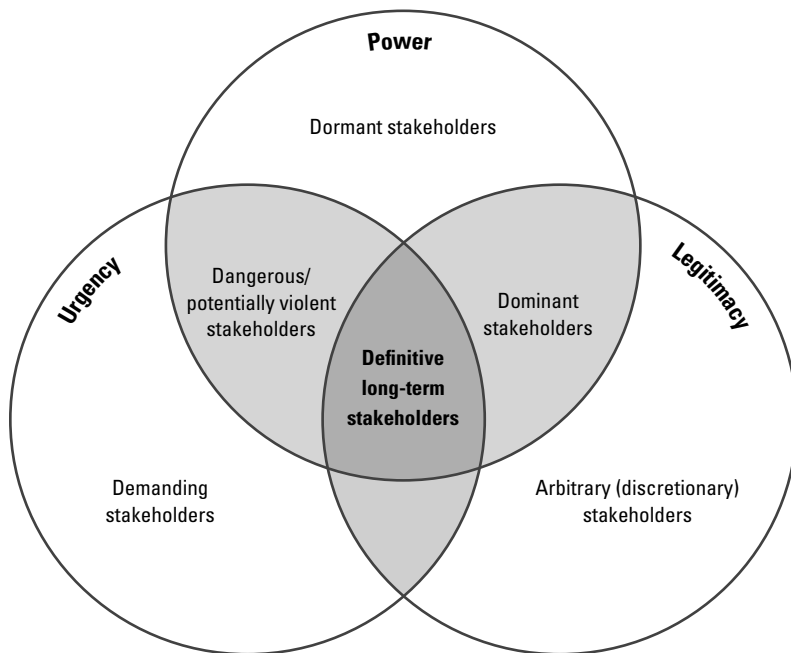


Figure 1.10: Possible classification of stakeholders⁷⁶

⁷⁰ See Kotler and Armstrong, pp. 237 ff.

⁷¹ See Morgan and Hunt (1994); Diller, Haas and Ivens (2005).

⁷² See Hennig-Thurau, Malhotra, Frieger, Gensler, Lobschat, Rangaswamy and Skiera (2010); Malhotra, Haenlein, Skiera, Wege and Zhang (2013).

⁷³ With regard to this and other basic questions, see the overview by Laplume, Sonpar and Litz (2008), Tables 3–6, pp. 1162–1167.

⁷⁴ See Mitchell, Agle and Wood (1997), p. 874.

⁷⁵ See Post, Preston and Sachs (2002), p. 55.

⁷⁶ Own illustration, based on Mitchell, Agle and Wood (1997), p. 874.

cy. The *power* of stakeholders results from financial resources and the possibility of influencing media, etc. *Legitimacy* represents the stakeholder group's degree of recognition in society. *Urgency* represents the stakeholder's requirement on the company to meet its demands as quickly as possible.⁷⁷

In the *first category* of the model by Post, Preston and Sachs (2002), and thus closest to the company, the authors describe stakeholder groups which invest tangible and/or intangible resources. These include employees (investment in the form of labour, for instance), customers (investment in the form of purchasing products and services) and shareholders (financial investment). The *second category* encompasses stakeholder groups which influence the entire industry, e.g. trade unions, alliances, joint ventures and regulatory authorities. Finally, the *third category* includes stakeholder groups which have a social and political influence.⁷⁸ Examples of these include the European Commission and the Council of Ministers,

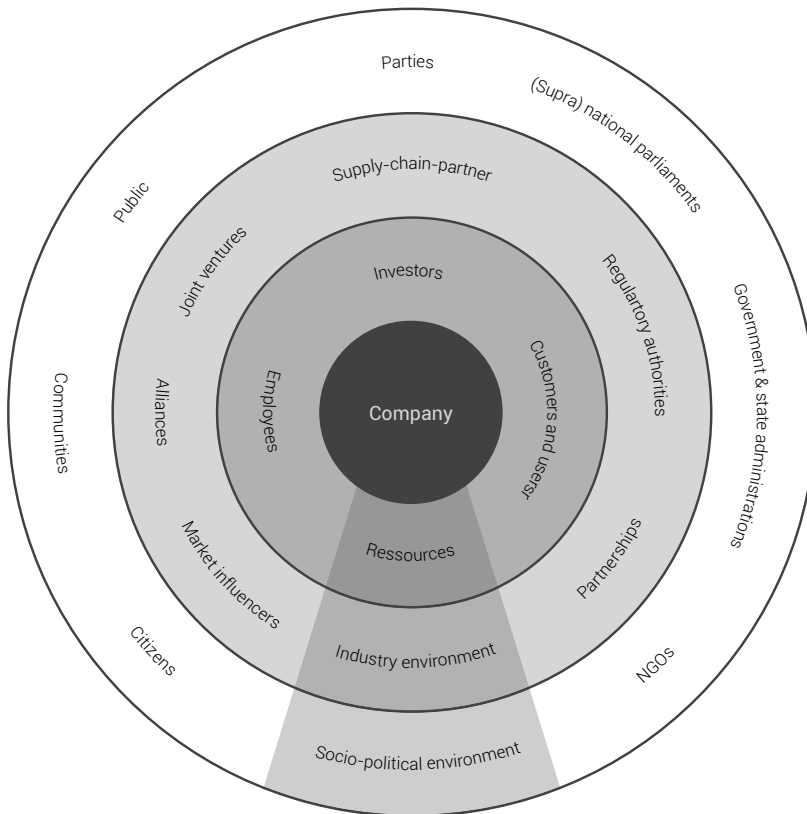


Figure 1.11: The stakeholder view of the company⁷⁹

Comment: The relationship and complement between RBV, ISV and SHV are again clearly indicated in this figure. It shows the various “stakeholder layers” according to the three perspectives and proximity to the core of a company, but not necessarily their relative importance.

⁷⁷ See Mitchell, Agle and Wood (1997), p. 874.

⁷⁸ See Post, Preston and Sachs (2002), p. 55.

⁷⁹ Own illustration and further development based on Post, Preston and Sachs (2002), pp. 55 ff.

governments and state administrations. However, the proximity of a stakeholder group to the company in the graphic has no bearing on its actual significance (see Figure 1.11).

The model which is shown is referred to as central-instrumentalistic and places a company at the centre of the action (see Figure 1.12). Accordingly, only relationships between the company and the stakeholder groups are analysed. To enable to eliminate this simplification, as already explained in this contribution, companies can be viewed as part of a network with their stakeholders. This enables both the interdependencies between the individual stakeholder groups to be mapped⁸⁰ and the multilateral stakeholder dialogue to be registered.⁸¹ As part of the network system, the company is an actor through which other stakeholders belonging to the network system communicate and interact.

In everyday management, many other stakeholder group and relationship categorisations are possible and useful depending on the specific objectives. Categorisation of the various “target groups” by type or the strategic importance of this target group’s resources, the type of benefit/damage, the type of interests/topics, de-

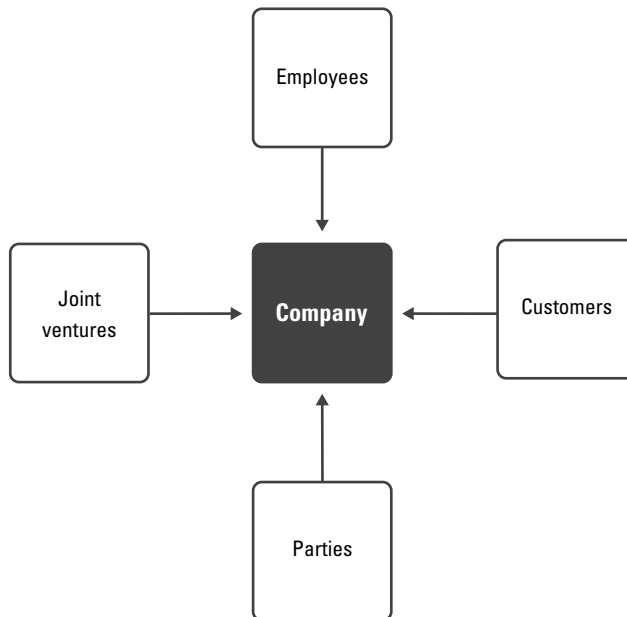


Figure 1.12: Central-instrumentalistic stakeholder approach: The company at the centre of the action – a simplified example⁸²

⁸⁰ See Rowley (1997); Vanderkerckhove and Detchev (2005).

