

HELSINKI UNIVERSITY OF TECHNOLOGY

Department of Civil and Environmental Engineering

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IMPROVING STAKEHOLDER INTERACTION AS PART OF
CORPORATE RESPONSIBILITY – CASE ENVIRONMENTAL
MANAGEMENT

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HELSINKI UNIVERSITY OF TECHNOLOGY
 ABSTRACT OF MASTER'S THESIS
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<p>The purpose of the thesis was to bring out the potential of stakeholder interaction and to find methods to help realise the expectations of stakeholders. The communication of environmental issues as part of corporate responsibility was selected as the primary object of the study.</p> <p>The method used was a multiple case study of three corporations and the analysis of their current states of environmental interaction and relationships with stakeholders. The empirical material was collected from surveys conducted by the companies, and the theories tested were stakeholder typologies that categorised the stakeholders by attribute and then suggested appropriate strategies.</p> <p>The conclusion of this thesis is that communication can be improved in stakeholder relationships by categorising the stakeholders and developing stakeholder-specific strategies. The case study companies were found to be advanced in environmental communication and only some stakeholder relationships needed reassessing. The categorisation of stakeholders systematises their interaction. To conclude the theories, the typologies of Savage and Mitchell may be used to assess stakeholder relationships in environmental issues.</p>		
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<p>Tutkimuksen tavoitteena oli tuoda esiin sidosryhmävuorovaikutuksen potentiaali ja löytää menetelmiä auttamaan sidosryhmien odotuksiin vastaamisessa. Tarkastelun kohteeksi valittiin vuorovaikutus ympäristöasioista osana vastuullista liiketoimintaa.</p> <p>Tutkimusmenetelmänä käytettiin tapaustutkimusta kolmesta yrityksestä. Tutkimuksessa analysoitiin yritysten tämän hetkistä ympäristöasioiden vuorovaikutusta ja sidosryhmäsuhteita. Empiirinen materiaali koottiin kyselyllä. Teorioita sidosryhmä jaottelusta sidosryhmien ominaisuuksien perusteella ja sidosryhmille ehdotetuista strategioista testattiin niiden soveltuvuudesta ympäristöasioihin.</p> <p>Tutkimuksen tuloksena voidaan todeta että sidosryhmävuorovaikutusta voidaan parantaa jaottelemalla sidosryhmät ryhmiin ja kehittämällä ryhmille omat lähestymisstrategiat. Tutkimuksen tapausyritysten vuorovaikutuksen todettiin olevan edistynyttä ympäristöasioissa ja että vain muutamat sidosryhmä suhteet tarvitsevat lisäarviointia. Sidosryhmä jaottelu systematisoi vuorovaikutusta sidosryhmien kanssa. Lopuksi voidaan teorioista todeta, että Mitchell:n ja Savage:n teoriat sopivat sidosryhmäsuhteiden arviointiin ympäristöasioissa.</p>		
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1 Introduction

1.1 *Background to the study*

What does responsibility mean to business? Corporations are an integral part of society and their actions and attitudes reflect considerably on it. Employees, customers, owners and authorities have a common interest and a shared responsibility to act ethically in all aspects of business: economic, social and environmental. Responsibility is understood differently in different environments, but a company's primary responsibility is to operate within the laws and regulations laid down for it.

Environmental management is often perceived to be little more than operating (and reporting) an environmental management system, but it is much more than that. An environmental manager has to know their field of operations and what is expected from the company, and interaction with stakeholders helps immensely with these tasks. Environmental management often means evaluating the benefits that environmental investments create, as well as an awareness of the general well-being of their surroundings and more specific issues such as permitted emission levels.

The stakeholder dialogue aims to fulfil the needs of both partners: the stakeholder and the company. Stakeholder interaction and the improvement of responsibility in business operations are closely linked: once the interaction channel is open, other factors that could improve companies' operations can emerge in stakeholder-related events or situations. This stakeholder interaction should not just be a communication of last resort – the benefits are often overlooked if the message is not directed to the right people, although a company can improve its financial performance through an enhanced reputation and image.

1.2 Purpose of the study

The purpose of this study is to highlight the potential of stakeholder interaction to companies and to search for methods that will help their businesses respond to the needs of their stakeholders. The goal of this thesis is to systematise the stakeholder interaction as a part of promoting corporate responsibility and, in particular, its environmental aspects. The typologies of Mitchell and Savage were selected as the best approach – these typologies were created to categorise stakeholders and provide suggestions for strategies specific to stakeholder types. Previous studies dealt with environmental communication or stakeholder relationships from the viewpoint of corporate social responsibility, and did not consider the environmental perspective of stakeholder interaction, and no-one in Finland has extensively researched the environmental aspects of stakeholder interaction.

The objectives of the thesis are as follows:

- To analyse the framework of stakeholder relationships
- To consider recommended actions for improving stakeholder dialogue in corporations

The basic question for this study is: *how to improve the communication of corporate responsibility in stakeholder relationships?*

In addition, the following issues are considered in the context of environmental management:

- How to systematise stakeholder interaction
- How stakeholder relationships should be categorised
- How companies relate to their stakeholders
- Possible stakeholder strategies

1.3 Methodology

The use of information is a basis for classifying scientific researches, which are often divided into 'descriptive' and 'normative' (Olkkonen 1993). In this thesis, the normative research method is used, which aims to find results that can be used as guidelines when developing and planning operations.

Researchers using the hermeneutic approach try to understand the inner connections and change processes of the phenomenon in a situation where a statistical investigation of a large data set cannot be made. In the hermeneutic approach to research, the primary issue of gathering the data is how the researcher understands it; observations and processing of the research are mainly qualitative and based on the perception of the researcher. These researches are often called case studies. In addition, this research includes some positivistic features because quantitative material is also processed. It is accepted as standard in business economics that different research methods can be combined in a single study. (Olkkonen 1993)

According to Olkkonen, one of the hermeneutic research approaches is action-oriented so that steps are taken to understand the problem in question and sometimes put changes in place. The problem usually concerns the functions related to companies' operations, where people and their actions are part of the problem. The data and its processing are empirical, even though the empiricism is usually represented by only a few target entities, which can create generalisation problems. This means the results are often only recommendations. In this action-oriented approach, the validity of theories created under other conditions can sometimes be tested in case studies, where the hypothesis concerns the applicability of the theories in new conditions.

The research method of this study is a multiple case study based on the action-oriented approach of the hermeneutic research concept. The general features of case studies are the intensive and detailed information on a small number of cases, and the resultant difficulty in generalising from them. (Järvenpää & Kosonen 2003)

In the case studies, qualitative and quantitative methods are used to complement each other. Qualitative material was collected from publications and interviews with key personnel in the case study companies. Quantitative data was gathered through a questionnaire, which has the advantage of being able to be sent to a large sample and the results quickly analysed with statistical methods. The main disadvantages of questionnaires are that they are often prepared at too early a stage of the research, are subjective and have a low response rate. (Hirsjärvi et al 2004)

According to Hirsjärvi, et al, there are three possible types of questions in questionnaires: open-ended, multiple-choice and scale-based. (Hirsjärvi et al 2004) In this survey, seven scale-based and six open-ended questions were used. The questions were sent to 30 people from the middle management of the company concerned, and the contact persons from the companies chose the samples.

In selecting the companies, the amount of possible interactivity with stakeholders and the resources that the firms possess to participate in this research were considered. In the end, the following companies were selected: Helsinki Energy, UPM-Kymmene and Rautaruukki. The scope of the research is the companies operations in Finland and their relations with national stakeholders; they are all high-profile Finnish companies and operate in energy-intensive industries.

