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**THE HARM CHAIN: A PUBLIC POLICY DEVELOPMENT AND STAKEHOLDER
PERSPECTIVE**

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ABSTRACT

This paper introduces the concept of a 'harm chain' as a mechanism to further broaden the way in which firms and public policy makers consider potential negative outcomes from marketing activities. The purpose of conceptualizing a 'harm chain' is to examine specifically the creation of harm within networks of marketing exchanges that might occur throughout pre-production, production, consumption and post-consumption activities. The authors suggest that addressing issues where harm occurs allows both firms and policy makers to identify whether exchanges bring about harm, how relevant parties can address the core cause of harm, as well as how those who are harmed can be protected.

KEY WORDS: Harm, Stakeholders, Public Policy Development

INTRODUCTION

Porter (1985) suggested that firms create customer “value” in a range of ways across a spectrum of primary and support activities within the organization. Porter’s concept has often been referred to as the “value chain” and has been used extensively within the marketing literature (Brathwaite, 1992). Some authors suggest that the value chain involves more than simple dyadic customer-firm exchanges and that value is created through a complex network of exchanges involving a diverse set of organizational stakeholders (Hartman and Stafford, 1998; Miller and Lewis, 1991; Normann and Ramirez, 1993).

While there is general recognition that various marketing exchanges between the firm and its stakeholders can result in value creation (Kimery and Rinehart, 1998) it should also be recognized that such exchanges *could* also result in the generation of harm to various parties as well. Economists have frequently defined harm or costs to individuals not involved directly in the exchange as externalities (Mundt, 1993)¹. With few exceptions (cf., Meade and Nason 1991, Nason 1989 and Mundt 1993), the marketing literature has failed to consider how harm (i.e. externalities) has been generated or managed throughout the network of exchanges. Specifically, while marketing exchanges may result in value creation throughout a value chain, exchanges may also result in the generation of harm throughout what we will refer to as a harm chain.

When considering harm within a harm chain there are several questions that need to be asked. For example, how can firms and public policy makers better identify what exchanges or aspects of the exchange bring about harm? How can all relevant parties better address the core cause of harm? How can those who are harmed be protected? Whilst public policy processes are often designed to explicitly involve a diverse range of stakeholders in the

¹ There could also be benefits or reductions in costs, i.e. positive externalities, passed on to those not directly involved in exchanges. However, the term is usually applied to negative effects.

development of specific “regulations” or solutions (Altman and Petkus, 1994; Hastak et al., 2001) it is unclear if this means involving *all* stakeholders associated with the generation *and* regulation of harm. Chilton (2000) argues that existing public policy processes frequently fail to *effectively* consider the full network of exchanges that bring about and regulate harm. For example, regulators may be perceived to be more concerned with protecting people exposed to second-hand cigarette smoke and regulating environments where individuals are exposed to this smoke (Jensen, 2002) rather than considering how the production and marketing of cigarettes can be modified to reduce the occurrence of second- hand smoke.

This paper attempts to broaden the scope of public policy development by putting forward the concept of a harm chain that allows firms and public policy makers to consider fully all who are harmed, as well as all those who can address harm throughout the harm chain. It is believed that an inclusive public policy process will engage stakeholders, including public policy stakeholders, involved in *all* the various exchanges associated with harm. The next section of the paper discusses the harm chain in more detail, followed by a discussion of stakeholder theory and the role of public policy in addressing harm. Finally, conclusions, implications and some suggestions for furthering research in the area are offered.

CONCEPTUALISING THE HARM CHAIN

The idea of a harm chain is not revolutionary and could be considered as a direct extension of Porter’s (1985) value chain, which suggests that organisations create “value” for consumers across a range of primary activities (such as logistics, operations, marketing and sales, and service) and support activities (such as infrastructure, HRM, technology development and procurement processes). Porter suggests that value is created through enhanced organisational performance or reduced costs. Increased value can be created directly, for example through operation efficiencies that allow reductions in prices paid for a given bundle of

attributes. Value can be created through a range of interactions within the organisation, for instance improved human resource management might in turn allow the firm to deliver better customer service (Schultz, 2002).

While Porter conceptualised the value chain in terms of “positively” creating additional consumer value, it might be suggested that some literature in fact discusses the creation of value by “reducing” harmful organisational activities or outcomes. For example, Hartman and Stafford (1998) suggest that organizations can use green alliances to reduce the firm’s negative environmental impact while simultaneously increasing the value of corporate activity by reducing potential harmful outcomes. Handfield et al. (1997) take a similar value chain approach towards environmental issues within the furniture industry suggesting that innovative supply chains create value by reducing negative environmental effects.

The harm chain concept advocated in this paper simply expands the way in which harm arising from direct exchanges as well as indirect “externalities” is considered and involves applying a traditional stakeholder management approach to evaluating the various types of harm that evolve along the diverse aspects of the chain (See Table 1). Specifically, this includes determining who is involved in the network of exchanges associated with harm (i.e., who are stakeholders), how these stakeholders relate/interact with one another, stakeholders’ expectations, whether a gap exists between expectations and network performance and how gaps might be addressed, and the effectiveness of interventions that are taken.

