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# A Model of Organizational Responsiveness to Stakeholders

## **Abstract**

Dr. Chess explores the relationship between risk management and risk communication and its affect on an organization/stakeholder relationship.

## **Keywords**

key players, emergency planning, community involvement, communication, risk, danger

## **Cover Page Footnote**

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# A Model of Organizational Responsiveness to Stakeholders\*

Caron Chess\*\*

## Introduction

An enduring risk communication question is whether dialogue really changes what a corporation or government agency does. In other words, is risk communication merely symbolic — a way of mollifying stakeholders so such organizations need not change? Or, do organizations respond with more than words? In a seminal presentation about risk communication, William Ruckelshaus, then director of the Environmental Protection Agency, championed “participatory democracy” as means of resolving environmental dilemmas.<sup>1</sup> However, government agencies’ and corporations’ reactions to stakeholders have ranged widely.<sup>2</sup>

I suggest that what happens inside an organization affects its responsiveness to outside stakeholders. I propose a model using two variables to explore aspects of differences in this responsiveness. Examples from two case studies on chemical manufacturers’ risk communication are used to illustrate the use of the proposed model.

The model of organizational responsiveness is based, in part, on the following two hypotheses: 1. Risk communication may be associated with an organizational adaptation to threat in the external environment;<sup>3</sup> and 2. the organizational links between risk

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<sup>1</sup> See William Ruckelshaus, *Communicating About Risk*, in *Risk Communication: Proceedings of the National Conference on Risk Communication* Washington, D.C.: The Conservation Foundation, (J. Clarence Davies, Vincent Covello & Frederick Allen eds., 1987).

<sup>2</sup> See, e.g., Baruch Fischhoff, *Risk Perception and Communication Unplugged: Twenty Years of Process*, 15 *Risk Anal.* 137 (1995).

<sup>3</sup> When the organization’s discretion is less than the discretion of another organization to control an activity, the activity is outside the organization’s boundary.

communication functions and risk management functions affect the extent to which organizations are responsive to risk stakeholders.

1. *Risk communication may be associated with an organizational adaptation to threat in the external environment.* Organizations seek to maintain legitimacy (congruence between values implied by organizational actions and norms of behavior in the larger society).<sup>4</sup> Lessening of legitimacy puts pressure on organizations by reducing access to resources.<sup>5</sup> For example, in the wake of Bhopal, chemical manufacturers had difficulty siting facilities, expanding plants, and routing trucks through neighborhoods. Also, chemical manufacturers were faced with uncertainty, i.e., unpredictable changes in variables that affected organizational decisionmaking.<sup>6</sup> Pfeffer and Salancik suggest that such turbulence can be more unsettling to managers than loss of resources from inability to predict the future and plan a response.<sup>7</sup>

The proposed model of organizational responsiveness to stakeholders suggests that risk communication may be used, in part, to reduce organizations' perceptions of threat. Within this context, threat is composed of the three variables described above: legitimacy, access to resources, and uncertainty. I suggest that the greater the perceived threat from risk stakeholders, the more motivated a company will be to initiate risk communication to reduce the threat. While the threat motivates the risk communication, it does not necessarily influence the form of communication (e.g., media outreach, public meetings, advisory committees, etc.) nor the extent that the risk communication conforms to accepted practices.<sup>8</sup>

Perception of threat is organizationally constructed, just as risk has been conceptualized as socially constructed. Risk has been characterized as resulting from beliefs and norms, not merely numbers representing

*See Jeffrey Pfeffer & Gerald Salancik, The External Control of Organizations: A Resource Dependence Perspective (1978) (current thinking about the external environment focuses on norms, roles, and expectations, as well as resources related to production).*

<sup>4</sup> *See, e.g., John Dowling & Jeffrey Pfeffer, Organizational Legitimacy: Social Values and Organizational Behavior, Pac. Soc. Rev., at 122 (1975).*

<sup>5</sup> *See Pfeffer & Salancik, supra note 3.*

<sup>6</sup> *See Lorenzi et al., Perceived Environmental Uncertainty: An Individual or Environmental Attribute, 7 J. Mgmt. 27 (1981).*