The research process began in June 2004 and the thesis was completed in December 2004. The research process is shown below in

Figure 1:

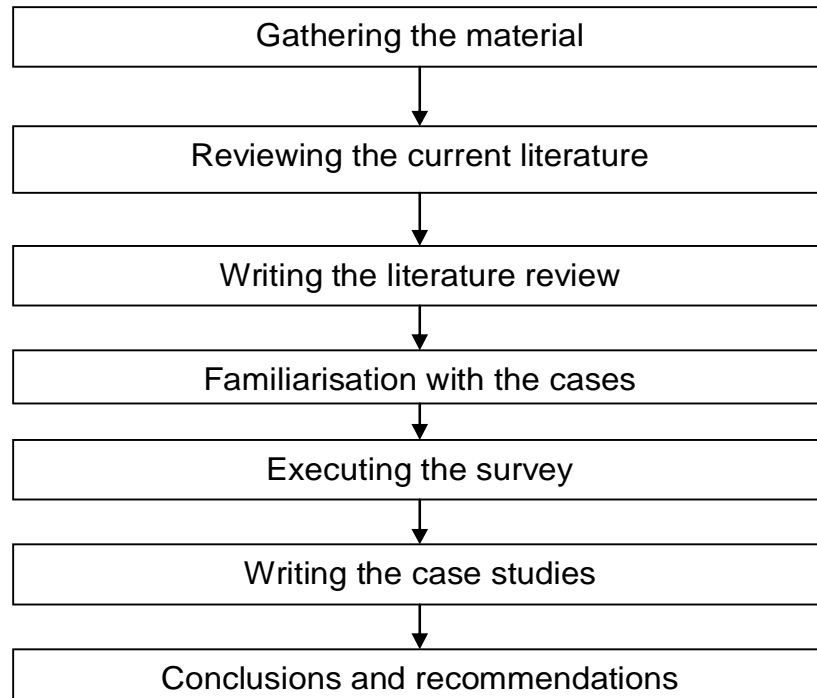


Figure 1. The research process

1.4 Structure of the assignment

The literature study expands the knowledge of stakeholder relationships and dialogues – current articles and publications are examined and essential information selected. The literature review starts with the definition and methods of corporate responsibility, then continues with an introduction to the stakeholder framework. The different stakeholder relationship categories and interaction methods are presented in their own chapters. The analysis of research results follows the literature study and the case studies will serve as a blueprint for future studies. The conclusions of the cases and the literature are presented in a dedicated chapter and then the strengths and weaknesses of the assignment are considered, followed – finally – by the conclusions.

2 Literature review

2.1 Business and environment

Environment, business and society are often seen as separate entities, but this is not really so. The object of this research is environmental issues and the relating interaction that forms the basis for successful environmental management. The term ‘environmental management’ is not much used in this thesis but will be naturally integrated in its line of thought, as it should be in everyday business.

2.1.1 Definition of corporate responsibility

Defining concepts is important to give the reader the right image and to minimise misunderstandings. The terms ‘corporate responsibility’ (CR) and ‘corporate social responsibility’ (CSR) are used interchangeably here if their definitions overlap in an environmental context. The overlap can be explained because the stakeholder relations are often considered to be a part of social responsibility.

The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility as “*the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life*” (WBCSD 2002).

The International Chamber of Commerce’s (ICC) suggestion for a definition of corporate responsibility from a business perspective is “*the voluntary commitment by business to manage its activities in a responsible way*” (ICC 2002), which is very close to the European Multi Stakeholder Forums Definition of CSR as a “*concept whereby companies integrate social and environmental concerns in their business operations and with their stakeholders on a voluntary basis*”. The Forum has concluded that management’s commitment is highly important in driving CSR forward, and that the essence of CSR is to go beyond and above legal requirements and be more altruistic (European Multi Stakeholder Forum on Corporate Social Responsibility).

The definition used in this study follows the definition made by the Confederation of Finnish Industries and Employers (TT – currently the Confederation of Finnish Industries EK) of what corporate responsibility means for business. The TT definition can be summarised as securing long-term profitability, managing the reputation risk, and the development of corporate and product image. Corporate responsibility and sustainable development are closely related terms, and the basis for both definitions is drawn from economic, social and environmental responsibility. Corporate responsibility can be considered to be the implementation of sustainable development in business (TT Yhteiskuntavastuu 2004).

2.1.2 Three elements of corporate responsibility

The three elements of corporate responsibility (economic, social and environmental) are all important, but this thesis concentrates on environmental responsibility. Social responsibility is also included to some extent because stakeholder relations are often considered to be a part of it.

Environmental responsibility includes care of the environment and natural resources; protection of water, air and land; prevention of climate change; supporting biodiversity; and the efficient use of natural resources. From a business point of view, the environmental responsibility of the product and its effects on the environment are an important consideration. (TT Yhteiskuntavastuu 2004)

In the long term, the profitability of operations forms a foundation for corporate responsibility. Economic responsibility is about meeting profit expectations and participating in the creation of society's economic welfare. A profitable business is also a sustainable one (TT Yhteiskuntavastuu 2004).

Social responsibility means transparency of business operations, use of accepted policies, and respect for stakeholders' perceptions of responsible and ethical business. Social responsibility covers relationships with communities and promotion of non-profit functions (TT Yhteiskuntavastuu 2004). Niskala and Tarna also give examples of direct and indirect responsibility: the responsibility to one's own

employees and the responsibility to one's supply chain working conditions, respectively (Niskala & Tarna 2003).

An essential function of responsible business is to understand the values and focus points of your own operations – a company's accountability is not always limited to its legal responsibilities in the minds of stakeholders. When defining a company's responsibilities, those operations under the company's influence (and not just under its ownership) should be taken into consideration (Niskala & Tarna 2003).

Every business sector has its own special focus points when defining corporate responsibilities. In the energy sector, for example, the environmental effects of production and the relation between renewable and fossil fuels are understandable focus areas, whereas in the steel industry, the recyclability of materials and the CO₂ emissions are important.

The size of the corporation does not always reflect its impact on the community. Larger scale firms have more power and so also more responsibilities. For multinational companies, the different legal and moral obligations vary from country to country, but companies should try to follow the same ethical principals as they do in their own countries (Niskala & Tarna 2003).

2.1.3 Tools for promoting corporate responsibility

According to Panapanaan, et al, corporate responsibility in Finland is derived from legislation – regulations, taxes and recommendations guide businesses to conduct themselves in a responsible manner (Panapanaan, et al 2003). The regulations concerning CR are mainly EU directives and standards for financial statements, with the EU running an environmental management and audit scheme (EMAS), which is a voluntary environmental standard that includes audited environmental reporting (Niskala et al 2004).

A corporation needs tools designed for effective stakeholder management. Different organisations have developed guidelines for corporations to find their way in corporate responsibility. The most used guidelines include:

- Global Reporting Initiative (GRI)
- AA1000 Standards
- The OECD Guidelines for Multinational Enterprises, amongst others
- UN Global Compact

The Global Reporting Initiative (GRI) was planned to be a long-term, multi-stakeholder, international process with a mission to develop globally-applicable sustainability reporting guidelines. These guidelines are a voluntary measure for organisations to report on the economic, environmental and social issues of their performance (in these three fields) in a balanced and truthful way by helping them compare their performance in relation to different standards (GRI 2002). It can be argued that GRI is merely a reporting tool, but it can also be a tool for companies to re-assess their strategies and create comparative information for reports and other publications.

AccountAbility 1000 (AA1000) is a process standard to assist an organisation in the definition of goals and targets developed especially to handle stakeholder issues, the measurement of progress made against these targets, the auditing and reporting of performance, and feedback mechanisms developed by the UK's non-profit Institute of Social and Ethical Accountability (ISEA). The standard has been criticised for its complexity, but it is constantly being revised from its first edition, published in 1999. AA1000 and ISO14001 both stress the importance of continual improvement in processes (Niskala & Tarna 2003).

The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws, and form the principles for different parts of business ethics that include employment and industrial relations, environment, fighting corruption, consumer interests, science and technology,

competition and taxation. Guidelines are meant to prevent misunderstandings and build trust and predictability between different actors in society (OECD 2000).