By taking this approach, key direct and indirect negative consequences of exchanges can be identified and “aggregated” across social issues as well as across a more complete range of stakeholders. When applied within the realm of public policy, the harm chain provides a mechanism that suggests how the occurrence of harm can be minimized along the harm chain while incorporating the interests of relevant stakeholders. We believe that this

broader holistic approach to harm may ensure that more comprehensive public policy solutions are developed.

PLACE TABLE 1 HERE

To some extent, a stakeholder perspective has already been broadly suggested in the marketing and public policy area (Altman and Petkus, 1994; Carrigan, 1995; Gregory and Keeney, 1994). A stakeholder perspective has also been introduced into the marketing literature research (see for example, Polonsky, 1996 or Kimery and Rinehart, 1998 for an application of stakeholder theory in marketing, as well as Hakansson and Ford, 2002 and Achrol, 1997 in regards to network theory in marketing).

The recent interest in the network view of marketing explicitly adopts a stakeholder perspective by recognizing that effective management of complex networks creates long-term competitive advantage, as well as customer value. This stream of work also takes a stakeholder perspective in that these networks require increased inter-organizational dependency. Therefore, the overall success of the exchange network is dependent on the actions of all members, rather than on the actions of one member or an individual dyadic exchange (Wilkinson and Young 2002). However, evidence does not seem to suggest that there has been a major shift in public policy applications toward a more inclusive process i.e., one that adopts a network or stakeholder perspective where all aspects of harm and its antecedents are considered (Carrigan, 1995; Chilton, 2000), although there is indication that greater stakeholder input is being sought in public policy development in some situations (Hastak, Mazis and Morris 2001).

The process of evaluating the harmful impacts of marketing activities is complex (Carrigan, 1995). First, the concept of a harm chain does more than simply consider the

negative consequences of one dyadic exchange (i.e., consumer-firm) as activities associated with a specific exchange might in fact harm others (i.e., the local community) further along the exchange network. For example, an airport that changes landing patterns of aircraft to improve safety may create noise pollution for surrounding communities. Governmental restrictions on smoking in restaurants, nightclubs and bars might result in lowering patronage for these establishments and inadvertently cause harm in the form of decreased revenue for this industry (Enz, 2002). On the other hand, not preventing smoking in these places could result in potential harm to the health of employees and patrons who are exposed to second hand smoke (Jones et al. 2001).

As was suggested earlier, these types of *indirect* harm have traditionally been referred to as externalities, where those not directly involved in the exchange are negatively affected (Meade and Nason, 1991; Mundt, 1993). In addition to harm occurring from an externality, harm may also result to those *directly* involved in the exchange process. That is, a firm may derive inputs from a supplier whose activities result in harm occurring directly to consumers, rather than the firm. For example, problems associated with defective Firestone tyres have had negative consequences for some consumers who purchased Ford Explorer vehicles manufactured with Firestone tyres as standard operating equipment (Freitag, 2002). In this case, the supplier-firm exchange results in direct harm to final customers, although indirect harm may occur to the firm through negative publicity or potential litigation. In sum, the harm chain perspective requires that all exchange partners, directly involved in causing harm *and* those indirectly involved (or affected by externalities) are equally considered.

A second key issue in evaluating harm from the harm chain viewpoint is acknowledging that firms and organizations are not the only members of the exchange that initiate harm; consumers may also cause harm via inappropriate product use. For example, consumers who use a product incorrectly, e.g., inhaling glue or even helium from balloons (Wickes,

1996) could be harmed as a result of inappropriate use of that product. In response, governments may limit who purchases the product as a harm minimization strategy (e.g., placing age or other restrictions on who may access certain products). In other situations, non-consumers may be harmed from a user's incorrect use of a product. For example, harm may occur to an unborn child whose mother consumes alcohol or smokes during pregnancy (Golden, 2000) or, as suggested previously, to employees who must work in environments where excessive amounts of second hand smoke exist (Jones et al. 2001).

The development of the harm chain therefore is not simply concerned with identifying when harm arises, but it is also concerned with identifying the antecedent causes and victims of harm. As such, addressing harm from a harm chain perspective might require firms to alter production inputs that have resulted in increased pollution. For example, coal fired power plants might switch to lower Sulphur coal or natural gas. Cigarette manufacturers could combat tobacco's deleterious effects on consumer wellbeing by genetically engineering a "healthier" tobacco. In addition, production processes could be redesigned, e.g., a paper company could switch to using a non-chlorine bleaching process or cigarette manufacturers could refrain from harmful additives such as Ammonium sulfide in cigarette production.