⁸¹ See Calton and Kurland (1996).

⁸² Own illustration, based on Rowley (1997), p. 89; comment: the arrows symbolise direct relationships between the listed stakeholder groups.

mands, attitudes, quality and strength of the relationships with the focal company, etc. is conceivable.⁸³

The various stakeholder groups should be categorised and prioritised for the entire company, into individual locations/regions, individual divisions and strategic business units, since both fundamental strategic behaviour and specific behaviour towards different stakeholder groups can be defined and co-ordinated on this comprehensive basis.

The central question of which strategies companies can implement in stakeholder management, with reference to specific stakeholder groups, arises at this point. Meffert, Burmann and Kirchgeorg (2012) suggest four options⁸⁴:

1. Strategy of innovation (proactive strategy):
Characteristics: above average, proactive activity; active structuring of the relationship with various stakeholder groups; anticipation of the expectations and requirements of the stakeholder groups.
Company example: Apple, pioneer in the field of technology and technology services.
2. Strategy of avoidance/adaptation through retreat:
Characteristics: defensive/reactive activity; comprehensive analysis of competitor activities and market events; addressing the stakeholder groups' most essential expectations.
Company example: Blackberry, "conventional" smartphones not introduced until 2013.
3. Strategy of resistance:
Characteristics: proactive and reactive activity; fighting against certain stakeholder group demands (proactive) or refusal to meet specific expectations/requirements of the stakeholder groups (reactive).
Company examples:
(Active): Abercrombie & Fitch consciously decides not to offer clothing in larger sizes, leading to discontent amongst various stakeholder groups.
(Reactive): Shell: the intended sinking of the Brent Spar oil storage platform in the North Atlantic.
4. Strategy of avoidance through problem shifting:
Characteristics: reactive activity; passive structuring of the relationship with various stakeholder groups; shifting of problems in order not to have to meet requirements.

⁸³ Payne, Ballantyne and Christopher (2005) distinguish here between various "markets" which are of significance to the company: customer markets, referral markets, influencer markets, employee markets, supplier markets and internal markets; for an alternative classification of stakeholders, see e.g. Payne, Ballantyne and Christopher (2005), p. 860.

⁸⁴ See Meffert, Burmann and Kirchgeorg (2012), pp. 330–331.

Company example: travel company TUI withdrew from a holiday destination in the Caribbean because the very demanding internal environmental protection guidelines could not be guaranteed in that specific destination.

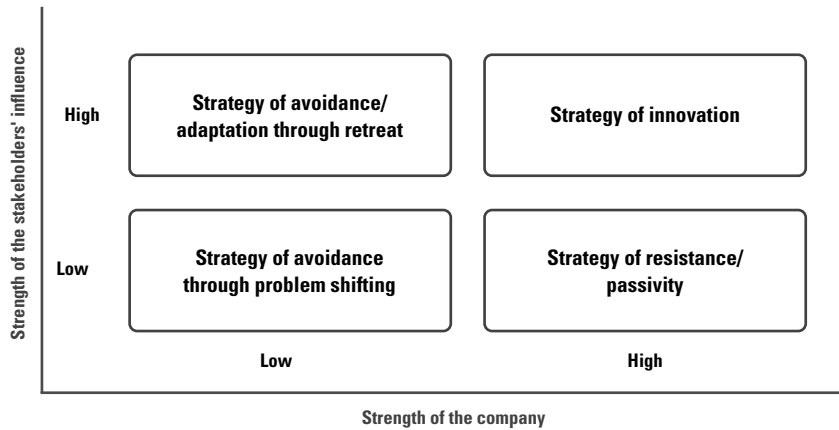


Figure 1.13: Stakeholder group-oriented strategies in the situational context⁸⁵

These types of strategy reveal different approaches to integrating stakeholders into the planning and implementation of corporate activities. This raises the question of how companies should determine the preferred strategy. As can be seen in Figure 1.13, the strategy must always be selected in terms of the company's own strength and the influence of the stakeholder groups concerned.

The company's strength is determined through its competitive position and the available internal resources. Conversely, the strength of the stakeholder groups' influence is mainly dependent on their status in society and the importance of the concern in public debate. Over time, each company has developed appropriate instruments to meet the requirements of evaluating its own strength. Once both the company's strength and the strength of the stakeholders' influence have been evaluated, the appropriate strategy can then be selected (for examples of specific companies, see strategy types 1– 4 in the preceding section).

1.2.7 Example applications of the stakeholder view in marketing

The understanding of marketing and of corporate management in general changes during the course of increasing stakeholder orientation. *Marketing* can accordingly be defined as follows: “[...] creating superior benefits for an organisation's different stakeholder groups/stakeholders with the active involvement of all value creation partners in order to sustainably achieve above average increases in value”.⁸⁶ In practice, marketing can be undertaken defensively or offensively. Of-

⁸⁵ Own illustration, based on Meffert, Burmann and Kirchgeorg (2012), p. 331.

⁸⁶ Meyer and Davidson (2016).

fensive marketing then means “[...] *accessing and exploiting the entire potential of marketing [...] leading markets, delivering superior customer benefits, taking risks and forcing competitors to become imitators*”.⁸⁷ Offensive marketing is designed not to regard the behaviour of customers/stakeholders as given but also as changeable, and also to be able to offensively change customer structures and further develop internal resources.⁸⁸ This also applies accordingly to offensive stakeholder management. With its definition published in 2013, “*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, and society at large*”⁸⁹, the American Marketing Association endorses this wide understanding of marketing.

One further indication that stakeholder orientation is increasing in importance is shown, for example, by the fact that the *Journal of Business Research* dedicated an entire issue to this topic in 2013. In the introductory article by Kornum and Mühlbacher (2013), the two authors push the topic of “multi-stakeholder virtual dialogue” and deal with the contents of this special issue. The crucial element is interaction with and between stakeholders, particularly in the online area. A variety of partially uncontrollable interactions and the resulting, complex relationships means that modern stakeholder management offers new opportunities, and particularly that it also faces new challenges. In this context, the objective must be to integrate the relevant stakeholders into the corporate processes and to understand and be able to analyse a concept of the connections as part of one’s own, and optimally also the connections between different, stakeholder networks. This resulting complexity leads to the fact that companies are having to rethink or rather “think ahead” in terms of marketing and strategy and develop or continue to develop new skills. Hillebrand, Driessen and Koll (2015) provide an initial approach to potential stakeholder-related marketing capabilities.

The application of the stakeholder view to established tools in the marketing and strategy fields demands their adaptation to this holistic way of thinking. For example, the integration of social and political stakeholder concerns into Porter’s classic value creation chain (see Figure 1.14) can be used to show the consequences of continuously integrating stakeholder-relevant topics into companies’ value creating processes.⁹⁰ It becomes clear here that all value creating processes are ultimately co-creation activities or the results of co-creation processes by diverse stakeholders (stakeholder groups). However, it must be noted that the above mentioned representation as a value creation chain as part of input-output relationships is basically correct. If the stakeholder view is applied rigidly, however, the value creation chain should be transformed into a value creation network

⁸⁷ Meyer and Davidson (2001), p. 65.

⁸⁸ Meyer and Davidson (2001).

⁸⁹ American Marketing Association (2013).

⁹⁰ See Porter and Kramer (2006), p. 8.