<sup>7</sup> *See Pfeffer & Salancik, supra note 3.*

<sup>8</sup> *See, e.g., National Research Council, Improving Risk Communication (1989).*

illness and death.<sup>9</sup> Similarly, organizational environments are not merely measurable, objective realities; they are socially constructed through a process of attention and interpretation.<sup>10</sup> In other words, an organization's perception of its reality is shaped, in part, by what the company chooses to notice.<sup>11</sup>

2. *The organizational links between risk communication functions and risk management functions affect the extent to which organizations are responsive to risk stakeholders.* Perrow's seminal work *Normal Accidents*<sup>12</sup> examines the links among sub-units within complex organizations that have the potential to cause catastrophe, such as nuclear power plants and chemical manufacturing. According to Perrow and the organizational theorists who have written extensively on the subject tightly coupled systems are those in which there is no "slack or buffer between two items." Loose coupling, according to analysis of educational systems,<sup>13</sup> suggests that "anythings" are "tied together either weakly or infrequently, or slowly or with minimal interdependencies."

Coupling is used as a metaphor to conceptualize relationships within an organization, but the metaphor is usually not operationalized in clear or consistent terms, an "underspecification" which some theorists suggest has advantages for exploratory research.<sup>14</sup> However, for purposes of the model of organizational responsiveness, I adapted the following indicators from previous analyses: a) rules, mechanisms for compliance with rules, and feedback to improve compliance;<sup>15</sup> and b)

<sup>9</sup> See, e.g., Sheldon Krinsky, *The Role of Theory In Risk Studies*, in *Social Theories of Risk* (Sheldon Krinsky & Dominic Golding eds. 1992).

<sup>10</sup> See Pfeffer & Salancik, *supra* note 3, at 13.

<sup>11</sup> The question of whether this perception is the summation of perceptions of individuals in the organization, the summation of perceptions of those who affect the organization's decisions, or the organization as a whole, is a complex question beyond the scope of this paper.

<sup>12</sup> See Charles Perrow, *Normal Accidents: Living With High-Risk Technologies* (1984).

<sup>13</sup> See Karl Weick, *Educational Organizations As Loosely Coupled Systems*, 5 *Admin. Sci. Q.* 1 (1976).

<sup>14</sup> See Douglas. J. Orton & Karl Weick, *Loosely Coupled Systems: A Reconceptualization*, 15 *Acad. Mgmt. Rev.* 203 (1990).

<sup>15</sup> See Karl Weick, *Administering Education in Loosely Coupled Schools*, *Phi Delta Kappan* 673-676 (June 1982).

frequent communication for coordination; and c) constraint of one function by another.

If the ties between risk communication (RC) and risk management (RM) are loose, these functions are largely severable from each other. Tighter coupling is indicated by rules that link RC and RM, close coordination of RC and RM activities, and the limitation of one function by the other. Thus, I look for structures or processes that suggest RC functions are constrained by RM or vice versa. In addition, if there is a group of senior managers who wield significant power, the so-called "dominant coalition," a function unrepresented in this coalition would be considered less important than functions that are.<sup>16</sup>

The model proposes that loose coupling between risk communication and risk management reduces the likelihood that a company will closely tie what it says to what it does.<sup>17</sup> For example, if those responsible for risk communication (RC) and those who make decisions regarding risk management (RM) seldom interact and are functionally distant, then the company will be less responsive to risk stakeholders. While the communication between the stakeholders and the company may be two-way, the organizational structure makes it less likely that what stakeholders say will reach those with the power to make operational decisions. I apply these hypotheses to empirical research on two cases of chemical companies' risk communication.<sup>18</sup>

## Overview of Empirical Research

### *Sybron Chemicals*

The first case involves Sybron Chemicals, a small specialty chemical manufacturer in semi-rural New Jersey that raised a stink in 1988 (in more ways than one) when it released an odoriferous chemical at 2

<sup>16</sup> See James Dozier & Larissa Grunig, *The Organization of the Public Relations Function*, in *Excellence in Public Relations and Communication Management* (J. E. Grunig et al., eds. 1992).

<sup>17</sup> *Id.* Leading public relations theorists call for an analogous two-way, symmetrical communication. Their normative theory, which is based on open-systems theory and analysis of power relationships, prescribes strong, centralized public relations units. Comparing the proposed model to the normative theory of public relations is beyond the scope of this paper, which discusses two cases without formal public relations, public information, or related units.

