**Introduction**

To understand a business is to understand the relationships with and among its stakeholders -- the groups having a stake in the activities making up the business ([11] Freeman *et al.* , 2007). Stakeholders can pave the way and make it easier to execute a strategy. They can also create resistance and make it difficult or impossible for the firm to realize its mission. Establishing communication with them is critical and is one of the CEOs major responsibilities. Stakeholders abound. It would be a rare firm, indeed, where only one relevant stakeholder group was identified. Identifying the target groups from among the many possibilities is an essential prelude to communication. One-way CEOs carry out this communication task is to address, specifically, the interests and needs of each individual stakeholder group. Another way, the multi-stakeholder approach, involves finding the commonalities in behaviors and interests among a complete set of stakeholders and then communicating to them as one audience. Customers, suppliers, employees, communities, and financiers - all those in the value creation process - would typically comprise that set. This study examines both of these ways of viewing and communicating with multiple stakeholders through annual report letters.

**Descriptions of stakeholder groups**

The corporation's role as a social institution, with responsibilities extending beyond its shareholders to include other stakeholders, has been discussed in the management literature for decades ([4] Davis, 1960; [5] Drucker, 1946; [6] Fassin, 2009; [17] Johansen and Nielsen, 2011). In 1984, Freeman defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" ([10] Freeman, 1984). The concept has evolved over the years and has attracted the attention of an increasingly larger set of interested parties and volumes have been written about it. [6] Fassin (2009) reported that several academic journals have dedicated special editions to the stakeholder concept. On a similar note, [17] Johansen and Nielsen (2011) pointed out that policymakers, regulators, non-governmental organizations (NGOs), and the media are paying more attention to stakeholders. Researchers have also noted the impact on the stakeholder concept of the social media, which not only allows stakeholders to express their opinions and build constituencies, but also shifts the center of communication from organizations to issues and topics ([18] Luoma-aho and Vos, 2010). While proposing a rethinking of both stakeholder theory and ethical theory, Freeman and his co-authors offered the definition that "... stakeholders are moral agents as well as members of groups such as 'customers,' 'communities,' 'shareholders' etc... ([12] Freeman *et al.* , 2010). Also suggesting a refinement of the definition, [6] Fassin (2009) proposed that stakeholder activities can be divided into three groups "...the stakeholder who holds a stake, the stake watcher who watches the stake, and the stake keeper who keeps the stake."

Some of the different ways of thinking about and describing stakeholders are normative classification when the extent of agreement is not considered, normative classification when the extent of agreement is not assumed, multiple roles, and the multi-stakeholder approach.

**Normative classification when the extent of agreement is not considered**

According to this classification method, people or other entities are categorized normatively into stakeholder groups and are separated from each other by neat, rigid boundaries. Employees, customers, suppliers, and communities and other groupings are common members. The classification scheme is useful to firms, particularly when trying to understand and describe how various constituencies (i.e. stakeholders) might react to a particular corporate initiative. A firm's decision to use only recycled materials in the manufacturing process may delight environmentalists. The same decision might raise the ire of shareholders fearing reduced dividends.

**Normative classification when agreement is not assumed**

It is clear to some observers that normative assignment to a group is convenient but does not ensure that members agree on the pertinent issues. Investors, for example, may not agree with each other and different employees will have different needs. From the above example, just because they are environmentalists does not necessarily mean that all in that group will be as supportive of the initiative. People may not even know they are identified with a particular stakeholder group.

**Multiple-roles**

People and groups, depending on their roles, can occupy more than one stakeholder classification at the same time. Boundaries between groups have blurred, as corporate relationships with stakeholders have grown more complex ([14] Goodman, 2006; [19] McVea and Freeman, 2005). Employees might also be shareholders. In this role they might view a corporate cost-cutting proposal differently than shareholders who are not employees.

**Multi-stakeholder approach**

Communicating with multi-stakeholders is a matter of understanding what appeals to all relevant groups simultaneously. Attention is paid to the commonalities rather than the differences among a complete set of stakeholder groups. As [17] Johansen and Nielsen (2011) pointed out, "...corporations should be aware of discursive practices and conventions within the various stakeholder groups they address." Borrowing from nature, a school of fish bears enough of a resemblance to the more abstract multi-stakeholder concept that it's a useful analogy. The common element, which is discussed further below, is that communication and action can occur quickly, without the impediment of a hierarchical structure. A complete set is a collection of readily-identifiable stakeholders involved in the entire value creation process ([11] Freeman *et al.* , 2007). At a minimum, customers, suppliers, employees, communities, and financiers are included. This set might be somewhat different in different organizations or at different times in an organization's life cycle, but most likely only slightly different. Whatever the case, the organization's commitment and communication must take the interests of all members of the complete set into consideration. The approach, resembling Adam Smith's ideas of producing the greatest good for the greatest number, depends heavily on the connections and networks among the complete set ([11] Freeman *et al.* , 2007).