The UN Global Compact initiative is a network of companies, UN organisations and non-governmental organisations motivated to challenge companies to work towards good corporate citizenship. The Compact's ten principles are based on The Universal Declaration of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption. Three of the ten principles concern the environment, the seventh principle recommends a precautionary approach to environmental challenges, the eighth principle suggests businesses undertake initiatives to promote greater environmental responsibility, and the ninth principle encourages the development and diffusion of environmentally-friendly technologies. These principles are based on The Rio Declaration on Environment and Development (Global Compact 2004).

2.2 Introduction to a stakeholder framework

The definition of a stakeholder in this study comes from Freeman, who in 1984 defined the stakeholder as "*all of those groups and individuals that can affect, or are affected by the accomplishment of organizational purpose*". Freeman's definition has formed the basis for most stakeholder definitions since then (Freeman 1984).

Various groups of people can be seen as stakeholders. The attributes determining the relationship can be power, legitimacy, or the financial or legal dependence of the firm. The stakeholder of the firm can also be defined as all the individuals or entities that think the company's issues concern them.

The forces guiding corporations' actions – values, principals and goals – have a large effect on how that corporation defines its strategies, its actions in society and its corporate responsibility. Going beyond fulfilling legal requirements, corporate responsibility is about exceeding regulatory requirements voluntarily, which has some common advantages with stakeholder management: uplift in the general spirit

of the company, risk management and the possibility of a competitive edge. For some companies, their ethical behaviour and ‘going one step further’ defines them and is a strategic choice on their part (Niskala & Tarna 2003).

In a stakeholder seminar at the Helsinki University of Technology, Savage concluded that stakeholder analysis is about integrating different managements and forming the big picture. The process of identifying, informing and consulting with key stakeholders forms the basis for good CR (Savage 2004).

2.2.1 Stakeholder strategy process

At this seminar, Savage suggested four steps as a checklist:

1. Identify key stakeholders
2. Create stakeholder maps
3. Classify stakeholder relationships
4. Assess likely outcomes in different scenarios

(Savage 2004)

In his book “Strategic Management: A Stakeholder Approach”, Freeman suggested an enterprise level strategy process, as shown in Figure 2. This process sums up the key issues in the improving or creating strategies of stakeholder management.

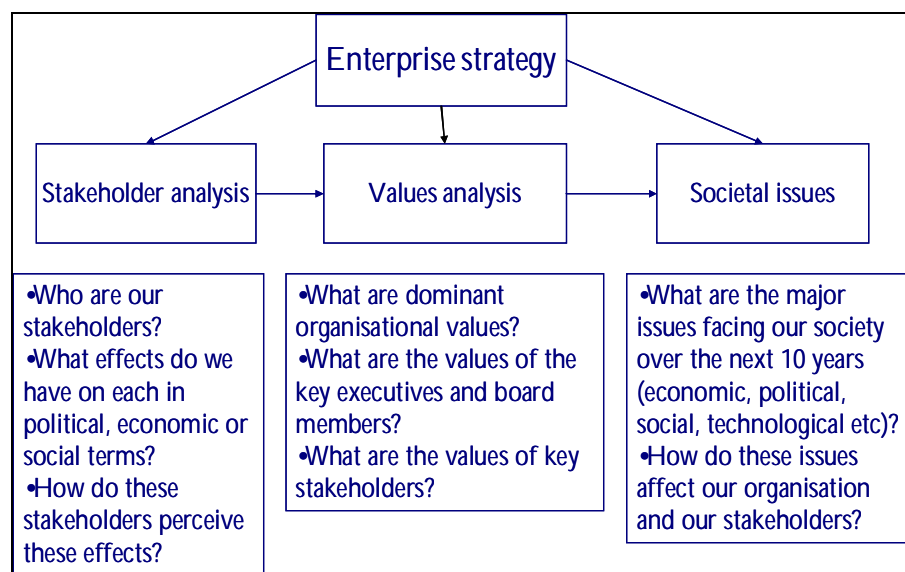


Figure 2. Enterprise level strategy process (Freeman 1984).

Freeman's stakeholder audit consists of stating the corporate mission, identifying stakeholder issues and concerns (in this case, environmental concerns), assessing corporate strategies for stakeholders and adjusting stakeholder priorities. When the mission and business of the corporation are identified, a generic stakeholder map can be drawn to provide a preliminary picture to help identify specific stakeholders from general categories. For each specific stakeholder, a list of key concerns or issues must be developed in order to manage each group effectively, and this stakeholder issues matrix can be useful in mapping and identifying the most important concerns and sensitivities that need immediate attention. It also provides a way to look at the firms as a whole in order to adjust their enterprise strategies (Freeman 1984).

Freeman's three levels of stakeholder approach are:

- 1) The rational level: creating stakeholder maps
- 2) The process level: environmental scanning (developing the processes used in stakeholder relations)
- 3) The transactional level: interacting with stakeholders

(Freeman 1984).

Talvio and Mäenpää pointed out in their book "Yhteiskuntavastuu ja johtaminen" that identifying the key stakeholders should be done carefully and considered from the different perspectives of geography (international, national, and local), business areas, organisational level and function (human resources, etc.) (Talvio et al 2004).

When finding out the stakeholders' perceptions, it is important to keep in mind the complexity of corporate structures (organisation, area of business, place of business), as well as the fact that stakeholders are affected differently at different levels of the corporation, which may pose a problem in larger firms. Stakeholder interaction should begin at level and then implemented at other levels based on the experiences gained (Niskala & Tarna 2003).

The WBCSD prefaces their guidelines for easy and effective screening of stakeholders by suggesting three questions to be asked:

- 1) Is the stakeholder in question representative of relevant issues and do they have legitimate interest in your business?
- 2) Does the stakeholder have influence over or a contribution to make to your business?
- 3) Is the outcome of the engagement going to be productive in the long run?

(WBCSD 2000).

Stakeholder issues have also been acknowledged in OECD Principles of Corporate Governance, in which it is stated that a company's underlying competitiveness and success stems ultimately from a collaboration between the company and its stakeholders, and that companies should recognise that stakeholder contributions are a valuable resource. The OECD principles state that:

- The rights of the stakeholders that are established by law or through mutual agreements are to be respected and, even in areas where interests are not legislated, broader recognition of rights is required
- If stakeholder rights are violated, the stakeholder in question has the right to obtain compensation for violation of their rights
- Employee participation should be allowed to develop
- Stakeholders participating in the corporate governance process should have access to relevant, sufficient and reliable information when needed
- Stakeholders should have the right to freely express their concerns about the actions of the company without this compromising their rights

(OECD 2004).

2.2.2 Stakeholder groups

Some general stakeholder groups are discussed here, but it should be remembered that the groups are highly heterogenic and that the real stakeholders are the individuals belonging to these groups. The groups considered here are the same as those used in the case studies surveys, i.e. employees, shareholders, investors, owners, business partners, suppliers, competitors, customers and consumers, the media, the public sector and government, non-profit organisations, professional

organisations, communities and neighbourhoods, and in addition, the scientific community and universities.

Employees can increase corporate responsibility by bringing their personal principles and experiences with them and contributing to change and innovation; productivity is the main benefit that a firm gains from its employees. Employee satisfaction can affect the corporate image positively and negatively, so it is in a company's interests to provide good working conditions, equal payment and development opportunities (Kujala & Kuvaja 2002).

According to the WBCSD, employees have an essential role in the consumption of a firm's resources – one indicator of corporate responsibility is the quantity of resources saved through employee action (WBCSD 2000). Employees should expect a reasonable salary, recognition, self-respect, a safe working environment, inspiration, security of workplace continuance and chances of promotion. These needs form the basis of their employer's CSR (Näsi 1984).

Employees also need training in environmental issues and need to feel they can make a difference. Additionally, Raimo Lovio proposes in his article "Yrityksen sidosryhmät ja johtaminen" that employees take note of the effect of environmental issues to their employment, remuneration and corporate image (Lovio 2004b).