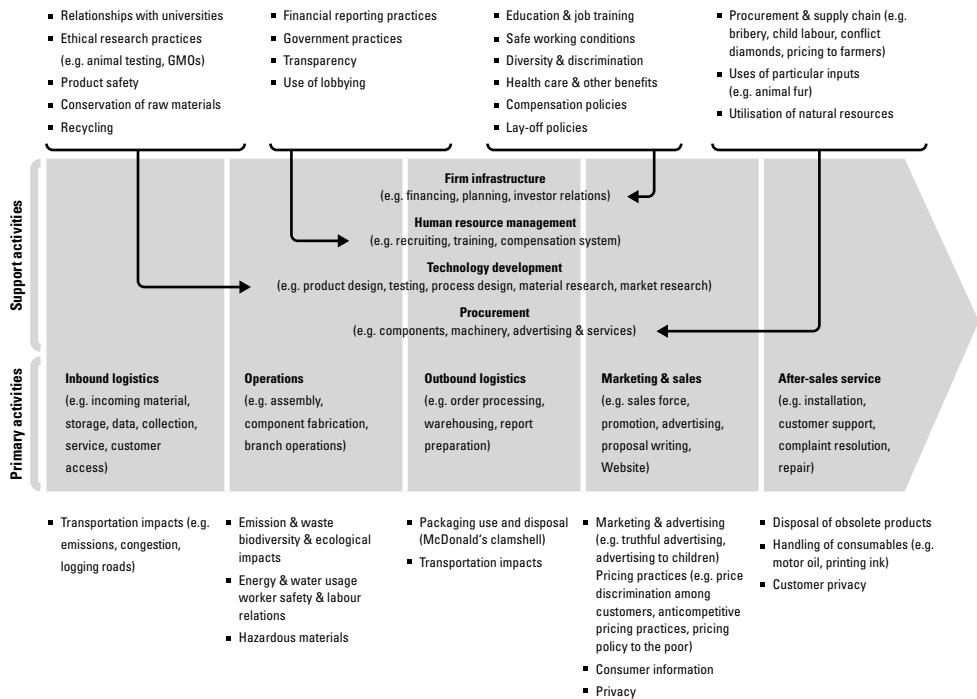


Figure 1.14: Porter's value creation chain extended by social and political issues⁹¹

which takes up stakeholder concerns at all potential interaction points between the company and stakeholders as relevant.

From a theoretical, scientific perspective, it is interesting that, entirely irrespective of the theoretical concepts of the stakeholder view referred to here and without mutual references, the theoretical developments towards a new marketing logic over the past ten years reveal a number of similarities in terms of their content. Starting with the publication by Vargo and Lusch entitled “*Evolving to the New Dominant Logic for Marketing*” in the *Journal of Marketing* in 2004, many theoretical findings and implications have been published, particularly in terms of the co-creation construct.⁹² Certain of the fundamental premises of the service-dominant logic postulated by Vargo and Lusch therefore bear great similarity to the assumptions of the modern stakeholder theory, such as “*all social and economic actors are resource integrators*”,⁹³ which can also be found in some instances in earlier explanations in scientific service marketing literature.⁹⁴ These theoretical

⁹¹ Own illustration, based on Porter and Kramer (2006), p. 8.

⁹² See also Prahalad and Ramaswamy (2004).

⁹³ Vargo and Lusch (2008), p. 7.

⁹⁴ See Lusch and Vargo (2006).

convergences in the various management disciplines could indicate an extensive paradigm shift.

This is also being revealed in a rethinking process for both the brand and brand management in the areas of brand understanding and brand strategy. Branding processes are increasingly being regarded as dynamic, interactive and social processes, subsequently leading to a, partially extensive, loss of control over brand images by brand owners. This resulting loss of control is severely hampering traditional brand management. Examples which immediately come to mind are the contributions by fans or critics of brands in various social media channels or the effects caused by the image-damaging conduct of some drivers of certain car brands.

This new logic is also revealed in the importance and understanding of corporate brands, which are viewed as central, intangible assets by many companies and as an increasingly important co-ordination instrument by global companies. The importance of various stakeholder groups to the image and value of corporate brands was recognised around ten years ago.⁹⁵ This development is referred to as “brand democratisation”. This means that the importance of brands and their personality is being publicly discussed – made easier by Web 2.0 – and developed jointly in dialogue with various stakeholder groups in the co-creation process. The range of this dialogue is vast due to the diverse stakeholders’ interconnectedness. Accordingly, brand management is now no longer regarded primarily as an autonomous management process by a company but as a dynamic process of exchange and interaction between stakeholder groups and the company. This leads to a change in the importance and role of the brand managers within the company, since they should systematically involve all internal and external stakeholders in the brand management process if possible but must nevertheless ensure that the brand core is maintained.⁹⁶ If the interdependencies of the different stakeholder groups between each other without the involvement of brand management are added, this “co-ordination process” is made difficult.⁹⁷

On the basis of the service-dominant logic, Merz, He and Vargo (2009) show how the understanding of a brand and the related shift in the importance of various brand resources have continued to develop from a “product branding logic” (identification logic) to the “stakeholder-focussed branding logic”, a dynamic, interactive and social process (see Figure 1.15).

⁹⁵ See Balmer and Gray (2003); Chun and Davies (2006).

⁹⁶ See Kornum and Mühlbacher (2013); Gyrd-Jones and Kornum (2013).

⁹⁷ See Vallerster and Wallpach (2013).

The new logic: from branding "to" ...

... to branding "with"

Product focus, brand era 1900 - 1930	Benefit focus, brand era 1930 - 1990	Relationship focus, brand era 1990 - 2000	Stakeholder focus, brand era 2000 and in future
<ul style="list-style-type: none"> ▪ The brand for recognition ▪ The brand as a legal system ▪ The brand for orientation ▪ The brand as a symbol for constant quality 	<ul style="list-style-type: none"> ▪ The brand as a vehicle for enriching product benefit through personal and symbolic images ▪ The brand for differentiation ▪ The brand for symbolic image 	<ul style="list-style-type: none"> ▪ The brand as a dyadic relationship partner ▪ The customer as a value creation partner ▪ The employees as value creation partners 	<ul style="list-style-type: none"> ▪ Brand as a dynamic, interactive and social process ▪ Brands have network-like relationships with all stakeholders

Figure 1.15: Transformation of branding logic induced through service-dominant logic⁹⁸

1.2.8 Summary and outlook

To put it in a nutshell: in both corporate practice and science, strategic focus is increasingly shifting away from the shareholder approach to the stakeholder approach with the objective of maximising *organisational wealth*. In this, companies should be regarded as part of a network of interdependent relationships. This means that companies should not only integrate their relationships with their stakeholders but also the relationships between their stakeholders into their corporate decisions.⁹⁹ Accordingly, the topic of “*stakeholder multiplicity*” will also continue to increase in importance in science and practice in the future.¹⁰⁰ What must a company consequently internalise? Based on Freeman’s (2004) explanations and the increasing importance of stakeholder network systems, the following is suggested:

- Society and politics, etc. are not boundary conditions but important stakeholders.
- The influences of one’s own corporate activities on other stakeholders should be taken into consideration.
- The stakeholders’ modes of behaviour, values and requirements should be understood and analysed in this regard.
- Companies should understand how stakeholder groups are interconnected with each other.
- Companies should analyse interdependencies and interactions between the stakeholder groups and also take these into account in their strategic and operational decisions.

⁹⁸ Own illustration, based on Merz, He and Vargo (2009), p. 331.

⁹⁹ See Matzler, Pechlaner and Renzl (2003); Holtbrügge and Puck (2009).

¹⁰⁰ See Neville and Menguc (2006).

Legal status	Origin	
	National	International
Public	▪ State institutions (e.g. government, local administration)	▪ Supranational organisations (e.g. EU, IMF, WTO)
Private	▪ Non-governmental organisations (NGOs) (e.g. trade unions, associations, media)	▪ International non-governmental organisations (e.g. Greenpeace, Amnesty International)

Figure 1.16: Origin and legal status of socio-political stakeholder groups¹⁰¹

- Stakeholder orientation should start with corporate processes and structures.
- The stakeholders' interests should be balanced over time.

The complexity of corporate management increases as a result. The former socio-political “framework conditions” are an integral part of a company’s stakeholder network, and in many cases, relationships with socio-political stakeholder groups (see Figure 1.16) such as NGOs and politics are equally as important as those with equity providers, customers, employees and suppliers.