**Annual report letters**

The annual report letter, often called the shareholder letter, is generally written once a year and is included in the beginning of the corporation's annual report. Written by one or more top executives, and providing a broad overview of the firm's operations and basic financial results for the year, the letter also generally discusses its current position in the market, and some of its future plans ([3] Bowman, 1984). The letter is not required, nor are there standards, or content requirements ([13] Geppert and Lawrence, 2008). As [3] Bowman (1984) observed, CEOs consider annual reports to be a major communication channel to reach many constituencies. An understanding of language and ideology are important in this process of written communication as noted by [9] Fox and Fox (2004):

Through the medium of writing a [corporate public discourse] CPD communicative event is given precision ... writing gives both the producer (a corporation) of a CPD communicative event and the receiver (stakeholders) of a CPD communicative event an increased awareness of the social context of their interaction (relations of power), of the importance of a community of writers (the corporate management discourse community), and of an exclusive language of that community (CPD).

Annual report letters have become a multi-objective, multi-audience medium of corporate communication and could be considered elements of the mass media ([1] Anderson and Imperia, 1992). They are often directed to large audiences as is the case of Procter and Gamble (see Table I [Figure omitted. See Article Image.]) with more than two million stockholders. And they deliver their messages without personal contact or immediate feedback. Objectives include communicating the company's philosophy and its personality; announcing new product introductions, executive appointments and resignations; justifying mergers and acquisitions; and reporting earnings, dividends, and new stock issues. Based on their study, [13] Geppert and Lawrence (2008) suggest that executives use the letter as a tool of reputation management. Significant, high-profile topics, are typically introduced by the CEO in the letter accompanying the report, with further details included elsewhere in the report. Audiences include stockholders, for whom the report was originally intended, as well a variety of others including potential customers, prospective investors, and financial analysts to name just a few.

Who actually wrote the letter can make a difference when examining them down to the level of the actual words used and their frequency. Are they written solely by the CEO, by the staff, or a combination of the two? Without answering the question directly, [3] Bowman (1984) observed that CEOs typically provide the outline for the report's contents followed by proofreading and changes. It is assumed in this study that the letters were written by CEOs. CEOs' use of multi-stakeholder approaches in communicating is examined in this paper. Patterns discerned in the approaches will be noted.

**Research questions**

The contents of CEOs' annual report letters for ten of the world's largest corporations were analyzed. The specific research questions addressed were:

*RQ1.* Do CEOs recognize more than one group of stakeholders in their annual report letters?

*RQ2.* To what extent do CEOs use a multi-stakeholder approach in corporate communications?

*RQ3.* What patterns, if any, are noticeable when CEOs communicate with more than one stakeholder group, but outside the parameters of the multi-stakeholder approach?

**Methodology**

The sample in the study, as shown in Table I [Figure omitted. See Article Image.], consisted of the ten largest US companies in 2009, ranked according to market value, publishing an annual report letter. Market value or capitalization is determined by multiplying the per share stock price by the number of shares of stock outstanding. Apple Inc., which would have ranked fifth, is not included in the sample because the company does not publish an annual report letter. IBM, which would have ranked eleventh, was added to round out the list. Table I [Figure omitted. See Article Image.] also includes shareholder and employee numbers for each company. Berkshire Hathaway Inc. was included in the study because it is the fifth largest US firm based on market value. The company's letter stands apart from the others in the sample. Written by Warren Buffett, it is one of the best-read, and most-quoted, and most-anticipated documents each year. How popular is the letter? The banner across the top of the Business and Finance section of *The Wall Street Journal* included Buffett's photo with the phrase "Online Today: Buffett's Annual Letter at WSJ.com" ([24] The Wall Street Journal, 2011). It is also the longest. Containing more than 10,000 words (see Table II [Figure omitted. See Article Image.]), it is five times larger than the median. Buffett is known for his successful investing and his billionaire status. He is also known for his writing ability, a way of making ordinary people think they, too, could learn the investing principles he uses. Buffett's letter attracts a following far beyond the shareholder ranks of the company.