As a last resort, but still a viable alternative for addressing how harm might be reduced, a firm could even consider leaving the community and/or industry (for example, see Bhat, 1993 and Maranville, 1989). While such moves may seem unlikely there are examples of such activities being undertaken. For example, in Australia one bank withdrew its automatic teller machines from bars and clubs that have slot machines², partly because research indicated that having access to ATMs results in additional "harm" to problem gamblers, i.e. increased gambling (Mottram, 2002).

² Nationally in Australia many bars and social clubs have slot machines and in the case described the bank is removing over 120 machines nationally.

In sum, recognition of ‘harm’ is only the first step in developing a harm chain. Subsequent steps include the determination of where the harm originated, how harm can be prevented, and who is being harmed.

We propose that there are four broad stages within the marketing exchange relationship where harm may occur, i.e., the stages of pre-production, production, consumption and post-consumption. For example, pollution could be classified as a production based harm, but may actually arise as a result of pre-production decisions (i.e., and as implied above, as process design or supply decisions). Simply addressing “pollution” outputs may result in overlooking innovative ways to prevent harm from occurring or may even mask and/or delay harm (Bhat, 1993). Installation of pollution prevention equipment may only “block” pollution, which is readily visible (smoke stack emissions), whereas “non-visible” contamination may in fact be more harmful to local communities through impacts on ground water. In another example, one type of cigarette filter, developed to reduce the consumption of harmful by-products associated with smoking, actually caused a totally different type of harm because the filters were made of asbestos (Hwang, 1995).

Within each of these four exchange-oriented stages of the harm chain there are often complex interactions amongst stakeholders (Carrigan, 1995; Polonsky et al., 1999; Rowley, 1997). As such, a specific harm chain would involve a range of stakeholder groups, for example a firm’s activities may harm employees and/or the local community (Maranville, 1989). Rather than attempting to identify all potential individuals and groups involved in the harm chain process, we believe that it might be more appropriate to categorize stakeholders according to those who cause or bring about the harm, those who are harmed, and those who can assist in addressing the harm. We also argue that membership to these groups may not necessarily be mutually exclusive. For example, organizations involved in creating harm are likely to have important roles in preventing or dealing with the harm.

From a public policy perspective, regulators play a critical role in addressing harm, especially if those unable to protect themselves (i.e., an endangered species) are harmed (Starik, 1995). Yet, public policy makers may also find themselves the cause of harm even when it is unintended. For example, stringent governmental restrictions in certain countries on the marketing of cigarettes may have actually inhibited the development of less harmful tobacco products, as these restrictions provided limited recourse for marketing of a “healthier” (i.e., less harmful) cigarette (Marketing News, 1997). In this situation, public policy intervention in the form of “regulation” may in fact, facilitate the continued production of harm. If this is the case, then regulators not only have impacted consumption issues associated with smoking, but pre-production and production issues as well.

Defining a “harm chain” then allows management of relationships within the exchange network that could create strategic advantage by generating additional organisational value (Rowley, 1997; Hakansson and Ford, 2002). However, implicit within the “harm chain” concept is the articulation of complex interactions amongst stakeholders and while this has been recognised as generally being important, there is still limited discussion as to how networks of relationships should be managed (Polonsky et al., 1999; Wilkinson and Young, 2002). Given the importance of all stakeholders in the harm chain the next section will briefly discuss stakeholder theory in relation to harm, focusing on the public policy process and those involved within it.

STAKEHOLDER THEORY

Stakeholder theory is concerned with understanding how various groups’ affect and are affected by organizational activities (Mitchell et al., 1997). Stakeholder theory has specific relevance for examining and addressing harm, in that, if organizational activity causes harm to

individuals or groups then these individuals need to be considered in relation to corporate activity (i.e., they are stakeholders).

Stakeholder theory has received extensive attention in the management literature (Donaldson and Preston, 1995). However, there are no universally accepted definitions of stakeholder theory or even what constitutes a stakeholder (Clarkson, 1995; Mitchell et al., 1997) though one perspective holds that stakeholders are "... all of those groups and individuals that can affect, or are affected by, the accomplishment of organizational purpose" (Freeman, 1984, p.46). Others have suggested that an individual or group is only a stakeholder when they are somehow "at risk" in relation to organisational activity (Clarkson, 1995).

Thus, Clarkson's (1995) definition explicitly includes any individual or group who is harmed and thus links directly into our harm chain perspective. For example, if a local community's air quality is put at risk by the opening of a new production facility then it becomes a corporate stakeholder (Maranville, 1989). If this perspective is correct, it might explain why much of the stakeholder literature has examined corporate social responsibility/ irresponsibility (Carroll, 1993; Clarkson, 1995; Frooman, 1999; Griffin and Mahon, 1997; Starick, 1995; Wood and Jones, 1995). Much of this work (for example, Griffin and Mahon, 1997 and Wood and Jones, 1995), however, describes attempts at determining whether addressing stakeholders' interests improves corporate performance, rather than whether it maximizes social welfare or minimizes the level of harm produced within the exchange process. The harm chain seeks to potentially examine these social links by proposing a way that harm might be examined across an exchange network.