Shareholders are capital providers for the firm and are a diverse and very influential group, ranging from the local financial community to international private investors and financial institutions. The will of shareholders guides the firm's decision making through their interest in reducing business risks and increasing environmental safety (Kujala & Kuvaja 2002).

Investors can also be a very diverse group, such as banks, individuals, institutions, states, municipalities, communities and corporations (Larkin 2003). The level of risk for shareholders, owners and investors can be shown by the amount of disaster planning and risk assessment (WBCSD 2000). For example, sustainability indexes

like the Dow Jones Sustainability Growth Index and FTSE4Good Index guide people to invest in responsible corporations.

Owners, investors and shareholders are interested in the effects of environmental issues on productivity and growth, as well as any latent environmental risk. Compliance with regulations and environmental permits are key issues for them (Lovio 2004b).

For **business partners**, the percentage of partners with external verification of their environmental management systems functions as an indicator of good CSR (WBCSD 2002). Business partners are also interested in the product's eco-labelling and its environmental quality when compared to other products. Distributors and sellers are interested in environmental policies, standards and certificates; decreasing the environmental impact of logistics is one of the important issues for them (Lovio 2004b).

Suppliers are important for every company – any mistakes made in the supply chain can affect the reputation of the manufacturer or seller. The promotion of high supply standards and the percentage of suppliers who achieve environmental standards indicates good corporate responsibility and risk management (WBCSD 2000).

Raimo Lovio lists supplier concerns as: environmental policy and standards, environmental certificates, the role of environmental issues in the selection of suppliers, current and future demands to suppliers, and the relation of environmental demands to other demands (Lovio 2004b). The ICC view is that companies should encourage their suppliers to follow the same business principles they do themselves; this is leading to an increased requirement for independent certification standards from suppliers (ICC 2002).

Competitors develop industry standards in professional organisations together. A competitor's actions are followed closely and benchmarking is common, so that competitors can set the pace for environmental investments in the industry. The use

of a product's environmental qualities as a competition strategy also interests competitors (Lovio 2004b).

Customers' and consumers' awareness of how to use and dispose of the product is a good indicator of a firm's success in environmental communication and CSR, as are customer behaviour trends anticipated through active stakeholder interaction (WBCSD 2000). The impact of consumer activism has sometimes been considerable in promoting environmental issues. Consumers represent the demand for products and services, and they expect quality from the company supplying them (Kujala & Kuvaja 2002). Consumers' and customers' environmental interests in a company's business cover such aspects as eco-labelling, the environmental image of the product or company, the environmental quality of the product compared to other products, and the environmental effects of the product's use (Lovio 2004b).

The media can be a significant actor in driving environmental issues forward by providing business information and highlighting companies' actions, but it should be remembered that not all publicity is good publicity (Kujala & Kuvaja 2002). The media are interested in newsworthy positive and negative environmental events and the quality and credibility of environmental reporting and communication (Lovio 2004b). This relationship can be very volatile because of the value of negative news.

There is much **the public sector and governments** can do to promote environmental issues. Weak government can be a major problem when expectations conflict with economic policies, regulatory frameworks and incentives. The public sector and governments are responsible to the public and obliged to find a balance between economic interests and regulations (Carroll & Buchholtz 2003). In essence, the public sector's interests in a company extend to the company meeting its permit conditions (Lovio 2004b).

Non-profit organisations stand out from the main stakeholder groups because they are often underestimated. They are highly heterogenic and demand transparency in a company's business dealings; companies would do well to interact with them on an equal level because they are often experts in their field or represent a particular group

of people (Kujala & Kuvaja 2002). According to the WBCSD, the effective use of non-profit organisations' expertise and investments in environmental research can be considered indicators of a company's CSR impact on the environment (WBCSD 2000).

Professional organisations bring competitors together to set the pace for development. They develop standards together and decide on lobbying actions. Professional organisations are interested in the use of environmental strategies as a competitive advantage, the level of environmental issues and the opinions of the company on environmental political issues. (Lovio 2004b)

Communities and neighbourhoods are interested in the local environmental impacts of emissions to air, safety, noise pollution and discharges to water. Communities can hinder the environmental permit process through complaint and activism.

The scientific community and universities are also important stakeholders in environmental issues as providers of new technologies and companies' recruitment base. Potential new ways of improving waste minimisation are interesting for technology organisations, recycling and waste organisations, for example. Environmental researchers are also interested in short- and long-term risks and the relation of environmental effects on critical load. (Lovio 2004b)

The position of **the natural environment** as a stakeholder has been under much debate (see the articles by Starik 1995 and Bazin & Ballet 2004). In this study, the natural environment is not considered a stakeholder even though it can be argued that, under Freeman's definition, nature is affected by the company. In his article, Starik expanded the concept of stakeholder to be a "*naturally occurring entity, which affects or is affected by organizational performance*", but when the characteristic of stakeholders to influence the company is taken into account, the natural environment cannot be accepted as stakeholder – it cannot be, in that sense, an actor (Starik 1995).

2.2.3 Environmental management and stakeholders

Madsen and Ulhøi suggest in their article “Integrating environmental and stakeholder management” that corporate environmental actions are dependent on how stakeholder pressures are identified and how they connect with company managers’ values, though the different meanings stakeholders and managers attach to environmental issues can make any dialogue complicated. According Madsen and Ulhøi’s research, the authorities (environmental regulators) were identified as the main drivers of environmental initiatives. They also observed that environmental management systems provide a structured way to manage environmental relations and that environmentally astute companies are more aware of stakeholders’ concerns than others (Madsen & Ulhøi 2001).

In an article by Buysse and Verbeke, “Proactive environmental strategies: A stakeholder management perspective”, three different environmental strategies were identified: reactive, pollution prevention and environmental leadership. Companies with a pollution prevention strategy were found to have the strongest attachment to regulation from stakeholders, while the firms with an environmental leadership strategy typically have a large set of stakeholders they perceive as important. Buysse and Verbeke’s research concluded that environmental leadership has a strong connection with active management of the changing norms and expectations of various stakeholders, but where the regulators’ status is small. The main finding of their research was that effective environmental management requires the identification of key stakeholders (Buysse and Verbeke 2003).

2.2.4 Benefits of a stakeholder strategy

To be a responsible corporation, a firm should pursue a stakeholder dialogue to actively meet the demands of the public. In today’s society, corporate image is an important factor in a firm’s success, and a connection with stakeholders helps managers to understand their expectations and concerns about the company, and to assess any opportunities and threats. Even twenty years ago, Freeman argued that all stakeholder groups have a vital role to play in the success of any business (Freeman 1984).

Recognising stakeholders' needs will not succeed without talking to them. From a company's point of view, it is important to realise that stakeholders may have different values and goals to what the company has defined, and that the company should weigh their own values first and then compare them with the values of different stakeholders. Companies should be managed so that stakeholders' expectations, values and goals are taken into consideration in business planning, and their concerns addressed. The stakeholder view will lead to added value for customers, employees and owners (Kujala & Kuvaja 2002).

In their book "Välittävä johtaminen- sidosryhmät eettisen liiketoiminnan kirittäjinä", Kujala and Kuvaja identified the following benefits of a stakeholder dialogue from a company's viewpoint:

- Securing the operational pre-conditions in a company
- Development of products and innovation methods
- Managing image and reputation risks
- Commitment of stakeholders to company's targets
- Strengthening of management and employees' interaction skills

(Kujala & Kuvaja 2002).

Judy Larkin states the benefits of a stakeholder approach in her book "Strategic Reputation Risk Management". According to her, the benefits of this approach are:

- Reduction of the potential for crises
- Establishment of trust and credibility with stakeholders
- Minimisation of the threat of increased regulation or litigation
- Reduction in share price and market volatility
- Recruitment of the best employees, suppliers and partners

Risks to reputation come not merely from production errors but from far more complex issues. A corporate brand may often be the most valuable asset a company has and can control its future. For Larkin, reputation risk management is anticipating, acknowledging and responding to the changing values of stakeholders. The demand for transparency in business is a great driver for reputation management, and treating stakeholders intelligently adds security to business (Larkin 2003).