Whole Foods Market was the model against which sample companies were compared. Its selection was based on the company's identification by R. Edward Freeman and his colleagues as "a prime example of this multi-stakeholder approach" ([11] Freeman *et al.* , 2007) and not because it was comparable on any significant measures. The company's market value (see Table I [Figure omitted. See Article Image.]) at $6.23 billion is considerably smaller than IBM's, the smallest firm by that measure in the sample. With 45,300 employees and 1,547 shareholders, Whole Foods is smaller than all but one sample firm, Google, where the comparable numbers are 19,835 and 2,811 respectively.

For *RQ1* (Do CEOs recognize more than one group of stakeholders in their annual report letters?), content analysis was used to determine the presence of references to stakeholders and stakeholder groups by name within the annual report letters of the ten companies in the sample. The analysis was aided by AntConc ([2] Anthony, 2007) text analysis software, which was used to scan the letters. The Keyword List feature of this tool shows which of a target document's words are unusually frequent (or infrequent) in comparison with the words in a reference corpus. Comparisons were made between the ten target companies' (that is, the sample companies) letters one at a time and Whole Foods Market's letter, which was the reference corpus letter. Names of stakeholders and stakeholder groups comprised the resulting keyword list. Keywords were ordered according to Keyness, indicating statistical significance of their frequency in target files compared to the corpus. The statistical measure used to assess Keyness is log likelihood where *G* *2* is the value calculated. References to groups, organizations, and individuals reaching statistical significance at *p < 0.01* or *p* < *0.05* are considered stakeholders ([16] Hutt, 2010) for purposes of this study.

To answer *RQ2* (To what extent do CEOs use a multi-stakeholder approach in corporate communications?), stakeholders identified for the first research question for each company were compared to [11] Freeman's (2007) minimum list for a multi-stakeholder approach: customers, suppliers, employees, communities, and financiers. A company is considered to be using a multi-stakeholder approach if significant references to all stakeholders on the minimum list are identified in its letter. The Flesch Reading Ease measure was also used ([7] Flesch, 2011). This measure was used by researchers in their recent study of the readability of mission statements of companies of approximately the size of those in the present study ([23] Sattari *et al.* , 2001). Flesch scores range from 0 to 100; the higher the number the easier the text is to read. College graduates should be able to understand text with scores from 0.0 to 30.0. Eighth- and ninth-graders find text easy to understand when scores are in the 60.0 to 70.0 range. For this study a ten-point range bracketing the Whole Foods, because it's the model, score of 50.6 was used. Therefore, 45.6 to 55.6 were used as the standard range (neither difficult, nor easy) for purposes of the analysis. Readability formulas have flaws and must be used with caution ([26] US Securities and Exchange Commission, 1998). The Flesch Reading Ease measure, in particular, is computed from a count of the numbers of syllables and words in a sentence and the number of sentences in a document yet it does not take into account the content of the text material itself. Word types offer another method of analysis within the context of multi-stakeholders. Each uniquely different or separate word according to AntConc is a word type. A generic message for a mass audience, it is assumed, would contain fewer word types while one directed to a narrowly-defined group might be filled with jargon and technical language; that is, contain many word types. Additional information can be gleaned from the data when combined with word counts to calculate word types as a percentage of word count, also in Table II [Figure omitted. See Article Image.]. [13] Geppert and Lawrence (2008) referred to this as the variety index, useful for determining the heterogeneity of wording in a text, when they compared the annual report letters of high corporate reputation firms with those of low corporate reputation firms.

In addressing *RQ3* (What patterns, if any, are noticeable when CEOs communicate with more than one stakeholder group, but outside the parameters of the multi-stakeholder approach?), a particular methodology was not employed. Results of the study will be viewed from an overall perspective and observations will be noted.

**Results and discussion**

Regarding *RQ1* (Do CEOs recognize more than one group of stakeholders in their annual report letters?), analysis of the ten companies' annual report letters found that some CEOs recognized more than one group of stakeholders as shown in Table III [Figure omitted. See Article Image.]. Beyond merely acknowledging stakeholder groups, however, there is a need to address a complete set of stakeholders, readily identifiable, with a direct and vital interest in the firm's value creation process. The purpose is to satisfy multiple stakeholders simultaneously rather than summing initiatives for individual stakeholder groups. Thus, finding commonalities for appealing to and communicating with multiple stakeholders is important. As shown in Table II [Figure omitted. See Article Image.], one company's letter referred to two stakeholder groups in the complete set, seven referred to one of the set, and two made no references at all. Those references did not confirm a multi-stakeholder approach in their corporate communications.