A corporate responsibility perspective would suggest that all those whom the firm impacts, both negatively as well positively, have rights that should be considered in corporate decision-making (Harrington, 1996; Maranville, 1989; Polonsky and Ryan, 1996; Savage et al., 1991). Some researchers have gone so far as to suggest that this responsibility includes

consideration of groups that are often perceived to be emptyreal, such as nature itself (Hoffman et al., 1997; Starik, 1995). Protecting these groups and their rights is not simply a matter of theory, as a large proportion of public policy is concerned with protecting vulnerable stakeholders in relation to harmful corporate action (Hoffman et al., 1997; Starik, 1995).

The US government as well as some US states have enacted legislation that explicitly allows and even requires managers to consider the impact of corporations on non-fiduciary stakeholders, such as local communities or the environment, when making business decisions (Polonsky and Ryan, 1996). This means that managers legally have the right (and in at least one US state have the responsibility) to consider the negative impact of corporate activities (i.e., harm) on their stakeholders and modify business activities to minimize any harm, even when making these changes results in reduced corporate value. It is, however, unclear if such statutes, in fact, result in less harmful outcomes (Polonsky and Ryan, 1996).

Any organization, public or private, which adopts a stakeholder perspective, needs to consider a diverse range of interests when undertaking strategy development, performance evaluation and conceptualization of its basic direction (Roberts and King, 1989). However, to do this, marketers must evaluate the generation of harm throughout complex stakeholder exchange networks involving multiple parties. The complexity of these networks cannot be overstated as Miller and Lewis (1991) suggested that there could be at least 50 different direct exchanges that may need to be considered/managed within one marketing network. Applying stakeholder theory requires strategy development only after the members of the network have a clear understanding of the various interdependent connections (i.e., how the connections create harm as well as value) across all stakeholders (Greenley and Foxall, 1996; Polonsky et al., 1999; Rowley, 1997; Wood and Jones, 1995).

One way this might be accomplished is by incorporating an adapted version of what Freeman (1984) terms the stakeholder management process (See Table One). This process

involves consideration of a number of issues including identifying the various stakeholders, determining how they interact, identifying their expectations, evaluating how well stakeholder expectations are being met, identifying strategies to reduce gaps in expectations, and ongoing monitoring and re-evaluation of programs.

The process is somewhat inappropriately named, as it is concerned more with the management of firm-stakeholder relationships and less about managing stakeholders' behavior (Polonsky et al. 1999). In some situations, stakeholders may in fact have more influence and/or power in relation to organisational outcomes than does the firm (for example governmental regulation of the tobacco industry dictates corporate activity in many areas resulting in firms having minimal maneuvering ability or anti-smoking lobbies are almost as powerful as the smoking companies). In such cases, organisations have limited ability to "manage" these powerful stakeholders, even if they wanted to. However, firms may be able to manage the way in which they interact with key stakeholders as to substantially impact the resulting network of exchanges (Polonsky et al., 1999).

Even if a firm has more power than a given stakeholder group in a network, the firm may be unable to control how these stakeholders act. For example, a firm usually has limited ability to control how a local community reacts to a plant closure, i.e., harm (Maranville, 1989). However, firms may be able to build a positive relationship with the community if the firm undertakes activities that soften the economic blow (Zöller, 1999). These steps could include guaranteeing that the closure occurs in phases and that assistance is provided for workers who are made redundant by the closure. Efforts such as these may minimize any resulting harm and thus result in overall positive or neutral community (stakeholder) reactions.

THE ROLE OF PUBLIC POLICY

Prior to articulating the workings of a harm chain, a key issue to be addressed is ‘who’ assumes responsibility for ensuring that various stakeholders in the harm chain are not harmed. Stakeholder theorists and those supportive of corporate social responsibility would suggest that this is a responsibility of business (Abratt and Sacks, 1988; Carrol, 1993; Clarkson, 1995). Some firms do appear to believe fervently that this is their responsibility by adopting triple bottom line principles (Walker 2000) or social responsibility audits (Kok, van der Wiele, McKenna and Brown 2001) for evaluating performance and minimising overall negative societal impacts.

Unfortunately, anecdotal evidence suggests that not all businesses understand or accept this responsibility, and not even all who do understand their responsibilities formally integrate it into their activities and performance evaluations. In some cases, stakeholders themselves are not always in a position to protect their rights (i.e., the natural environment) and organisations (governmental, for-profit or non-profit) have sometimes tried to “protect” these vulnerable stakeholders (Starik, 1995). However, some organisations, such as non-profits, often have limited ability to directly influence harmful outcomes and are forced to rely on generating indirect commercial pressure (i.e., boycotts or publicity) or political pressure (i.e., lobby regulators to act) through cooperation with other stakeholders (i.e., consumers and regulators respectively) (Frooman, 1999).