According to Franz Knecht, CSR is important for businesses because of its risk-preventive character. Risk identification in the value chain of the company, especially in ethical issues, creates security for the company to continue its operations. Risks in the supply chain, manufacturing risks and market risks are potentially hazardous to a company's reputation, the loss of which may trigger customer disloyalty, loss of market acceptance, stock price impact and loss of intangible assets. (Knecht 2004)

Stakeholder management provides relevant information on business issues, players, power lines and dynamics – strategic options for coordinated stakeholder engagement are generated because of the importance of responsibility distribution, and the decision-making process is improved. Risks to reputation, market access and costs are therefore mitigated. (Knecht 2004)

The identification of issues and aspects forms the foundation of stakeholder management by providing possible areas of discussion. Issues should be looked at in the sector as a whole, as well as in individual companies, particularly companies' environmental and social aspects. Possible issues to chart are: internal awareness and risk perception, political initiatives, sector benchmarks, regional priorities, industry initiatives, and mapping of clients' business activities. (Knecht 2004)

Stakeholder dynamics is one of the most important areas to understand when doing business. These dynamics include recognising the possibility of the domino effect among stakeholders; the direct effect on the value chain of market access, reputation and brand value decrease; identifying potential contradictions; reinforcing players and their development; measuring the gap between stakeholders' expectations and the company's standards; and repositioning. (Knecht 2004)

According to Knecht, a company will be judged by others through intangible assets such as its reputation, credibility, trust, brand and risk management, and not just through its financial capital and physical assets. These intangible assets form the basis for market value in a situation where only 20% of a company's market value is

reflected by its accounting system. Many business transactions are based on trust these days, but it should be noted that trustworthiness and creditworthiness are different things – large companies are creditworthy almost by default, but in the wake of scandals like Enron, not all are trustworthy. By contrast, start-up companies may be trustworthy but not creditworthy, while non-profit organisations have the advantage of being naturally trustworthy in the public eye. (Knecht 2004)

Stakeholders can also be seen as a source of new ideas and information by providing valuable information for product and business development. Quartile economies with short-term profit maximisations are often in conflict with long-term strategies and the maximisation of public good. Hopefully, this contradictory trend will end soon.

2.3 Stakeholder relationships

Stakeholder relationships are dynamic and complex, continuously developing as the network between them changes with time and new business conditions. The stakeholder relations are always between people, so their values and backgrounds have an impact on the relationships (Talvio & Välimaa 2004).

The basis of stakeholder interaction is drawn from analysis and theories. Stakeholders are classified by their characteristics so that measures can be targeted at specific groups, but such target groups are often defined too vaguely.

2.3.1 General stakeholder classifications

To have an open dialogue with a company's stakeholders, it is important to acknowledge who they are. The broadest division of stakeholders is simply 'external' and 'internal'. The external stakeholders include government, consumers, community members and the natural environment; internal stakeholders are owners, employees and other groups acting inside the company (Carroll & Buchholtz 2003).

Another broad division of stakeholders is 'primary' and 'secondary', 'social' and 'non-social'. Primary social stakeholders are shareholders and investors, employees

and managers, customers, local communities, and business partners. They have a high accountability for a company's actions and a direct influence on its returns. Secondary social stakeholders are government, regulators, the media and competitors, and their influence is more one of public interest. Primary non-social stakeholders include the natural environment (both fauna and flora) and future generations. Secondary non-social stakeholders include environmental pressure groups and animal welfare organisations (Wheeler & Sillanpää 1997).

Tom Curtin categorises stakeholders into dependent, impacted, unknown, supporting and intractable groups. Curtin categorises employees, suppliers and other groups with a financial interest in the company as dependent stakeholders. Impacted stakeholders are neighbourhood communities and other people affected by the company's operations; they are often treated poorly because of the stance they take on certain issues, particularly environmental ones. The unknown stakeholders are those who are often not considered relevant by the company, such as environmental pressure groups and animal welfare organisations. The supporting stakeholders are people who are willing to defend the company's actions in public. And the final group are the intractable stakeholders, whose only mission is to harm the company they claim to have a stake in (Curtin 2000).

The development of management practices can be seen in the evolution of Freeman's stakeholder concept from the production view of the company to the managerial view, and finally to the stakeholder view. The production view concentrated on the inputs and the outputs of the company or its suppliers and customers. The managerial view expanded to include owners and employees. The stakeholder view now includes all the relevant relationships of the company, which means not only those the management thinks have a stake in the company but also those who believe themselves they have a stake in it (Freeman 1984).

Interactions with stakeholder groups can take place on many levels, but is usually done through the groups' representatives. Freeman's stakeholder view is essential when assessing the importance of a company's stakeholders, and can be assessed by analysing the company's operational environment (see Figure 3). This stakeholder

view can be examined by dividing it into social, political, technological and economic environments (Carroll & Buchholtz 2003).

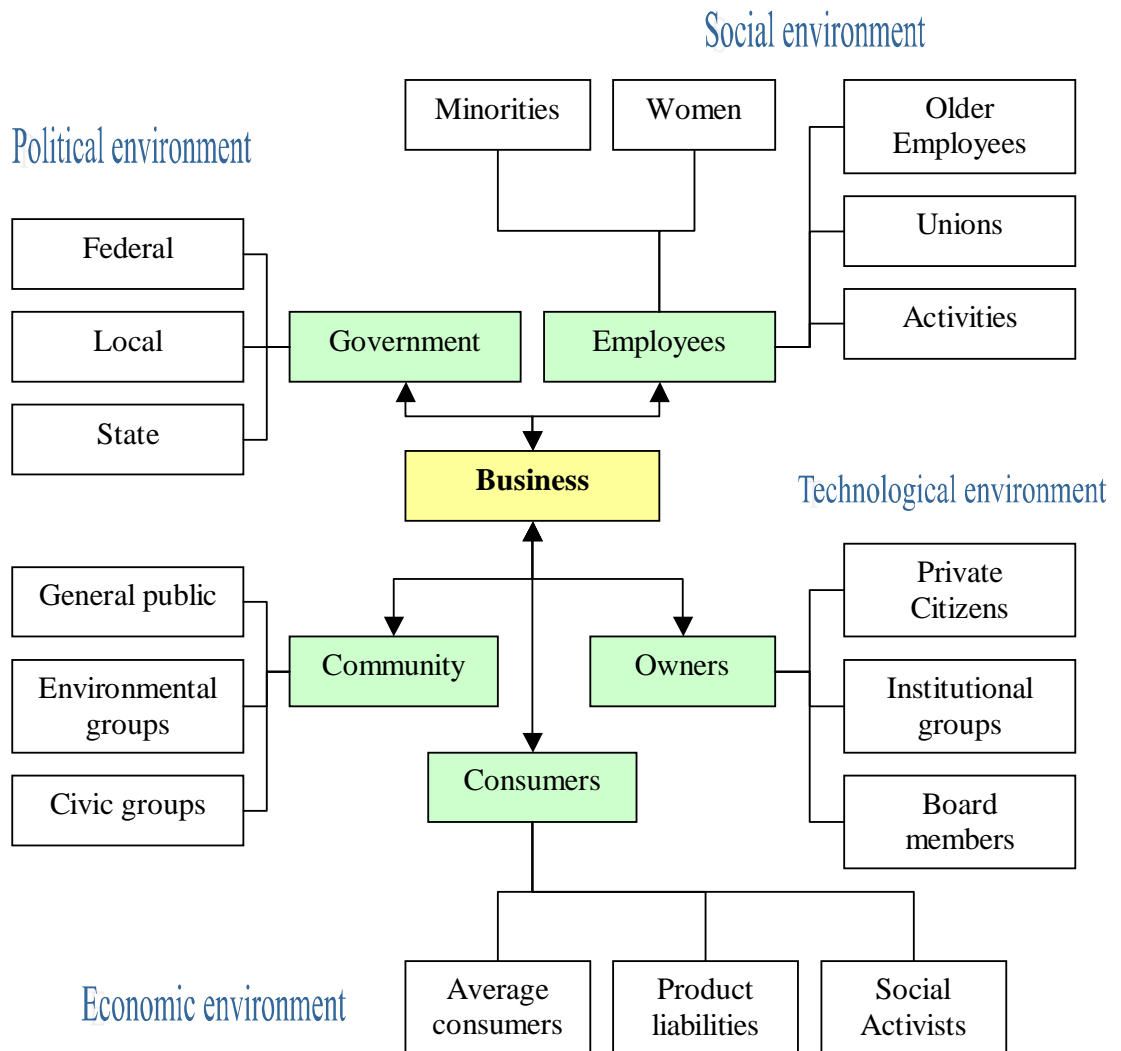


Figure 3. The stakeholder view of the company by Carroll & Buchholtz, adapted from Freeman.