In the sense of pro-active management, it is therefore most certainly better to also engage in dialogue with these (socio-political) stakeholders in good time to find out, understand and, if possible, also give consideration to their interests and not only to start this process when the “licence to operate” or own competitive advantages are at risk. What applies to a company – that it is simultaneously a stakeholder in a network and has stakeholders – is also true of politics and NGOs – they are stakeholders and they also have stakeholders themselves. They too can lose their competitive advantages and their “licence to operate”. The principle of reciprocity and fairness should apply to us all.

1.2.9 Closing remarks

The stakeholder approach will replace the shareholder approach! Or: the shareholder approach will become an aspect of the more extensive stakeholder approach and will consequently be integrated into it. Ultimately because the shareholder approach has led too frequently to excessively one-sided, short-term and exaggerated profit seeking due to the manner in which it has been applied in practical management. Occasionally, the shareholder value approach is (partly) responsible for a number of crises and poor decisions in society, nature and the economy in general. The conceptions of man at the root of the shareholder value approach, such as that of the rational “Homo oeconomicus”, the models and management philosophies derived from these and resulting management misconduct are no longer compatible with the complex and dynamic reality, and are cer-

¹⁰¹ Own illustration, based on Holtbrügge, Berg and Puck (2007), p. 50.

tainly no longer desirable in their excessive form. A company's or a national economy's financial performance indicators are important; taken on their own, however, they are too one-sided and are only a tool, a prerequisite, part of a complex benefit construct for man and society or the sum of all stakeholders. Social acceptance is a significantly more important aspect for all companies. This is already a crucial asset of each company today and will increasingly become so in the future. Not least because this is the only asset which cannot be manufactured or procured autonomously but is developed jointly via interactions in complex network structures and always remains dynamic. The assumption that a licence to operate, once acquired, is final is erroneous – a nostalgic anecdote from a time long gone – in short: simply false. Instead, the “licence to operate” constantly has to be “earned” anew.¹⁰²

1.3 Importance of the intermediary in lobbying derived from mutual market relationship theories

By Anton Meyer and Anja Meindl

General information on the terms stakeholder and stakeholder management has been provided in the above. The following contribution now applies this to the specific case of lobbying. See Chapter 4 for an overview of stakeholders in the EU. In addition to the EU institutions (Commission, Parliament and Council), social stakeholders (e.g. companies, NGOs, churches, social organisations, trade unions, etc.) are also presented there and their characteristics and features are dealt with. See Chapter 2 for a definition of the term lobbying and the delimitation of various types of lobbying. This section integrates lobbying into economic theory (Section 1.3.1). In terms of political lobbying or governmental relations managers (see Chapter 7) which assume the role of intermediaries within the EU's political stakeholders, theories which explain the existence and importance of intermediaries within mutual market relationships can be called on to legitimise the existence of governmental relations managers and understand their special role and importance.

1.3.1 Intermediaries

1.3.1.1 Definitions

The starting point for the scientific assessment of intermediaries is the early trade theories of the 18th century.¹⁰³ The term comes from *inter* (Latin) = between/among/during and *medius* (Latin) = the middle, lying in between. The diverse forms of intermediaries, concerning trade, innovation, marketing, financial or

¹⁰² See Post, Preston and Sachs (2002), p. 248.

¹⁰³ See Steuart (1767).

digital intermediaries, are reflected in the variety of multiple and different definitions, making a uniform definition of the term difficult. Figure 1.17 shows a small selection of typical definitions. To generate a uniform understanding of the term for this publication, we will use the following definition as the basis: an intermediary is “[...] an independent, profit-maximizing economic agent mediating between two market sides in presence of market imperfections”.¹⁰⁴ Markets and their imperfection are therefore central to the concept of intermediation.

A *market* is to be regarded as a complex network of economic and social relationships¹⁰⁵ and describes the point at which the supply of and demand for materials, services or opportunities (in the sense of rights) meet.¹⁰⁶ Markets should enable exchange. However, an exchange is only potentially possible if, in addition to the correspondingly necessary need for both parties to engage in exchange, the exchange intentions of the seller and buyer also coincide in time, and the transaction is not limited by physical location. This means that it must be specifiable in terms of both material (what is to be exchanged), personnel (which agents are involved) as well as space (where can an exchange take place) and time (when can an exchange take place) and must be understood as a sub-system of the total quantity of economic interdependencies to be regarded in isolation. Accordingly, a market is generally defined as “the (depending on the purpose of the investigation) material, personal, temporal and spatial delimitation of a quantity (> 1) of goods, buyers and sellers which together form a network of economic and social relationships”.¹⁰⁷

What is common to all definitions is the assumption that intermediaries assume a potential central position within the value creation chain between the “manufacturing” seller and the consuming buyer, whereby intermediation is also characterised by its conditionality on and relativity to supply and demand, and intermediaries are viewed as crucial mediators in the value creation chain in all concepts.¹⁰⁸ We understand intermediaries to be independent economic market participants which strive to achieve individual profit maximisation.¹⁰⁹ What is crucial is that the involvement of intermediaries as so-called “market makers”¹¹⁰ or “matchmakers” makes this exchange possible in the first place, particularly in geographical and temporal terms, or at least facilitates access to the markets.¹¹¹

¹⁰⁴ Rose (1999), p. 51.

¹⁰⁵ See Piekenbrock and Hennig (2013), p. 164.

¹⁰⁶ See Homburg and Krohmer (2006), p. 2; Meyer (1973), pp. 40ff.

¹⁰⁷ Piekenbrock and Hennig (2013), p. 165.

¹⁰⁸ See Chircu and Kauffman (1999), p. 109; von Walter and Hess (2005), p. 19; Rose (1999), p. 51.

¹⁰⁹ See Rose (1999), p. 51. We are therefore delimiting our understanding of intermediaries to cases which receive a form payment for their commitment. This is called commission and excludes friendly turns or favours (see von Walter and Hess (2005), p. 40; Picot, Reichwald and Wigand (2003), p. 377).

¹¹⁰ Cummins and Doherty (2006), p. 360.

¹¹¹ See Hess and von Walter (2006), p. 3. Intermediaries can accordingly be regarded as special system or market influencers, and can primarily and above all be assigned to the group of market advisors; see Meyer (1973), p. 88.

Steuart (1767), p. 177	"This operation is trade: it relieves both parties of the whole trouble of transportation, and adjusting wants to wants, or wants to money. The merchant represents by turns both the consumer, the manufacturer, and the money. To the consumer he appears as the whole body of manufacturers; to the manufacturers, as the whole body of consumers; and to the one and the other class his credit supplies the use of money."
Oxford Advanced Learner's Dictionary, (2005), p. 812	"A person or an organization that helps other people or organizations to make an agreement by being a means of communication between them."
Picot et al. (2003), p. 377	"The term intermediary is generally used to denote any actor on a market who is neither a supplier nor a buyer, but either facilitates the overall functioning of the market or first enables the market to function, receiving a commission or similar compensation for this."
Yavas (1995), p. 18	"One of the main explanations of intermediaries in search markets ... is that they resolve ... inefficiencies in return for a profit. "
Zeithaml/Bitner (2003), p. 367	"Service intermediaries perform many important functions for the service principal – coproducing the service, making services locally available , and functioning as the bond between the principal and the customer. "
Rose, F., 1999, The Economics, Concept, and Design of Information Intermediaries, p. 51	"An intermediary is an independent, profit-maximizing economic agent mediating between two market sides in presence of market imperfections. Intermediation is the bridging the incompatibilities between the two (market) sides involved in a transaction by transformation of output attributes of the supply market side to appropriate input attributes of the demand market side."
Lee, J., Son J.-Y., Suh, K.-S., 2010, International Journal of Electronic Commerce, p. 70	<p>"Online marketplaces are often established and run by a third-party intermediary that matches buyers and sellers, and facilitates transactions between them.</p> <p>This is because intermediaries hold a proprietary position as the sole owners of transaction information. By amassing and analyzing a vast amount of transaction information, intermediaries are able to play a crucial role as the provider of a knowledge platform through which participating sellers can obtain valuable market knowledge about customers and competitors."</p>
Donnelly, J. H., 1976, Journal of Marketing, p. 56 f.	<p>"Channels of distribution have evolved in many service industries, which use separate organizational entities as intermediaries between the producer and user of the service. These intermediaries play a variety of roles in making the services available to prospective users."</p> <p>„Any extra-corporate entity between the producer of a service and prospective users that is utilized to make the service available and/or more convenient is a marketing intermediary for that service."</p>

Figure 1.17: Example definitions of intermediaries

The assumptions on which this advantageousness is based or how it occurs can be explained using various economic and behavioural science theories.