As a result, government has frequently filled the void by forcing firms to recognize their social responsibilities or by providing safety nets to those with limited ability to protect themselves through the development of public policy. As such, an activity often extended to public policy makers is that of identifying and articulating harm or harmful behaviour. For example, regulators define safety standards for automobiles, such that any manufacturer who does not comply places consumers at risk, thereby becoming liable for regulatory and consumer penalties (Wiman et al., 2001).

In addition, government is primarily instrumental in legislating restrictions on the way firms market their products. For example, the WTO has just established a Framework Convention on Tobacco Control that includes restrictions on how cigarette manufactures promote their products (World Health Organisation, 2003). While such an approach might in some cases address negative outcomes of marketing activities, it is less likely to address the fundamental causes of harm. Moving to a broader stakeholder process may allow regulators to better understand all the stakeholder relationships within the harm chain (Carrigan, 1995; Harrington, 1996).

Unfortunately, part of the problem with effectively addressing harm throughout the harm chain might be the fragmented way that public policy is developed in relation to marketing issues, i.e. no one body coordinates all policy aspects of an issue. Few authors actually consider all the various stakeholders in the marketing public policy development process, although there are some exceptions (Altman and Petkus, 1994; Carrigan, 1995; Gregory and Keeney, 1994; Harrington, 1996; Mowen and Stone, 1992). More recently, Hastak et al. (2001) even suggested that public policy makers need to explicitly solicit views from a range of stakeholders in regards to defining issues of concern, alternative solutions and evaluations of program success. Whilst all of these authors suggest that there should be processes for involving those being harmed and those causing the harm, the context in which the occurrence of harm is discussed tends to be narrow with little consideration of all factors and antecedents to harm arising in the first place.

More importantly, from a public policy perspective, there is limited recognition that there should be numerous regulatory bodies involved in policy development (Carrigan, 1995; Chilton, 2000). Involving all public policy bodies would ensure that solutions are comprehensive and address the specific instance of harm *as well as* the various other phases of the harm chain, which may be contributing factors to causing harm, even though these other

groups might fall outside a given regulator's public policy domain. In practice this means that regulators too often only consider how they can address or stop a specific instance of harm rather than addressing fundamental causes, which would most likely involve other regulatory bodies in the development of an integrated solution.

The above discussion illustrates the need for a process that assists in broadening the scope of creating network-wide solutions, as the harm minimization process moves beyond dyadic exchanges towards a network philosophy (Rowley, 1997). As such, an integrated approach involves not only varying the definition and scope of the harmful situation but also broadening the definition of who is involved in the problem and its solution. Not including these broader groups may in fact inhibit how well aggregate harm is reduced. For example, it is doubtful that driving fatalities will be totally eliminated if they are only seen to be a regulatory problem involving driver education and policing. Even relying on vehicle design issues may be insufficient, as road design parameters must also be considered if the issue is to be comprehensively addressed and in some cases safety devices may even result in consumers behaving more irresponsibly (Peterson et al., 1995).

THE HARM CHAIN PROCESS

In this paper we have attempted to bring together two seemingly diverse streams of thought to assist with developing the harm chain concept, i.e., stakeholder theory and public policy. We believe these ideas are tightly interwoven and therefore can be used to expand the boundaries of public policy conception, initiation, and evaluation. For example, we have sought to show how public policy development might benefit from examining "harm" from the perspective of the harm chain, which serves then as a basis for broadening the scope of public policy in terms of encapsulating the entire range of who might be harmed.

In addition, and in keeping with this wider perspective, we have introduced the concept of stakeholder theory as a means for considering the complete span of individuals and entities that may need to be thought of when public policy is formulated and enacted. This paper continues by expanding on the notions of stakeholder theory/management and its related counterpart, the harm chain.

As was mentioned earlier, the stakeholder management process involves six distinct phases (See Table One). The first and second phases involve identifying the stakeholders and then developing a 'stakeholder map', which describes the linkages among stakeholders in the relationship network. Within a harm context this means not only considering who causes harm, who is harmed, and who has the ability to address or seek to redress harm, but also involves identifying those who have the ability to moderate these exchanges, even if they choose not to do so. As such, these networks can quickly become quite complex. However, as will be discussed later, if these early relationships are not accurately specified, it will be difficult, if not impossible, to ensure that all relevant stakeholder exchanges are considered and harm is minimized.

From a public policy perspective, the first two phases are essential in that they lay the groundwork for defining the harm chain. The primary purpose of these phases is to identify the complete range of stakeholders who may be involved and who may need to be considered in public policy development. For example, stakeholder management that focuses on identifying the key players in a harm chain related to public policy initiatives encompassing cigarette smoking would not only consider those harmed by actually smoking cigarettes and second hand smoke but also the consequences of the government's role in the production of tobacco. That is, public policy interventions which focus exclusively on protecting the victims of tobacco use (i.e., smokers and those who inhale second hand smoke) and punishing the assumed perpetrators (i.e., the tobacco companies) could conceivably ignore the impact of

such initiatives on generations of family tobacco farmers who, in some cases, have been encouraged to grow this product because of ongoing agricultural subsidies sponsored by various governments across the global spectrum (Ticer et al., 1987). It might be suggested that these individuals deserve consideration in terms of the harm that will be done to them should programs to decrease smoking nationwide be successful and demand for tobacco decline, even though the health benefits from dealing with the issue are substantial. One stakeholder should not be excluded, simply because their role is deemed to be superseded, by other more important interests.