2.3.2 Power, legitimacy and urgency

Mitchell, et al take a different view of stakeholders' roles in their article "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts". They define the attributes for stakeholder categories as power, legitimacy and urgency. The power attribute can be defined based on material or financial or symbolic resources. The legitimacy attribute includes moral rights and claims or when something is found to be at risk. The urgency attribute is the hardest

one to define because of its time-sensitive and critical nature, but it basically means the degree of immediate attention claimed by the stakeholder (Mitchell et al 1997).

Based on these three attributes, Mitchell et al classify stakeholders in eight classes: dormant, discretionary, demanding, dominant, dangerous, dependent, definitive and non-stakeholder. These are shown in Figure 4 (Mitchell et al 1997).

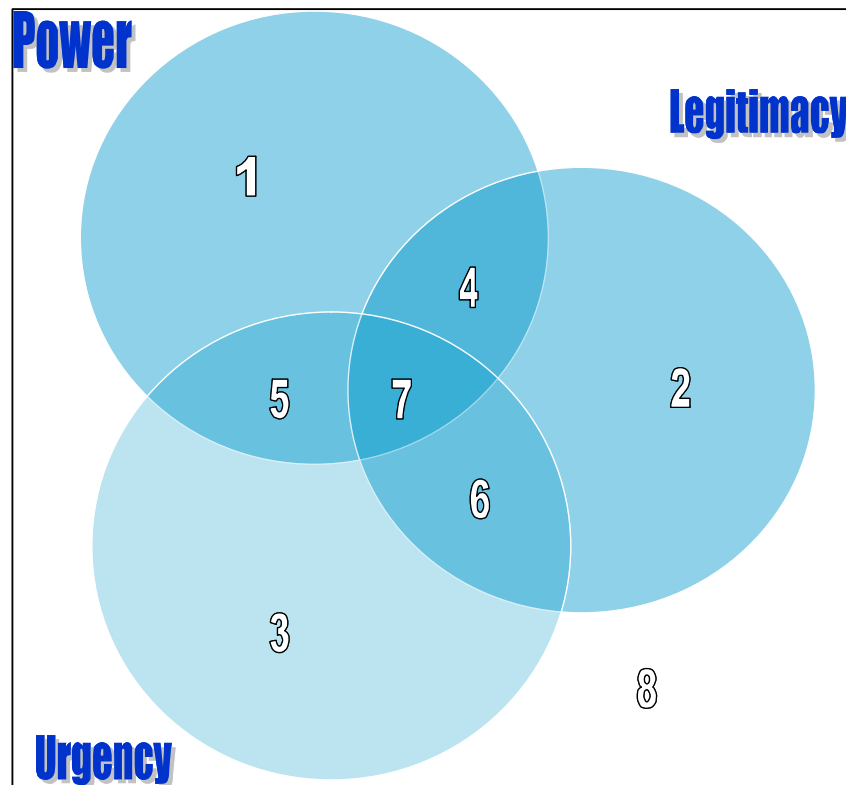


Figure 4. The stakeholder typology of Mitchell et al.

The stakeholder types are:

1. **Dormant** stakeholders have some power over the company but no legitimacy or urgency. They do not have much interaction with the company and it is difficult to predict which of them will become more active and use their power. Former employees can fall into this grouping.

2. **Discretionary** stakeholders have legitimacy but neither power to influence nor any urgent claim. These stakeholders are often recipients of corporate philanthropy and there is no pressure for the company to interact with them.
3. **Demanding** stakeholders' only attribute is urgency and their influence on companies is small. They are often those irritating individuals who make claims without any power or legitimacy to influence.
4. **Dominant** stakeholders possess power and legitimacy and will get much of the company's attention; their issues will normally be addressed professionally by a public relations. Company owners and community leaders can be considered dominant stakeholders.
5. **Dangerous** stakeholders are characterised by urgency and the power to influence; they use coercive methods to get their message across. Some environmental organisations can be perceived to be dangerous stakeholders.
6. **Dependent** stakeholders do not have the power to influence but have an urgent claim and legitimacy to pursue it, relying on other stakeholders (mostly dominant) to address their causes.
7. **Definitive** stakeholders possess all three attributes: power, urgency and legitimacy; they are truly salient stakeholders. Most dominant stakeholders will eventually move to this category.
8. **Non-stakeholders** have none of the three attributes.

2.3.3 Threat and cooperation potential

Savage, et al categorise stakeholders in their article "Strategies for assessing and managing organisational stakeholders" by their potential to threaten or cooperate with the corporation. This categorisation is meant to assist in developing strategies to manage these stakeholders effectively (Savage et al 1991).

When analysing stakeholder relations, the threat potential is often emphasised over the cooperation potential – analysing stakeholders’ threat potential helps prevent surprises, which has a clear benefit, particularly if the company has already prepared for a worst-case scenario. In contrast, the cooperation potential can be looked at as a best-case scenario – Savage, et al highlight the independence of the stakeholder from the organisation as the most important factor of the potential for cooperation (Savage et al 1991).

It is also important to identify the factors affecting these potentials: the stakeholders’ power, the relevance of the issue at hand, the probability of coalition forming, and the probability of taking action (Savage et al 1991).

Stakeholder's potential for cooperation with organization	high	Stakeholder type 1 Supportive Strategy: Involve	Stakeholder type 4 Mixed blessing Strategy: Collaborate
	low	Stakeholder type 2 Marginal Strategy: Monitor	Stakeholder type 3 Nonsupportive Strategy: Defend
		low	high
Stakeholder's potential for threat to organization			

Figure 5. The Stakeholder’s potential for cooperation and threat (Savage, et al 1991).

The types of stakeholders and strategies are divided into four categories according to their potential of threat and cooperation (Figure 5). These categories help to outline the strategic possibilities but are still quite generic (Savage et al 1991).

Type 1 is a supportive stakeholder with a low potential for threat and high potential for cooperation, such as employees, suppliers and other highly dependent groups. For

this type of stakeholder, Savage, et al propose a strategy involving the stakeholders in, for example, decision-making; the focus of the company is often on other issues and this most important group can be forgotten (Savage et al 1991).

Type 2 is a marginal stakeholder with a low potential for threat and low potential for cooperation. These stakeholders are probably the most easily and inexpensively managed groups – shareholders and consumer interest groups often belong here – but they need to be monitored in case high profile issues move them to a group with a high threat potential (Savage et al 1991).

Type 3 is a non-supportive stakeholder with a high potential for threat and low potential for cooperation, and can make life difficult for companies. They often include competing organisations, employee unions and the media, and need to be managed by defending the company against them with a strategy aimed at reducing the company's dependence on them (Savage et al 1991).