1.3.1.2 Intermediaries explained using economic theories

Intermediaries play no role in neoclassical theories, as their fundamental assumption of perfect markets¹¹² leaves no scope for middlemen.¹¹³ These are unable to either make use of asymmetrically distributed information¹¹⁴ or skim off margins since perfect markets guarantee uniform and transparent prices.¹¹⁵ Neo-institutional assumptions of imperfect markets are therefore a necessary prerequisite for the scientific analysis and legitimization of intermediaries.¹¹⁶ In this sense, the existence of intermediaries in markets from a (welfare) economic perspective is then conversely based above all on the fact that intermediaries typically reduce market inefficiencies (subject to corresponding remuneration), as the following explanations will show.¹¹⁷ At the end of this section, we will list a selection of literature which explains the role of intermediaries using political and sociological theories. However, the core of this section is an explanation of the economic theory.

1.3.1.2.1 Transaction cost theory

The transaction cost theory¹¹⁸ deals with costs which occur when property rights are transferred.¹¹⁹ Due to the underlying behavioural assumptions (limited rationality, asymmetrical information distribution and opportunism) and the influence of uncertainty, the frequency of exchange and resource-specific equipment of the transaction partners, these are confronted by a range of problems which can reduce the value of the transaction or prevent it in its entirety.¹²⁰ The formal statement of the theory is that minimising the costs related to the transaction has the effect of maximising the efficiency of the transaction.¹²¹ Transaction costs arise both prior to the completion of a contract (caused by the search for information, as part of negotiations and contract design) and after the completion of a contract due to monitoring the implementation of, and possible adjustments to, the contract.¹²² Intermediated transactions are advantageous when they help the market participants to reduce the transaction costs involved by more than the costs caused by the intermediary's remuneration.¹²³ However, these costs must not be simply transferred to the other contracting party, as a result of which one

¹¹² The assumptions of a perfect market include complete market transparency, immediate responses, the absence of preferences plus strictly rational decision-making behaviour on the part of sellers and buyers, the absence of transportation costs plus the occurrence of supply and demand at the same time; see Mecke, Piekenbrock and Sauerland (2014); Hess and von Walter (2006), p. 3; Scholes, Benston and Smith (1976), p. 217; Allen and Santomero (1998), p. 1462.

¹¹³ See Hess and von Walter (2006), p. 3; Scholes, Benston and Smith (1976), p. 217.

¹¹⁴ See Leland and Pyle (1977), p. 383.

¹¹⁵ See Hess and von Walter (2006), p. 3; Jevons (1871), pp. 91–92.

¹¹⁶ See Scholes, Benston and Smith (1976), p. 217.

¹¹⁷ See Yavaş (1995), p. 18.

¹¹⁸ See Coase (1937); Williamson (1975; 1985).

¹¹⁹ See Picot, Dietl and Franck (2008); Wareham, Zheng and Straub (2005).

¹²⁰ See Meffert and Bruhn (2003), p. 41; Meffert, Burmann and Kirchgeorg (2008), p. 39; Cummins and Doherty (2006), pp. 359, 394; Anderson and Anderson (2002), p. 53.

¹²¹ See Williamson (1985), p. 22.

¹²² See Picot, Dietl and Franck (2008), p. 42; Ebers and Gotsch (2006), p. 278.

¹²³ See von Walter and Hess (2005), pp. 33–34; Yavaş (1995), p. 18.

party would be worse off than without the integration of an intermediary;¹²⁴ instead, $TA_2 > TA_1$ and $TN_2 > TN_1$ must apply in addition to $T_2 + T_3 > T_1$ to achieve a Pareto optimum situation as shown in Figure 1.18.

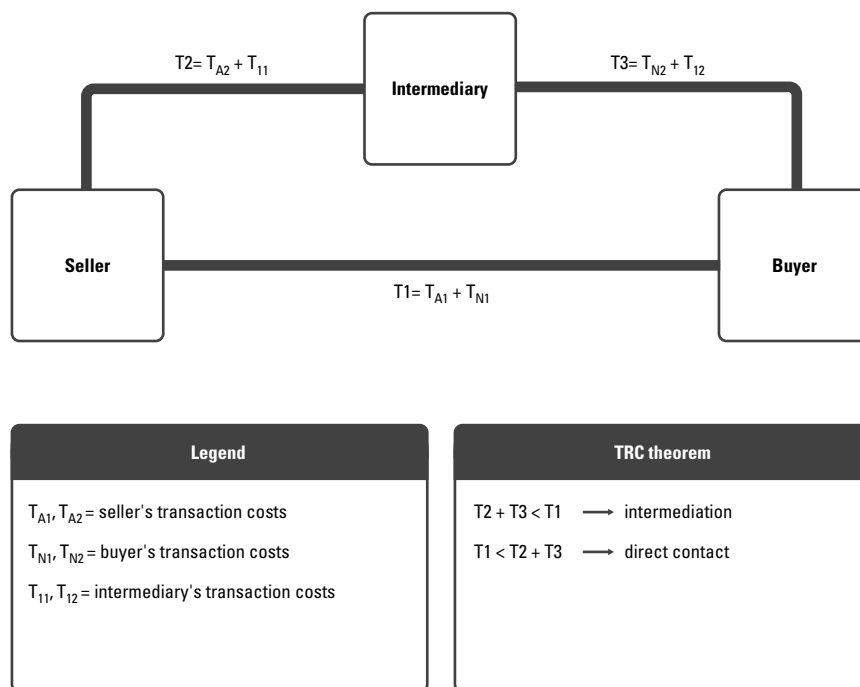


Figure 1.18: Intermediation for the reduction of transaction costs¹²⁵

Intermediaries are in a position to minimise transaction costs since they are able to reduce the contract partners' uncertainties, internalise transaction-specific investments and use them to their advantage.¹²⁶ In particular, transaction-specific investments (e.g. to establish an extensive sales network or build up industry-specific knowledge) are responsible for high transaction costs.¹²⁷ An intermediary can not only repeatedly use these specific assets in similar transactions with other customers¹²⁸ but can also exploit his experience, his capital and his lower opportunity costs to obtain or improve resources and thus increase the frequency of a transaction, thereby achieving effects of scale¹²⁹ and obtaining a better result.¹³⁰ It should, however, be noted that the relationship with the intermediary also gives rise to uncertainties for his customer, as the customer is unable to assess either the quality of the service received or the intermediary's opportunism, with the result

¹²⁴ See Wiese (2010), p. 271.

¹²⁵ Source: Own illustration, based on Walter and Hess (2005), p. 34.

¹²⁶ See Ebers and Gotsch (2006), p. 283.

¹²⁷ See Williamson (1985), p. 52.

¹²⁸ See Scholes, Benston and Smith (1976), p. 222.

¹²⁹ See Ebers and Gotsch (2006), p. 283.

¹³⁰ See Zeithaml and Bitner (2000), p. 351.

that the involvement of an intermediary may be disadvantageous in comparison with direct contact with the seller.¹³¹ Under the general assumption of the risk neutrality of all agents,¹³² the transaction costs rise with increasing uncertainty. The more important the transaction is for the agent and the more damage a possible mistake on the part of the intermediary can cause to his customer's reputation, the greater the influence of the uncertainty becomes.¹³³ Intermediation may nevertheless lead to efficiency advantages, as value creation by the customer himself also gives rise to uncertainties in terms of the quality of performance.¹³⁴ As service providers, intermediaries are accordingly extensively dependent on the trust of their clients.¹³⁵ By indicating his (greater) professionalism (competence, experience, etc.), his higher service standards and a fundamentally trusting relationship, the intermediary can reduce transaction-related uncertainty in comparison with direct contact between the transaction partners.¹³⁶ In conformance with this, the prospect theory¹³⁷ shows that a certain result is preferable to an uncertain one, even if the uncertain alternative were to promise a better result in monetary terms.