<sup>18</sup> For an explanation of research methods see Chess et al., *The Organizational Links Between Risk Communication and Risk Management: The Case of Sybron Chemicals*, 12 *Risk Anal.* 431 (1992).

A.M., leading to the evacuation of 60 people. The resulting outcry led Sybron to begin a crash course in risk communication, which included the development of a sophisticated telecommunications system.<sup>19</sup> This telecommunications system known as the Prompt Inquiry Notification System (PINS) enables the company to notify plant neighbors in the event of an emergency. On a routine basis, callers can contact the plant through the PINS system to alert the shift supervisor to suspect odors and/or to ask questions.<sup>20</sup>

### *The Consortium*

The second case known as the Consortium, involves more than 80 chemical companies in a densely industrialized county of the U.S. These companies banded together to support their efforts to communicate information required under the federal right to know law (e.g. Emergency Planning and Community Right-to-Know).<sup>21</sup> One plant manager also developed a telecommunications system for use by his site (Plant C) and other companies in the area. This telecommunications system, called the Careline, enables companies with operational problems, or indicators that might be perceived as problems (e.g., unusual flares), to place a message on the system for concerned callers, who can contact a central number rather than track down the phone numbers of the plants that might be involved. Operators from plant C also served as liaisons between callers with questions not answered by the message on the Careline and any companies in the area. Plant C operators relayed callers' questions and phone numbers to appropriate companies, which were then asked to contact callers directly.

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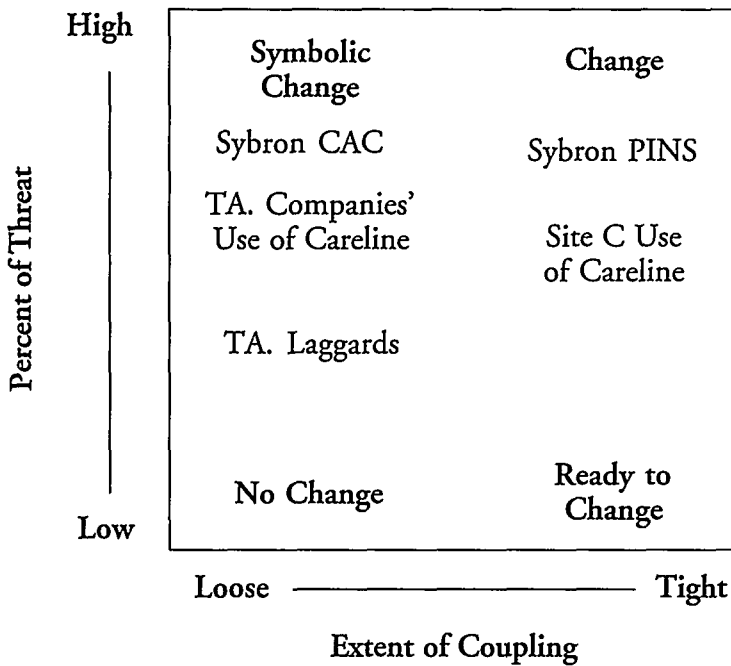
19 *Id.*

20 *Id.*

21 *See, e.g.,* 42 U.S.C.A. § 11048.

## The Model of Organizational Responsiveness

I use illustrations from these cases to explain the model below.



When perceptions of external threat are low, and coupling between RC and RM is loose, organizations have little reason to adapt behavior, and organizational structure does not facilitate adaptation. The site is unlikely to change in responsiveness to outside stakeholders. This quadrant typifies what industry practitioners have expressed to me as "Let sleeping dogs lie." Laggard companies in the locale of the Consortium seemed to typify this approach. These companies did not use the Careline for placing messages.

Similarly, Sybron's vice president for human relations described the plant's feelings toward plant neighbors as "benign neglect," prior to the 1988 release. Managers acknowledged that until the plant was threatened they paid little attention to the community. When perceptions of organizational threat are high and coupling between RC and RM is tight, organization have both reasons and structural capability to adapt. The site is likely to respond with changes in RM practices.