Type 4 is termed a 'mixed blessing' stakeholder, with a high potential for threat but also a high potential for cooperation. These stakeholders move easily from one group to another and should be collaborated with (Savage et al 1991).

In addition to generic strategies, more specific stakeholder programmes can be used, which can then be tailored to suit individual stakeholders. The following proposed stakeholder programmes are from Freeman:

Change the rules programmes

- *Formal rules changes through government*
- *Change decision forum*
- *Change the kinds of decisions made*
- *Change the transaction process*

Offensive programmes

- *Change the beliefs about the company*
- *Do something different*
- *Try to change the stakeholders' objectives*
- *Adopt the stakeholders' position*
- *Link the programme to another that the stakeholders view more favourably*
- *Change the transaction process*

Defensive programmes

- *Reinforce the current beliefs about the company*
- *Maintain existing programmes*
- *Link the issues to others that the stakeholder sees more favourably*
- *Let the stakeholder drive the transaction process*

Holding programmes

- *Do nothing and monitor existing programmes*
- *Reinforce the current beliefs about the company*
- *Guard against changes in transaction process*

(Freeman 1984, 145)

2.4 Stakeholder interaction

Both the WBCSD and Niskala and Tarna emphasise that the stakeholder engagement or interaction needs a firm basis to it. They also place stakeholders at the centre of a company's CSR activities, but the company should first understand its own motivations for stakeholder interaction before engaging in it. Niskala and Tarna want to take the basis one step further and include an understanding of goals, continuance, limitations, time and other available resources, as well as the stakeholders' ability to affect the company's decision making (Niskala & Tarna 2003).

Systematic interaction with stakeholders is not effortless. Companies face difficulties when they try to decide who their key stakeholders are, which methods should be used and how the information received should be implemented in the day-to-day running of the company – a change in working practices can create opposition among employees, so implementing stakeholder interaction needs the support of management (Niskala & Tarna 2003).

Companies should pay attention to the legitimate expectations of different groups when defining their communication strategies. Juholin emphasises that, in order to respond to the expectations of stakeholders, companies must constantly monitor their business environment and be aware of upcoming issues. Communication is not restricted to listening and receiving information from stakeholders, but includes making a difference in society through such activities as lobbying (Juholin 2001).

The “Decide, Announce and Defend” (DAD) tactic that firms often use without realising it does not work well according to Tom Curtin. He proposes a new strategy of “Consult, Harmonise, Adjust, Reinforce and Maintain” (CHARM). Consulting forms the basis for the whole approach. Harmonising means getting the expectations of stakeholders transmitted to the people in charge of the project. Adjustments are small concessions to make the project work for most of the stakeholders. Reinforcement means supporting the supporters of the project. And lastly, maintaining these formed relationships through out the project will pay dividends in the end (Curtin 2000).

2.4.1 Communication principles

A company should be consistent with all actions of its environmental strategy, Environmental communication, for example, can be passive or active depending on the strategy employed. An active company communicates by participating in public discussions and publishing material relating to environmental issues; it wants to highlight its competence and level of excellence in environmental issues. On the other hand, a passive company keeps a low profile in communication, but this does not mean that the company is below average in its environmental management. A low profile can be justified by not wanting to direct attention to issues negative to it (Lovio 2004a).

Juholin's steps to organise the communication issues or do the profiling strategy are as follows:

- Analysis of current situation
- Basic messages and their stakeholder group's emphasis
- General measures of organisation's profiling
- Strategies for each stakeholder group

In this strategy, it should be considered how profiling is integrated into general communication, what the desired image is, who the collaborators and target groups are, and what the responsibilities and resources are inside the organisation (Juholin 2001).

Profiling means all the activities used to pursue a certain kind of image for the organisation; it can also be described as image building. This image is formed from three attributes – what we do, what we say and what we look like – and the communication tools are basic messages the organisation sends to the outside world: visual outlook and concrete actions (Juholin 2001).

Niskala and Tarna list basic steps for organising this interaction process: clarifying the foundations of the current situation and future goals, identifying key stakeholders, mapping existing interaction channels, choosing appropriate channels, and giving and receiving feedback (Niskala & Tarna 2003).

Raimo Lovio and Mika Kuisma attach the term ‘environmental competitiveness’ or ‘environmental image’ to be the stakeholders’ conception of a company’s standard environmental protection and management, and customers and investors make decisions based on this conception. With proper interaction, the existing level of environmental efforts can be turned into a competitive advantage, but to do so, stakeholders’ interests should be analysed and their information needs fulfilled. It should be noted that companies can control only part of the information the stakeholders gain – stakeholders get information from sources like authorities, local inhabitants, the media and non-governmental organisations. Different environmental issues can emerge suddenly to create challenges for companies, and the discussion of environmental issues can turn in an unfavourable direction. Communication should be proactive, not reactive, so that these changes can be anticipated (Lovio & Kuisma 2004).

It should be noticed that no stakeholder groups are homogenous and stakeholders compete for the attention of the company to a certain extent. Teija Karilahti concluded in her thesis that the strongest pressure to companies’ environmental communication comes from customers, environmental organisations, foreign customers, authorities and employees (Karilahti 2003).

Interaction and cooperation can only succeed if both parties have the motivation for it, and there is trust and transparency on both sides. Communication is only effective when it addresses the needs of stakeholders, so sometimes a third party is needed to assess the demands of the company and its stakeholders and to guide them to a concrete result that satisfies them both in a reasonable timescale (Juutinen 2003).

Interaction can also be taken further to include real cooperation. For example, Rondinelli and London state in their article “How corporations and environmental groups cooperate: Assessing cross-sector alliances and collaborations” that collaborations between environmental organisations and business can be categorised in three different levels: arm’s length relationships, interactive collaborations and intensive alliances. Arm’s length relationships are low-intensity actions such as sponsoring. Interactive collaborations can be anything from certifying corporate

functions to shared projects in raising environmental awareness and education. Intensive alliances aim to decrease a company's environmental impacts with the assistance of non-profit organisations. The objectives and benefits the last two alliances bring can be quite different from an arm's length relationship. Rondinelli and London also acknowledge that when both parties have fundamentally different structures and missions, it can be difficult to manage the partnership, and a mutual sense of trust and learning must be developed (Rondinelli & London 2003). The same principles of collaboration can be extended to other stakeholder groups as long as both partners have the motivation to cooperate.

2.4.2 Interaction channels

Mapping the existing interaction channels is important because planning future actions is easier when the existing channels are already mapped. The usual channels include company meetings, customer satisfaction surveys, open-door days for local neighbourhoods, development discussions with employees and employee satisfaction surveys (Niskala & Tarna 2003).

Companies should seek transparency, but to achieve this and maintain it in stakeholder dialogue, different tools need to be used. Good tools for communication are discussion groups; meetings with non-governmental organisations, neighbourhood representatives, politicians and authorities; the Internet; reporting; consulting; press releases and press conferences.

Lovio separates different environmental communication types in his article on environmental reporting, as follows:

- 1) Environmental information as crisis communication after an accident
- 2) Environmental advertising as exploitation of environmental arguments
- 3) Environmental conversation as presenting the company's environmental management in publications and participating in public discussions
- 4) Environmental reporting as reporting under guidelines about management, progress and problems in environmental issues

A company's annual and environmental reports are not enough to function as the sole form of interaction because reports cannot respond to all the needs of stakeholders; reports can often be either too narrow to understand or too extensive to produce well (Lovio 2004a).

Leena Ilmola lists four different methods of environmental communication, as follows:

- 1) General conversation – taking part in public discussions
- 2) Advertising – building up a product's brand with environmental arguments
- 3) Selling – using environmental arguments in context
- 4) Packaging – differentiating your product from others using eco-labels

(Ilmola 1998).