1.3.1.2.2 Search theory

The chance of finding the best possible transaction partner¹³⁸ involves search costs, as these costs increase as the number of contacts made rises and the time required for the search increases.¹³⁹ The search cost theory¹⁴⁰ focuses on the trade-off between the costs related to the ex-ante evaluation of a further potential partner – especially on the part of the buyer. Intermediaries offer advantages in search cost theory terms because they reduce the contact points of a search and enable potential transaction partners to be identified more efficiently and effectively (e.g. through specialisation in a specific niche market segment),¹⁴¹ leading to a reduction in search costs¹⁴² for both market participant sides and optimisation of the transaction process. The Baligh-Richartz effect (see Figure 1.19) shows the savings potentially possible due to the existence of an intermediary, which represents the central mediating “node” between the two sides of the market.¹⁴³

¹³¹ See Ebers and Gotsch (2006), pp. 279, 282–283.

¹³² See Geyskens, Steenkamp and Kumar (2006), p. 520; Ebers and Gotsch (2006), p. 281.

¹³³ See Zeithaml and Bitner (2000), p. 351.

¹³⁴ See Lusch, Brown and Brunswick (1992), p. 129.

¹³⁵ See Meffert and Bruhn (2012), p. 91.

¹³⁶ See Smith, Carroll and Ashford (1995), pp. 10–11.

¹³⁷ See Kahnemann and Tversky (1979).

¹³⁸ The offer tabled by the seller (in terms of price and quality) and buyer (in terms of its reservation price) may differ significantly. Due to non-transparent markets, no transaction partner can ever be in possession of all information concerning the other party (see Spulber (1996a), pp. 560–561; Stigler (1961), pp. 213–214; Diamond (1987), p. 429; Pratt, Wise and Zeckhauser (1979), p. 204).

¹³⁹ See Stigler (1961), pp. 215–216; Burdett and Judd (1983), p. 955; Albrecht (2011), p. 238.

¹⁴⁰ See Stigler (1961).

¹⁴¹ See Spulber (1996a), pp. 560–561; Stigler (1961), pp. 216, 220; Cosimano (1996), p. 134.

¹⁴² The search costs now consist of the reduced time for searching for information and the commission which has to be paid to the intermediary.

¹⁴³ See Baligh and Richartz (1964), pp. 670–671; Toporowski (1999), p. 81.

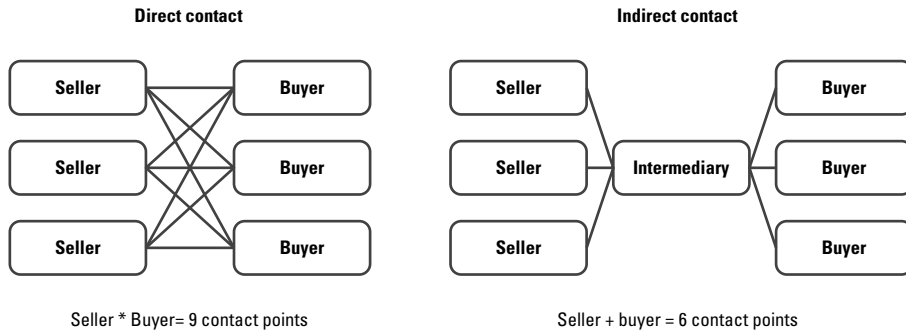


Figure 1.19: Simplification effect due to the integration of intermediaries¹⁴⁴

The *Baligh-Richartz effect* states that the costs of finding (potential) partners increase with an increasing number of possible contact partners and points. Based on a minimum of two agents on both sides of the market, an intermediary, as a central point of contact, disproportionately reduces the costs if the number of market participants rises.¹⁴⁵ If the number of intermediaries on one value creation level increases excessively, however, this effect disappears¹⁴⁶ until a further intermediate stage which reduces the number of contact points again is integrated.¹⁴⁷ Ideally, all market participants would contact the intermediary and abandon their own search completely, thus finding their most suitable transaction partner through this intermediary.¹⁴⁸

The search cost theory also assumes that the delay in each transaction (arising from the search for an additional alternative or due to the establishment of irrelevant contacts) increases its costs. The theory analyses the optimal strategy of an individual when a choice has to be made from a range of uncertain possibilities. In mathematical terms, the search cost theory calculates the ideal end point of a search. Individuals with low search costs will prefer direct contact, whereas individuals with high search costs will decide in favour of the integration of an intermediary.¹⁴⁹

1.3.1.2.3 Intermediation theory of the firm

The intermediation theory of the firm essentially regards all companies on the market as intermediaries.¹⁵⁰ Companies only enter a market if they are able to reduce the transaction costs in comparison with a direct exchange relationship be-

¹⁴⁴ Source: Own illustration, based on Walter/Hess (2005), p. 23.

¹⁴⁵ See Baligh and Richartz (1964), pp. 670–671.

¹⁴⁶ See Toporowski (1999), p. 81.

¹⁴⁷ See Baligh and Richartz (1964), pp. 670–671.

¹⁴⁸ See Stigler (1961), p. 216; Scholes et al. (1976), p. 223; Bhargava and Choudhary (2004), p. 23; Baye and Morgan (2001), p. 454.

¹⁴⁹ See Stigler (1961), p. 187; Butters (1977), pp. 257–258; Burdett and Judd (1983), p. 457; Posey and Yavaş (1995), p. 536–538; Posey and Tennyson (1998), p. 257.

¹⁵⁰ See Spulber (1996).

tween suppliers and customers.¹⁵¹ Companies must therefore generate profits which are advantageous to both transaction partners across all costs and value creation points in comparison with direct exchange.¹⁵² Intermediaries (firms) can achieve economies of scale for themselves,¹⁵³ reduce the transaction partners' risks¹⁵⁴ and establish a reputation¹⁵⁵ for their mediation services¹⁵⁶ which not only reduce the transaction costs but also the involved agency costs (see the following).

1.3.1.2.4 *Principal agent theory*

The principal agent theory¹⁵⁷ deals with situations in which a principal (the person or party issuing an order) uses the services or competencies of an agent (the recipient of the order) in order to fulfil his interests and issues a payment for this.¹⁵⁸ However, the agency theory is concerned less with determining the comparative cost advantages arising due to an agent than his potential for ensuring the practical implementation and execution of the service as efficiently as possible, i. e. with minimal agency costs.¹⁵⁹ Agency costs are caused by divergent interests and asymmetrical information between the principal and agent, whereby it is assumed that the agent is better informed than the principal in terms of his capabilities, true intentions, competencies, level of knowledge and behaviour.¹⁶⁰ Added to these are the agent's different risk affinity¹⁶¹ and potential opportunistic behaviour at the expense of the principal.¹⁶² The principal's calculation weighs up these costs against the advantages arising due to the agent through his ability to make use of the latter's specific competencies, e. g. his tacit knowledge, access to a valu-

¹⁵¹ See Spulber, Pandian and Robertson (2003), p. 256.

¹⁵² See Spulber (1996a), p. 560; Spulber, Pandian and Robertson (2003), p. 256; Backhaus and Voeth (2010), pp. 13–14; in addition to the market opportunities for companies, transaction options particularly arise from the specific resources which a company possesses and its corresponding competencies (see Spulber, Pandian and Robertson (2003), p. 256). In conformity with the resource-based view (see Peteraf (1993); Prahalad and Hamel (1990); Wernerfelt (1984)), intermediaries should concentrate on their core competencies to enable this comparative advantage to be maintained in the long term (see Spulber, Pandian and Robertson (2003), p. 264; Peng and York (2001), p. 328; Bhattacharya and Thakor (1993), p. 8).

¹⁵³ See Spulber, Pandian and Robertson (2003), p. 257; Chan (1983), p. 1545; Scholes, Benston and Smith (1976), p. 222; Diamond (1984), p. 393; Bhattacharya and Thakor (1993), p. 8.

¹⁵⁴ See Spulber, Pandian and Robertson (2003), p. 257; Allen and Santomero (1998), p. 1462; Burani (2008), p. 77; Santomero (1984), p. 577.