The third phase of stakeholder management involves identifying the expectations of the various stakeholders within the map and the extent of each stakeholder's investment in the activity (i.e., harm). Identifying each group's expectations is essential. It would be extremely dangerous to believe organizations, or public policy makers, understand what each stakeholder group expects without some systematic evaluation process which in marketing parlance would be akin to assuming one knows what customers want, without ever asking them (Hastak et al., 2001). Hence, defining the scope of these issues is critical to developing successful solutions (Lober, 1997; Hastak et al., 2001). In regards to identifying what these groups have at stake, this is closely related to phase one of the stakeholder process, as this considers how the stakeholder can be directly or indirectly harmed or impacted by the activities of other stakeholders.

Scope definition also relates to the specific interconnections in the network of relationships (i.e. stage 2), as stakeholders are able to use these relationships to indirectly influence organizational outcomes. For example, how activist groups view corporate actions may be very context specific and might even change over time. At one point in time, Greenpeace was perceived to be extremely adversarial in relation to many corporate initiatives, yet in

more recent years they have worked more closely with firms to assist in developing solutions to various environmental problems (Hartman and Stafford, 1997).

Using tobacco again as a framing example, phase three would assume that the expectations of all stakeholders with respect to the pre-production, production, consumption, and post consumption of tobacco products are identified and understood completely. For example, and as was noted with respect to phase one above, public policy makers might not only consider the harm foisted on tobacco producers (i.e., tobacco farmers) as an outcome of tobacco product restrictions but also other consumption related entities, e.g., retailers, in terms of the potentially harmful ramifications that tobacco legislation has on those who derive part of their livelihood from selling tobacco products. Specifically, monitoring the sale of these products such that minors cannot gain access to them involves and necessitates a variety of training programs and information dissemination programs by retailers directed at employees and patrons to ensure that tobacco products are not sold to minors (Jason et al., 1996). Retailer compliance is coerced via the use of warnings, fines, and loss of tobacco sale licenses.

Yet, to what degree has the retailer's voice also been considered? While we are not advocating that prohibitions on the sale of such products to minors be eased, phase three of stakeholder management with respect to completing the harm chain simply suggests that the views and expectations of the retailer be considered in public policy formulation. Specifically, this might include sponsors of public policy initiatives (e.g., the government) providing aid to retailers through employee training and information dissemination processes such that compliance by all parties is enhanced *if* retailers actually desire such assistance.

The fourth phase involves identifying whether gaps exist between stakeholders' expectations and their perception of the performance of the organization/activity. Gaps between perceived performance and expectations are only problematic if they lead to stakeholder dissatisfaction, i.e., fall outside of an individual's zone of tolerance (Doyle, 1992). Understand-

ing stakeholders' performance perceptions is equally important to understanding their expectations. That is, organizations are not effective or socially responsible if stakeholders do not perceive them to be effective or responsible. For example, McDonald's reacted to criticism related to its use of clamshell packaging, even though it is unclear whether the alternatives are less environmentally harmful, i.e., stakeholder perceptions rather than fact dictated policy (Oleck, 1992).

Continuing with the tobacco example noted above, phase four could entail ascertaining the degree to which underage consumers actually obtain tobacco products from a retail establishment (as opposed to relying on third parties, vending machines, etc.) thereby suggesting the scope of intervention on various stakeholders that is actually necessary. That is, it might be discovered that resources, initiatives, and punishments directed at certain retail stores where tobacco products are sold, could, after the gap assessment suggested in Phase five, be at least partially redirected elsewhere in the harm chain and even target other stakeholders (e.g., warnings to older consumers who provide the products to minors and/or incentives to owners/operators/developers of vending machines with the purpose of making these machines less accessible to minors).

The fifth phase in the process involves taking action to address any gaps in expectations. These actions may involve modification of organizational actions to be more consistent with stakeholders' expectations, undertake activities that attempt to modify stakeholders' expectations or some combined approach (Freeman, 1984; Kimery and Rinehart, 1998; Polonsky, 1996; Savage et al., 1991). In all cases, organizations need to undertake activities that reduce gaps between expectations and behavior, thus reducing stakeholder dissatisfaction and therefore ensuring that stakeholders do not inhibit the outcomes of the networks of exchanges. For example, there are many different approaches for involving stakeholder input to corporate decision-making (Zöller, 1999). Simply implementing various consultation processes may be

sufficient for some stakeholders to believe that corporations are listening to their interests, i.e., corporate action (consultation) results in changes in perceptions and reduces any dissatisfaction gap.