At Sybron, managers perceived a major crisis arising from the incidents of 1988. A busload of protestors travelled to Washington, D.C. and, as a result, the New Jersey Department of Environmental Protection investigated. Subsequently, there were calls for a plant shut down. As the CEO stated, the company “didn’t have a lot of choice” about plunging into RC after the release. In the words of the plant manager, the plant developed its RC program “because we want to stay here. We know that to stay here we have to not be an enemy to our neighbors, but [we have] to be a participant with our neighbors so we are all in this together.” Sybron’s goal of reducing through the PINS plant neighbors’ fears can be seen as an attempt to reduce threat by building stability, legitimacy, and access to resources.

On a routine basis Sybron’s shift supervisors were directly responsible for communicating with callers to the PINS, tracking potential problems to the source, eliminating these problems, and then contacting the callers who reported the concerns. Thus, RC and RM were handled by the same person. RC and RM functions constrained each other. For example, RC functions dictated RM action (calls to PINS prompted RM surveillance and correction of problems, such as odoriferous releases, which affected quality of life, if not health). RM also dictated RC functions (When a problem was discovered, the shift supervisor was required to change the message on the PINS.) In addition, the tightness of RM and RC was reinforced with standard operating procedures which required shift supervisors to handle both PINS and operational duties, as well as to report all such uses of the PINS. Finally, the dominant coalition of the plant (including one vice president, the director of regulatory affairs, and the plant manager) coordinated both RC and RM activities.

Similarly, interviewees of leading companies in the Consortium pointed to economic survival as a reason for banding together with other companies to develop RC programs. As one manager noted, senior managers “are actually convinced and I am too that we aren’t going to survive without the community.” While the companies seemed to an outsider to dominate the economic life of the area, plant C’s former manager of public affairs noted threats to industry’s dominance: “We heard the drumbeats of Bhopal.” Those beats got louder as time

approached for release of toxics information under the federal right to know law and increased as a result of several major incidents that led to worker deaths.

In addition, several of the plants that served as innovators in the Consortium were expected by their corporate headquarters to take leadership roles in RC. For example, one manager made it clear that advancement was tied to RC activities. Thus, threat was not due to immediate pressure such as found at Sybron but was nonetheless based on concerns about legitimacy that led to the development of RC programs.

While the structural links between RC and RM were not as tight as at Sybron Chemicals, closer links between RC and RM were sometimes forged by the Careline. The lead company plant C, had standard operating procedures, not dissimilar to Sybron's, to closely link operational problems with communication with callers. When the organizational perception of threat is high and the coupling between RC and RM is loose, there may be organizational reason to adapt, but the organizational structure does not facilitate adaptation. The site is likely to evidence symbolic action to influence perceptions of stakeholders.

When the site perceives threat, but RC and RM are loosely coupled, RC cannot easily and routinely influence activities of RM. For example, if the RC function does not provide information to the RM function about the nature of and frequency of complaints, the RM function will not have sufficient information to make appropriate adjustments. The site response is likely to be symbolic: talking about risks rather than taking action to reduce risks (whether to health or to quality of life). Symbolic action to influence outside stakeholders is a strategy that seeks to change the external environment rather than to adapt through organizational change.<sup>22</sup> In other words under the conditions of perceived threat and loose coupling, the site will be more likely to attempt to modify stakeholders' perceptions — rather than to attempt to change the site's own behavior.

For example, many of the Consortium activities were devoted to education to influence perceptions of stakeholders (symbolic action), rather than to agreement of companies to change practices. Thus,

<sup>22</sup> See Dowling & Pfeffer, *supra* note 4.

community fairs, a Consortium brochure and other activities were the norm. Companies could receive the benefits of collaborative efforts, such as having their name on a brochure espousing safety, without having to change practices.

In addition, companies could subscribe to the Careline and use it to place messages, but sites were not required to link this communication to improving risk management. When contacted by operators of the Careline with callers' questions about a perceived malfunction, plants could decline to track potential problems. The functioning of the Careline exemplifies loose coupling: Plant C staff could not constrain the actions of subscribing companies, which had total discretion to behave as they wished — in contrast to shift supervisors for Sybron's PINS or operators of Plant C who had rules that required linking of RC and RM.