¹⁵⁵ For an appropriate definition of reputation, we concur with Simon (1985), p. 37, who views reputation as the result of satisfactory experiences which customers have had with a company and its services, and Spence (1974), p. 107, who defines "reputation as [the] outcome of a process in which firms signal their key characteristics to constituents to maximize their social status" (Schwaiger (2004), p. 48).

¹⁵⁶ See Spulber, Pandian and Robertson (2003), p. 257; Scholes, Benston and Smith (1976), p. 223; Hagel III and Rayport (1997), p. 54.

¹⁵⁷ See Berle and Means (1932); Coase (1937); Jensen and Meckling (1976).

¹⁵⁸ See Ebers and Gotsch (2006), pp. 258, 263; Jensen and Meckling (1976), p. 308; Eisenhardt (1989), p. 58.

¹⁵⁹ See Jensen and Meckling (1976), pp. 308–309; Ebers and Gotsch (2006), p. 259.

¹⁶⁰ See Ebers and Gotsch (2006), p. 261.

¹⁶¹ Risk neutrality is assumed for the principal, whereas the agent is characterised by risk aversion; see Anderson and Oliver (1897), p. 79; Basu, Lal and Srinivasan (1985), p. 272.

¹⁶² See Picot, Dietl and Franck (2008), p. 74; Eisenhardt (1989), p. 58; Picot (1991), p. 150.

able network, specific experience, time, etc. or also basic enablement of a transaction which the principal would be unable to conduct without the agent since, for example, he does not have the necessary competencies.¹⁶³ Intermediaries can essentially be regarded as their customers' agents.¹⁶⁴ Involving an intermediary can be beneficial in terms of costs, space, time, flexibility, quantitatively and qualitatively better arrangements, leading to reduced search times and lower transaction costs or, in extreme cases, even initiating and enabling transactions in the first place.¹⁶⁵ As the integration of an intermediary initially causes additional costs,¹⁶⁶ this party must consequently be able to achieve disproportionately high savings, leading to a Pareto optimum situation for all parties concerned.¹⁶⁷ This is made possible by the intermediary's problem solving inherent in the principal-agent relationship arising from "hidden characteristics", "hidden intention", "hidden knowledge" and "hidden action".

If the principal makes incorrect assumptions regarding the agent's competencies and potentials in the case of "*hidden characteristics*", the better informed intermediary can point this out to him or support him *a priori* in selecting more suitable transaction partners¹⁶⁸ and thus reduce the agency costs in the superordinate agent relationship.¹⁶⁹ Ross extends the idea of the "hidden characteristics" to an advisory opportunity for intermediaries.¹⁷⁰ Accordingly, intermediaries can offer the transaction partners additional benefits by indicating characteristics and skills to the partners which the other partner seeks, desires or requires.

Following the completion of the contract, the agent's "*hidden intentions*" can harm the principal, e.g. due to the opportunistic exploitation of loopholes in the contract or the principal's dependency due to specific investments.¹⁷¹ An intermediary who is better informed – in comparison with the principal – can point out these risks, make the agent's actual objectives clear to the principal, help him to avoid contractual loopholes and install incentive and control mechanisms, or himself take over the agent's specific investments and objectives and thus reduce the principal's dependency on the agent.¹⁷²

¹⁶³ See Ebers and Gotsch (2006), p. 258.

¹⁶⁴ See Ross (1973), p. 134; Jensen and Meckling (1976), pp. 309–310; Pratt and Zeckhauser (1985), p. 2.

¹⁶⁵ See Rosen (2013), p. 628; Spulber, Pandian and Robertson (2003), pp. 260–261.

¹⁶⁶ As costs are also incurred for searching for, monitoring and checking the intermediary in addition to his commission (see Yavaş (1995), p. 18; Ebers and Gotsch (2006), p. 262; Diamond (1984), p. 393).

¹⁶⁷ See Diamond (1984), p. 399; Wiese (2010), p. 12.

¹⁶⁸ See Anderson and Oliver (1987), p. 79; Basu, Lal and Srinivasan (1985), p. 272; Akerlof (1970), pp. 489, 495.

¹⁶⁹ See Kennes and Schiff (2008), p. 1192; Bhargava and Choudhary (2004), pp. 24, 27; Ross (1989), p. 551.

¹⁷⁰ See Ross (1989), p. 550.

¹⁷¹ See Ebers and Gotsch (2006), p. 264.

¹⁷² See Mass (2010), pp. 5–6; Diamond (1984), p. 394.

In the case of “*hidden knowledge*”, the principal can neither understand nor assess the result of the agent’s work, or in the case of “*hidden action*”, the principal cannot comprehend or judge the agent’s value creation contribution with certainty.¹⁷³ The better informed intermediary can help the principal to evaluate the results and additionally influence the installation of control and information mechanisms.¹⁷⁴

In each case, the intermediary increases the transparency of the agent’s area of responsibility for the principal by making the transmission of knowledge and information and the agent’s behaviour obsolete.¹⁷⁵ From an agency theory perspective, the justification for the existence of intermediaries is based on the superiority of his information,¹⁷⁶ his specialisation, his economies of scale and scope and his reputation as a superior information service provider,¹⁷⁷ as a result of which he gains trust for the neutral, discrete handling of important (e.g. financial or strategic) information and consequently obtains this more easily, quickly or at all.¹⁷⁸ In order to guarantee efficiency, it must be ensured that the intermediary himself does not reveal opportunistic behaviour, thus making the principal-intermediary relationship more predictable and calculable than the superordinate principal-agent relationship.¹⁷⁹ The reputation of an intermediary as a faithful service provider is consequently crucial to success and is underscored e.g. by signing a code of ethics, through adherence to specific service standards, by the provision of certificates and the long-term establishment of authentic and serious business relationships.¹⁸⁰

1.3.1.3 Behavioural theories

In contrast to the theories dealt with so far, all of which assume an economic perspective of intermediaries, the structural hole theory¹⁸¹ and the social exchange theory¹⁸² offer a behavioural science perspective.

¹⁷³ See Ebers and Gotsch (2006), p. 264.

¹⁷⁴ See Mass (2010), pp. 5–6; Ebers and Gotsch (2006), pp. 265–266.

¹⁷⁵ See Draper and Hoag (1978), p. 597; Campbell and Kracaw (1980), p. 864; Brealey, Leland and Pyle (1977), p. 383; Chemmanur and Fulghieri (1994), p. 58; Santomero (1984), pp. 577–578; Bhattacharya and Thakor (1993), p. 14; Spulber, Pandian and Robertson (2003), p. 261.

¹⁷⁶ See Chan (1983), p. 1545; Luo and Donthu (2007), p. 454; Gopalan, Nanda and Yerramilli (2011), p. 2083; Eisenhardt (1989), pp. 61, 64.

¹⁷⁷ See Scholes, Benston and Smith (1976), p. 223.

¹⁷⁸ See Hagel III and Rayport (1997), p. 54.

¹⁷⁹ See Gopalan, Nanda and Yerramilli (2011), pp. 2084–2085; Campbell and Kracaw (1980), p. 876; Chemmanur and Fulghieri (1994), p. 58; Peng and York (2001), p. 330; Spulber (1996b), p. 149; Diamond (1984), p. 393; Draper and Hoag (1978), p. 596; Brealey, Leland and Pyle (1977), p. 383.

¹⁸⁰ See Bailey and Bakos (1997), p. 3; Ebers and Gotsch (2006), pp. 265–266; Diamond (1984), p. 394; Chan (1983), p. 1560; Gopalan, Nanda and Yerramilli (2011), pp. 2083, 2085; Bhattacharya and Thakor (1993), pp. 18–19; Spulber (1996b), p. 148.

¹⁸¹ See Burt (1992).

¹⁸² See Homans (1958); Thibaut and Kelley (1959); Blau (1964).