With respect to *RQ2* (To what extent do CEOs use a multi-stakeholder approach in corporate communications?), and as shown in Table II [Figure omitted. See Article Image.], annual report letters in the study exhibit some noticeable contrasts among the companies. Word counts ranged from 859 to 10,866, with a median of 2132.5 for the ten firms. A Kendall's Tau=-0.24 correlation statistic indicates a weak negative relationship between firm size and word count; that is, the larger the firm the fewer the words. Large ranges were also observed in other measures, such as 22.3 to 65.1 in Flesch Reading Ease scores. The spread in word types was from 406 to 2,652. Unlike any of those in the sample, the salutation of the Whole Foods Market's 2009 annual report letter was "Dear Fellow Stakeholders."

Reading ease measures and word type counts provide additional ways of looking at the multi-stakeholder approach. They also help frame the discussion of commonalities as well. This study uses 45.6 to 55.6 on the Flesch scale as the standard range (neither difficult nor easy). The assumption is that text in that range would be read with ease, by the diverse group of stakeholders. Higher numbers indicate that the text is easier to read. A total of three companies were within that range as shown in Table III [Figure omitted. See Article Image.], while two were above and three were below. This may indicate that the annual report letters were not written with multi-stakeholders in mind. Again, the point is that the target audience is comprised of a diverse and complete set of stakeholders. If it's too easy to read it may not be capable of addressing financial, technical, or related issues. If it's too hard it may cause some readers to skip over important content. As shown in Table III [Figure omitted. See Article Image.], the number of word types ranges from 406 to 2,652.5, with a median of 876.5 words. Whole Foods Market's letter contained 819 words. Whole Foods as the model is rated at 39.4 percent while the median for the sample is 34.4 percent. That comparison may suggest that the sample firm's letters may contain too few word types for addressing multi-stakeholders. More variation among groups in terminology used could be expected given that a complete set consists of customers, suppliers, employees, communities, and financiers.

Observations prompted by *RQ3* (What patterns, if any, are noticeable when CEOs communicate with more than one stakeholder group, but outside the parameters of the multi-stakeholder approach?) highlight some of differences among sample members. A multi-stakeholder approach targets a complete or minimum set of stakeholders for communication. Does this describe CEOs? The present study looked at one medium of communication - annual report letters - and found that the answer is no. CEOs mentioned relatively few stakeholders to a level of significance in their letters. For example, for ExxonMobil the focus was on the industry and shareholders, for Procter & Gamble it was consumers, and for Wal-Mart it was associates (employees). Given that its large number of shareholders (more than a half-million) comprises a mass audience, it would be expected that ExxonMobil's letter would be easy to read and relatively free of jargon. The company is also the largest in the country in market value, so it seems reasonable that communications would be read by a wide audience of prospective investors, and other interested parties. The letter, however, is difficult to read, the word count is low while the ratio of word types to words is high indicating the presence of jargon and technical language. Clearly, the letter was not written with a multi-stakeholder audience in mind. Procter & Gamble, with more than two million shareholders, publishes a letter that is easy to read and relatively free of jargon yet without a multi-stakeholder focus. Wal-Mart's letter, which is one of the easiest to read in the sample, seemed to be speaking to and about its employees, with little attention paid to other stakeholders. In other words, there is no evidence to date of the use of a multi-stakeholder approach in corporate communications. It should be noted, however, that this study's focus on only one medium and the small sample are limitations. The possibility that CEOs are addressing stakeholder groups through other channels, such as social media, occasional mailings, or meetings, should be considered.

**The multi-stakeholder approach and the school of fish**

Few scenes in nature are more serene than a school of fish in cool waters. Adults and children alike watch in amazement as dozens of individual fish move, en masse, as one organism, speeding up, slowing down and swimming together in any direction they seem to choose. How do they do it or why do they do it observers often ask. Researchers say this wonder of nature is made possible by a type of communication coming into play among the fish, especially when faced with opportunities or threats ([25] Tu and Sayed, 2010). "Messages" are transmitted through the school, functioning as a network, to each individual fish. The movement of a single fish toward food or away from predators is the signal for adjacent fish to follow, and to follow immediately. Likewise, fish adjacent to those fish follow accordingly ([21] Miller, 2010). Instantly, the entire school moves in a new direction, a process to be repeated again seconds later. It's a network, not a hierarchy, and operates without a 'boss fish' that might actually slow the school's reaction time.