However, I found that coupling of RC and RM could vary with activity at Sybron. While the PINS was directly linked with RM, and the standard operating procedures maintained the tight coupling, such standardization was not easy with the citizen advisory committee, which dealt with multiple issues. Managers who attended the advisory committee meetings did not follow decision rules about how to respond to requests, including those related to RM, and there was no readily apparent pattern of constraint between RC and RM through standard operating procedures. This flexibility is also compatible with the risk literature that suggests those conducting RC need latitude;<sup>23</sup> the looser coupling of RC and RM related to the advisory committee made it easier for Sybron managers to deal creatively (or not at all) with non-routine and unpredictable requests. There was some evidence that this loose coupling is associated with more attempts to influence members than change company practices. For example, if Sybron's proposal for a lucrative co-generation plant were opposed, the CEO said the plant "would do our best to convince them [members of the CAC]" (although the VP for manufacturing was more equivocal, "If they understood the risk issues and were horribly against it, I don't know that we would continue the project.")

<sup>23</sup> See, e.g., National Research Council, *Understanding Risk: Informing Decisions in a Democratic Society* (P. Stern & H.V. Fineberg eds. 1996); Dozier & Grunig, *supra* note 16.

I propose that the final quadrant, of low threat and tight coupling, would include the organizational capability to respond but no reason to do so. I hypothesize such a situation could occur when a company no longer saw a reason to be responsive to stakeholders but still had structures in place that would enable it to change if a threat arose. I saw little evidence of this pattern, but the relationship between this quadrant and these corporate case studies raises interesting and complex issues tied to organizational learning, which is beyond the scope of this article.

### Discussion

Because this model of organizational responsiveness was generated from a limited set of case studies, it is proposed primarily as an additional lens for studying risk communication and not as a deterministic typology. For example, although these case studies suggest that risk communication may evolve from crises of legitimacy, this is only sometimes so. Later adoptors of innovation may conform to convention and “enhance their legitimacy, to demonstrate that they are at least trying.”<sup>24</sup> However, unless tight coupling of RC and RM becomes an industry norm, such mimetic behavior is more likely to lead to symbolic action. Thus, a PINS might be disconnected from operations and focus more on disseminating information than responding to callers (analogous to the use of the Careline by some companies).

The model may suggest other elements for research on democratic processes. When studying agency practice, it may be useful to consider the impetus for risk communication and the relationship of RC to programmatic decisionmaking. As with these corporate cases, an agency (or division within an agency) that perceives a loss of legitimacy, decreased stability, and/or reduced access to resources, might be likely to initiate a risk communication effort. However, if the functions of programmatic decisionmaking and risk communication are distinct (loosely coupled), the agency or its divisions might be less likely to respond to stakeholders’ concerns with organizational change. When many managers do not have communication responsibility, and

<sup>24</sup> Paul DiMaggio & Walter Powell, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, in *The New Institutionalism in Organizational Analysis* (W. W. Powell & P. DiMaggio eds.1991).

communication specialists do not have programmatic authority, I hypothesize that forms of “participatory democracy” would likely be symbolic — mollifying stakeholders rather than responding to their concerns.

Public relations theorists have stressed the need for centralized public relations units staffed with experienced practitioners.<sup>25</sup> The model described here suggests that it may also be useful to examine the structural relationship of these units to programmatic functions. For example, as with Sybron, an agency that requires division managers to communicate may respond differently to stakeholders than one with a centralized communications unit that is isolated from programmatic decisions. Initial interviews in one environmental protection agency found divisions relatively isolated from the agency’s central communications unit but division managers interacted directly with stakeholders. An important next step is to study these divisions’ responses to stakeholders: Is change symbolic or organizational?

The benefit of theory is not merely to explain the world but to help researchers to see: “If believing affects seeing, and if theories are significant beliefs that affect what we see, then theories should be adopted more to maximize what we will see than to summarize what we have already seen.”<sup>26</sup> This model of stakeholder responsibility is not proposed as comprehensive; other organizational factors, such as organizational learning, culture, and leadership may be associated with responsiveness to stakeholders, in specific, and participatory processes, in general. But I propose the model in hopes of encouraging greater use of an organizational lens to understand the relationship between participatory processes and substantive outcomes.



<sup>25</sup> See Dozier & Grunig, *supra* note 16.

<sup>26</sup> Karl Weick, *Theorizing About Organizational Communication*, in *Handbook of Organizational Communication*, (Frederic Jablin et al., eds. 1989).