1.3.1.3.1 Structural hole theory

Like the search theory, the structural hole theory¹⁸³ deals with the structure of social networks and their influence on the “searchability” of potential transaction partners.¹⁸⁴ It is assumed that, as of a certain size, clusters form in social networks; these are characterised by the fact that intensive connections exist between the agents within the cluster but only very weak connections between the clusters.¹⁸⁵ Consequently, information within a network cluster reveals greater redundancy than outside. Markets are susceptible to so-called structural holes such as limited access to information or contacts. Individuals can generate competitive advantages if they are able to bridge these structural holes by positioning themselves at as many interfaces as possible.¹⁸⁶

Figure 1.20 clearly shows the advantageous role of intermediaries: it shows an intermediary I at the interface between three clusters (C1, C2 and C3) and an agent A who is searching for possible transaction partners. According to the structural hole theory, A can very easily establish contacts within his cluster C2, exchange information and find out the prices of all market participants in this cluster.¹⁸⁸ However, direct access to the agents in clusters C1 and C3 is not possible for A due to his lack of connections. A is therefore reliant on the assistance of the intermediary I, who can provide him with access to the clusters. Accordingly, the justification and advantageousness of intermediaries are found in markets in which

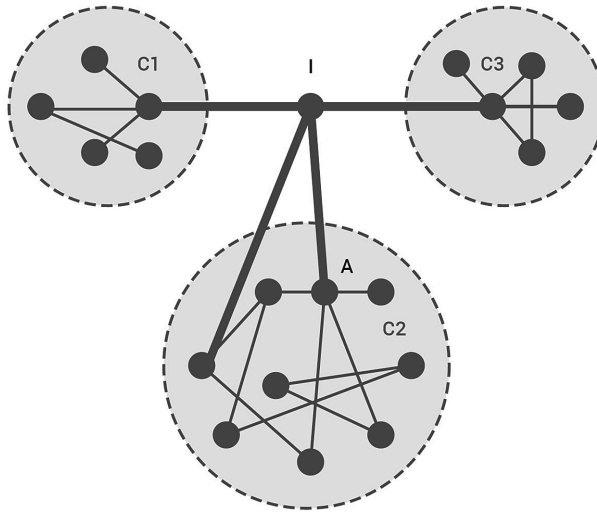


Figure 1.20: Clusters within a social network¹⁸⁷

¹⁸³ See Burt (1992).

¹⁸⁴ See Burt (1997), p. 340; Zaheer and Soda (2009), p. 2.

¹⁸⁵ See Markovsky (1993), p. 153.

¹⁸⁶ See Zinkhan (1994), p. 152; Burt (1997), p. 340; Han (2011), p. 5; Piekenbrock and Hennig (2013), p. 164.

¹⁸⁸ See Burt (1997), p. 341; Stigler (1961).

¹⁸⁷ Source: Own illustration, based on Burt (1997), p. 341.

they are able to bridge structural holes through diversified contacts and enable their customers to access new markets, market segments, information and additional transactions.¹⁸⁹ Intermediaries can also be integrated into one's own network, thus reducing the costs of managing this network; however, this transforms one's own, previously "strong" connections into "weak" ones,¹⁹⁰ leading to second order structural holes. Radical development towards exclusive relationship management by an intermediary is not therefore very advisable because of loss of control, the reliability and quality of the transferred information and the risk of opportunistic behaviour on the part of the intermediary.¹⁹¹ Due to such a mediating position, intermediaries would increasingly extend their influence over the entire network.¹⁹²

1.3.1.3.2 Social exchange theory

The central assumption of the social exchange theory is that the behaviour of individuals is not only influenced by the behaviour of the agents involved directly in the transaction but also by so-called "peers".¹⁹³ "Peers" are all agents within an individual's social network which extensively influence the individual through their opinions and behaviour, e.g. colleagues, family members, relatives or friends.¹⁹⁴ Contrary to the transaction cost theory, the social exchange theory assumes that the advantages arising from repeated behaviour in the form of learning effects and trusted, stable relationships,¹⁹⁵ which can reduce uncertainties and thus costs, do not only extend to the agents immediately involved but can also be achieved by observing other market players or the experiences of peers.¹⁹⁶ Accordingly, participants who enter a new market and have no personal experience, often rely on the existing and consequently more easily assessable transaction forms,¹⁹⁷ leading to the occurrence of a dominant "exchange rule" – a direct or indirect form of exchange which is typical of a specific market. The social exchange theory can therefore explain empirical transaction forms from behavioural science perspectives. However – and this limitation should be explicitly mentioned – it offers no assessment of whether the selected form of exchange is efficient, when it becomes inefficient or which factors should necessitate a change because the effectiveness of the system is declining significantly.¹⁹⁸ Whereas transaction cost-related approaches, with their precise calculation of all relevant costs, are not very practical for deriv-

¹⁸⁹ See Zinkhan (1994), p. 153; Markovsky (1993), p. 154; Granovetter (1973), p. 1378; Baye and Morgan (2001), p. 457; Mass (2010), p. 8; Peng and York (2001), p. 328.

¹⁹⁰ See Zinkhan (1994), p. 152; Granovetter (1973), pp. 1365–1366.

¹⁹¹ See Zinkhan (1994), pp. 152, 154; Fleming and Waguespack (2007), p. 168; Granovetter (1983), p. 202.

¹⁹² See Zaheer and Soda (2009), pp. 9, 23, 26.

¹⁹³ See Emerson (1976), p. 336; Meeker (1971), p. 485; Homans (1958), pp. 597–598.

¹⁹⁴ See Homans (1958), p. 600; Nord (1969), p. 177; Emerson (1954), pp. 688, 693.

¹⁹⁵ See Luo and Donthu (2007), pp. 454–455.

¹⁹⁶ See Blau (1964), p. 194; Campbell (1961), p. 106.

¹⁹⁷ See Emerson (1976), p. 341; Zaheer and Soda (2009), pp. 9–10; Bhattacharya and Thakor (1993), p. 38.

¹⁹⁸ See Emerson (1976), p. 339; Pillkahn (2012), p. 170.

ing direct action implications since the complete registration of all costs appears unrealistic, the social exchange theory's contribution to an explanation is also limited. This is particularly due to the fact that the basis of the decision in favour of intermediated or direct relationships in a given market is not transparent or comprehensible but that this relationship pattern is merely explained through the assumption of the trusting imitation of dominant market structures.¹⁹⁹

1.3.2 Summary

As the attentive reader has almost certainly noticed, all of the outlined theories which explain the role of intermediaries in markets necessarily require the existence of a market. But when does a "market" for political lobbying occur? As long as a citizen or a company attempts to represent his or its political interests himself or itself before the political institutions, there is not yet a market. A market only occurs when a company determines a need and consequently seeks and finds a professional service provider for representing or supporting the representation of its political interests. The market is therefore first manifested in the relationship between the company and governmental relations manager; all further stakeholders materialise around this basic relationship. Whether this exchange relationship exists for a short period of time on an event-, project- or "issue"-related basis or leads to a longer commercial relationship with permanent representation and an intensive, long-term information flow, changing concerns and further services is dependent on further need and the quality of the service relationship.

To conclude, the role of governmental relations managers as central intermediaries within the framework of the EU should be dealt with based on the presented economic and behavioural science theories, which explain the existence of intermediaries in markets, make them understandable, legitimise them and also demonstrate their advantages. To be able to exert an influence as a stakeholder as part of the EU's political activity, it is not only first necessary to understand a complex system of institutions and decision-making processes but also to have relationships with the key institutions and individuals which enable access to information, topics or "an audience". The transaction costs and also the search costs which would be incurred in order to find a suitable contact for a corporate concern or issue at all and then formally position and communicate it correctly would be insurmountably high for an individual stakeholder. It would also be difficult to position oneself at each relevant decision-making interface and keep abreast of all information flowing in the diverse committees and institutions. In addition to a great deal of time, this task also necessitates long-term experience and above all reputation, familiarity, an excellent network and constant, active interconnectedness. In this regard, the existing structures within the framework of European politics are entirely justified, since they contribute to the effective and efficient ex-

¹⁹⁹ See Homans (1958), p. 598.

change of information and political interests. However, it is worth considering whether the increased professionalisation of political lobbying and governmental relations managers would not be advisable for the benefit of society as a whole in view of their importance and the extent of their influence. This would particularly be linked to a defined vocational profile on the basis of specific training and extensive quality assurance measures (see Chapter 7).