The "what's good for one is good for all" behavior of the school is analogous to the desired behavior of multi-stakeholders when assembled into a complete set. Finding commonalities that appeal simultaneously to multiple stakeholders - consumers, suppliers, communities, employees, and financiers - is the key ([11] Freeman *et al.* , 2007). Value is created by guiding and coaching joint stakeholder interests into roughly the same direction. Corporations are finding ways of putting this network approach into practice and without involvement of the management hierarchy, which, as is true in a school of fish, could slow reaction time. It's a decentralized group of self-directed individuals, acting on very localized information that can react very quickly to the environment. Like the fish in a school, each member of a complete set keeps an eye on the close-by member. The collective abilities of these individuals - none of which can see the big picture, contribute to the group's success.

In its published stakeholder philosophy, Whole Foods Market speaks to the commonalities among its stakeholders as, "Our goal is to balance the needs and desires of our customers, Team Members, shareholders, suppliers, communities and the environment while creating value for all. By growing the collective pie, we create larger slices for all of our stakeholders." ([27] Whole Foods Market, 2010). Similarly, a DuPont CEO stated, "We have traditionally identified four stakeholder groups important to DuPont **-** shareholders, customers, employees and society ... that set provides us with an enduring template for identifying and engaging the people and groups who are vital to the continued success of our enterprise." ([15] Holliday, 2006). As a third example, Nestle describes its position as, "To create value for our shareholders and our company, we must create value for people in the countries where we are present. This includes the farmers who supply us, the employees who work for us, our consumers and the communities where we work" ([22] Nestle, 2011).

**Implications**

Companies desiring to maintain communication with stakeholders in an environment of close and frequent communication may well consider a multi-stakeholder approach. The approach resembles a school of fish in that it operates as a network rather than as a hierarchy, thereby allowing communication and quick action among stakeholders. The appropriate annual report letter in this case should be focused on the broader audience relying on it for information and knowledge about the company. Mostly, this involves writing to consumers, suppliers, communities, employees, and financiers in the one letter, a departure from the practice of writing a letter presumably only for shareholders. Identification of the groups making up the target audience should be clear to the reader, as should be the reasons why each is included. It is recommended that a company desiring to implement a multi-stakeholder approach should:

- articulate its values and principles, and what it stands for;

- identify the long list of stakeholders;

- narrow to a short list of those most directly related to the value creation process, realizing that it would be a relatively small yet complete set, and most likely including consumers, suppliers, communities, employees, and financiers;

- confirm the commonalities in interests and behaviors among those on the short list;

- ensure that the desires and needs of the complete are kept in balance while informing each stakeholder who the others are and their importance to the mission;

- recognize that stakeholders are interdependent, with the flexibility to function without corporate oversight; and

- use a variety of media, including social media, in company-to-stakeholder communication and facilitate stakeholder-to-stakeholder communication.

**Summary and conclusions**

Annual report letters have been described as a multi-audience medium of corporate communication. Evidence to support that claim, however, was not found in the present study. Even though the letters may have been widely-read, they appear to be directed to a narrowly-defined audience. A number of stakeholders were acknowledged, but in most cases only one was mentioned with significant frequency. The lack of recognition of more than one group also means that the study's CEOs were not using the multi-stakeholder approach. This would have required finding commonalities in behaviors and interests among customers, suppliers, employees, communities, and financiers and then communicating to them as one audience. Clearly, something they were not doing. Two companies did not give significant recognition to any of the five stakeholder groups, and none of the companies recognized suppliers or communities. CEOs may have used the multi-stakeholder approach in conjunction with multiple channels of communication, and it's possible that they did. However, that was not a focus of the study.

A recommendation of the study is that annual report letters should be focused on the broader audience relying on it for information and knowledge about the company. Mostly, this involves writing to consumers, suppliers, communities, employees, and financiers in the one letter. To be most effective, the writer should refer frequently to the individual groups while also acknowledging what they have in common.

Future research on the topic should include the redesign and replication of this study to produce more robust results. The sample size should be increased, the number of different industries should be expanded, and communication channels should be added to the single medium (i.e. annual report letters) used in the present study. The firm's growth, development, and changes in its environment are sure to impact its stakeholders. Finally, more needs to be known about how different stakeholder groups relate to each other as members of a complete set and how the complete set interacts with the company. A context, analogous to a school of fish, for thinking about the multi-stakeholder approach, was discussed and recommendations for implementing it were proposed.