For our purposes, the fifth phase might include governmental initiatives to find other (i.e., healthy) alternative uses for tobacco such that the harmful impact of efforts to reduce tobacco consumption is lessened for tobacco producers. Specifically and as noted before, tobacco farmers have been encouraged in the past, via government subsidies, to grow this product. They are members of the harm chain and are, obviously, an important stakeholder whose investment in tobacco may not have been considered in the same vein or degree as those of other stakeholders. One might go so far to suggest that in the past farmers have been extremely effective in terms of lobbying legislators to maintain subsidies and thus were in fact more involved than are those who are harmed (Ticer et al., 1987). The harm chain - stakeholder interface simply suggests that while efforts to curb tobacco consumption certainly have had and will continue to have any number of beneficial outcomes and side-effects, interventions whose aim is focused exclusively on reducing consumption fail to recognize the effects of these initiatives on tobacco producers. Our perspective would ensure that these stakeholders and the ramifications of public policy on them are recognized (Carrigan, 1995). Instead of encouraging the distribution and sale of tobacco products overseas in order to lessen the impact on tobacco producers attributable to smoking programs in the US, the US government might utilize these resources to find alternative uses for tobacco, which then is of benefit to tobacco growers.

The sixth and final phase is re-evaluation, and is not always included in stakeholder management processes, although some authors do incorporate it as an important final stage (Altman and Petkus, 1994; Polonsky et al., 1999). In this phase, one needs to identify whether the various strategies in fact address stakeholders' interests and/or reduce substantial

gaps between performance and expectations. The stakeholder literature is equivocal in regard to the financial success of addressing stakeholders' interests (Griffin and Mahon, 1997; Wood and Jones, 1995). This problem may relate to the fact that organizations undertake activities that in fact do not address the interest of stakeholders, but rather address what organizations perceive to be their interests.

This is, of course, not always the case. For example, in 1998 the Federal Trade Commission undertook a comprehensive review of their 1992 environmental marketing guidelines. This process not only evaluated how well the guidelines had worked, but also identified whether policy changes were needed. The review process involved a diverse range of stakeholders in the exchange network, including submissions from those who were harmed, those causing the harm, and those responsible for addressing the harm (Federal Trade Commission, 1998).

An integrated review of activities, involving all stakeholders including federal, state, and local levels agencies, as well as interested non-profit organizations, who have been and/or are considering a focus on smoking related interventions might allow initiatives that comprehensively consider all stakeholders involved in each stage of the pre-production, production, consumption, and post consumption processes. As suggested in the previous section, such analyses might reveal stakeholders whose interests have not been considered in the same magnitude or valence as others whose likelihood to be harmed may be more readily apparent.

CONCLUSIONS AND FUTURE DIRECTIONS

The harm chain proposed in this paper seeks to examine system-wide harm across the network of stakeholder exchanges, ensuring all relevant parties are considered. In this way the harm chain is a macro approach to evaluating harm. However, to consider the system – wide effects requires that micro effects are considered in each of the four phases. In practice

this means that that within an exchange system there will be multiple actors creating harm, being harmed and responsible for regulating harm. Their degree of involvement may vary by activity, pre-production, production, consumption and post-consumption, or they may in fact be involved across all four activities.

Figure One illustrates the smoking example discussed throughout this paper, providing a cross section of examples that highlight those involved within the various stages. The evaluation of a harm chain would involve multiple issues within each cell, thus allowing the dynamic and complex nature of harm to be comprehensively considered. This ensures that the harm change framework will enable harm to be systemically identified and then tracked, ensuring that public policy processes include all relevant stakeholders and their interests.

PLACE FIGURE ONE HERE

While the paper has introduced the idea of the harm chain, additional research needs to examine how complex harm networks, including addressing harm, actually operate. Such research would need to consider inter-relationships across the four phases of the harm chain, i.e., pre-production, production, consumption, post-consumption. An examination of harm also would need to consider how relationships change or evolve, which is something that most existing stakeholder work ignores. Considering the various exchange phases or how relationships change over time is critical from a public policy perspective, especially given the dynamic nature of relationships and the fact that a given stakeholder can have a differing role with each phase of the exchange network. Within this paper we did not attempt to describe this evolutionary component of harm chains but simply acknowledge and identify that it needs to be addressed.

Cooperation amongst key stakeholders is central to ensuring that firms consider all relevant interests. Businesses cannot address harmful situations on their own because of the diverse range of other stakeholders involved in these situations (Lober, 1997). As such, it is likely that any individual public policy maker needs to work with other stakeholders, including other public policy bodies (Chilton, 2000) to address instances of harm. Thus solutions to broad-based issues of harm require a broader degree of cooperation amongst *all* stakeholder groups (e.g. governments, not-for-profits, consumers and firms).

Whilst it may be difficult for firms to identify the relevant stakeholder groups with whom they should communicate, without attempting to identify relevant stakeholders the firm is more likely to impact these "other" stakeholders in unintended ways. As such, one of the most pressing issues is for firms to identify where unintended harmful consequences might occur and thus the process depicted in Figure One is one tool that can assist with this approach.

There are other tools that might also assist in this process. For example, undertaking social audits might be a mechanism that requires firms to broaden their thinking about their activities and ensure that they do not place profits above all else (Kok et al., 2001). While such an audit *might* enable a firm to identify some of its more apparent harmful activities, it is unclear if this will result in all unintended issues being considered, rather it will most likely allow the firm to identify its performance based on the social issues that it perceives to be of "importance", instead of those identified by its stakeholders. The harm chain can be used to develop a matrix approach where the firm maps stakeholders across the stages of where harm arises (pre-production, production, consumption, post consumption) and then attempt to see how harmful activities can be moderated across the network, as was done in Figure One.

In evaluating their activities, organizations must consider both organizational profits *and* any harm that occurs to stakeholders thereby allowing firms to evaluate different types of

performance and make necessary tradeoffs. However, it is unclear if such actions improve social *or* financial outcomes (Wood and Jones, 1995). In this way, firms consider the full set of exchanges and thus move beyond simple dyadic transactions taking on more of a network approach (Hakansson and Ford, 2002; Wilkinson and Young, 2002). Such a process would require that firms substantially broaden their evaluation of activities using a multi-dimensional perspective of performance which may also require a substantial change in the mindset of the firm's stakeholders such that they recognize the need to consider *all* stakeholders' interests and not only those of their own members (Polonsky et al 1999). Unfortunately, at present there are only limited efforts to measure and value these non-financial impacts and developing a more comprehensive index of organizational performance, such as expanded triple bottom line accounting practices may be required (Walker, 2000), before the stakeholder network or harm chain perspectives can be embraced.

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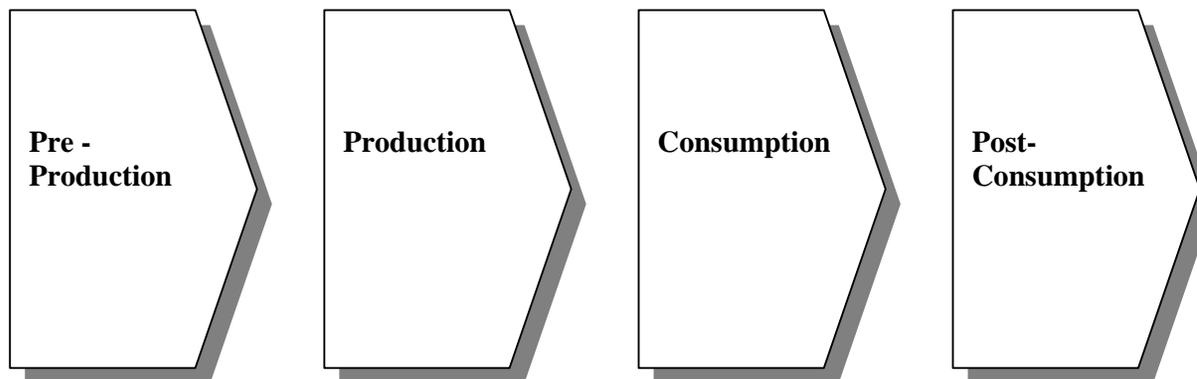
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TABLE ONE
The Stakeholder Management Process
(Adapted from Freeman 1984)

Step	Activities
1	Identification of the salient stakeholder groups in relation to the issue of harm being examined, via a stakeholder audit.
2	Develop map of interconnections amongst stakeholders to identify how they interact.
3	Identify stakeholders expectations in regard to the other stakeholders and issue of concern.
4	Evaluate how well stakeholders' expectations are presently being met in relation to the issue of harm.
5	Develop strategies to reduce undesirable gaps in expectations and perceived performance/involvement. This may involve changes to activities within the network and/or changes in stakeholders' expectations.
6	Monitoring and re-evaluation of programs to determine if strategies have been successful in reducing "gaps" in expectations <i>or</i> in reducing undesirable impacts of stakeholders.

**FIGURE 1
HARM TABLE: TOBACCO EXAMPLE**



Those Causing Harm	Unsustainable tobacco agricultural practices are undertaken to maximize acreage and outputs.	Producers include harmful additives into tobacco, which increase likelihood of addiction.	Individuals choosing to smoke generate harm to themselves (and indirectly negatively harm others as well).	Consumers “produce” second hand smoke and other short term and long term negative consequences.
Those Being Harmed	Young consumers are bombarded with positive images and messages promoting the desirability and acceptability of smoking.	The automation of factories will put unskilled workers out of work.	Retailers potentially lose revenue because regulations reduce patronage from “smoking” customers.	Workers in traditionally smoky environments (bars, clubs etc) exposed to harmful secondary smoke.
Those Regulating Harm	Regulators prohibit promoting cigarettes which inhibits investment in develop less harmful products.	Regulations controlling product’s characteristics or additives in one country result in more harmful products being produced in less regulated environments.	Government restricts marketing and consumption of products.	Requirements that warnings are placed on products to identify potential harmful impacts on unborn children.