Indirect methods of interaction include the Internet, intranet, email, press releases, letters, publications, brochures, advertisements and media publicity. Direct methods of interaction include personal contacts and meetings, small group meetings, events, and open-door days. The methods used for communication should always be based on the needs of stakeholders (Juholin 2001): a letter is a personal way to approach a stakeholder. Press releases are used when bigger changes in corporate organisation happen. The Internet has become more important in recent years and can be an easy way for stakeholders to get information from the company. Internet pages can include press releases and reports for easy distribution. Email lists are not as useful as they were because of the huge amount of unsolicited commercial email (called spam) that people get. Email listing should always be voluntary and easily removable. Customer and employee publications are often criticised for looking more like advertorials, with too much emphasis placed on advertising; extra care needs to be taken with the look of such publications (Juholin 2001).

Events directed at stakeholders often fail because of the lack of resources and effort. When planning events, it should be carefully considered who the event is directed at, what the theme of the event is, and what qualitative and quantitative goals should be set. The timing, structure and content of the event are important considerations in

this, and after the event, feedback should be collected and improvements for next time considered (Juholin 2001).

2.5 Synthesis of the literature

Stakeholder interaction and corporate responsibility are intertwined – there cannot be efficient corporate responsibility without stakeholder analysis and dialogue. The viewpoint of this thesis was to use the stakeholder approach to combine the three dimensions of corporate responsibility (economic, social and environmental) in favour of the company and the environment. The company should actively manage the changing values and expectations of stakeholders in order to pursue an environmental leadership strategy and practice functional environmental management.

The acknowledgment of stakeholders and their importance is a cornerstone of the stakeholder management process, and stakeholder analysis should include all aspects of business in different levels of the organisation. Stakeholders should first be divided into general stakeholder groups and then the subgroups and individual actors identified. The general stakeholder groups used are employees, shareholders, investors, owners, business partners, suppliers, competitors, customers and consumers, the media, the public sector and governments, non-profit organisations, professional organisations, communities and neighbourhoods, and the scientific community and universities. The characteristics of the stakeholders and their relations to the company should be examined to determine the needs and expectations the stakeholders have of the company.

Stakeholders are categorised by their attributes to develop stakeholder-specific strategies; the attributes can be, for example, Mitchell's power, legitimacy and urgency, or Savage's threat and cooperation potential. The typologies of Mitchell and Savage create an image of the relationship between the company and the stakeholder and suggest different strategies according to the relationship. Communication channels should be selected according to these strategies so that the stakeholder dialogue brings image and risk-mitigation benefits to the company. Obviously, the

factual content of the dialogue can be many things but in this study, only the environmental issues are considered.

The stakeholder model concluded from the literature is shown in Figure 6. This model is an adaptation of all the theories used in this study and is designed to guide the improvement of corporate responsibility through stakeholder interaction.

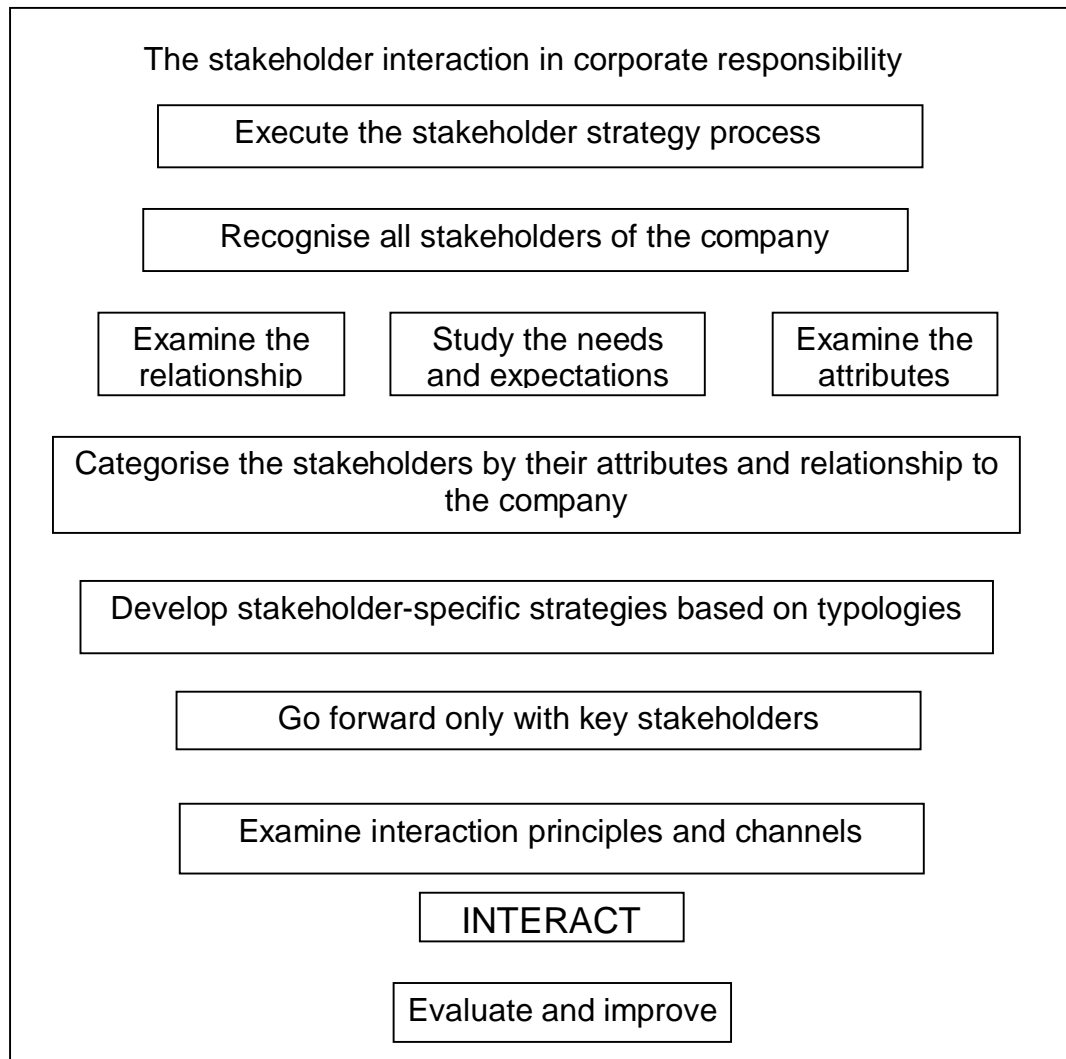


Figure 6 The stakeholder interaction in corporate responsibility.

3 The case studies

3.1 Background of the three case studies

The companies selected for this research were Rautaruukki, Helsinki Energy and UPM-Kymmene. Rautaruukki's business area is the steel industry, Helsinki Energy is an energy producer and major local actor in the energy sector, and UPM-Kymmene is an international wood products company. Rautaruukki and UPM-Kymmene are mainly business-to-business companies.

The research was carried out through a questionnaire, which was sent to 30 representatives of middle management of every case company, chosen by the contact persons from the companies. The survey was sent through email and internal post and returned anonymously to the contact person. The total response rate of the survey was 50% (45/90). The response rate for individual companies were: Rautaruukki – 40% (12/30), Helsinki Energy – 53% (16/30) and UPM-Kymmene – 57% (17/30).

The questions in the survey were divided as follows (the questionnaire is shown in full in Appendix 1):

- Understanding the concept of corporate responsibility (Question 1)
- Stakeholders and understanding their expectations (Question 2)
- Stakeholder valuation and influence (Questions 3 and 5)

In Question 3, the natural environment is considered as a stakeholder to reveal the position it has among other stakeholders. In other questions, the natural environment is left out because the attributes do not apply to it (nature is not an actor even though it can be affected).

- The attributes of power, legitimacy and urgency according to Mitchell (Questions 4, 6 and 7)

These questions asked what significance of power, legitimacy and urgency stakeholders possess to influence environmental issues in their companies. The stakeholder groups were evaluated on a scale of 1 to 5 (with 1 representing the smallest significance and 5 representing the greatest significance).

- The attributes of threat and cooperation potential according to Savage (Questions 8 and 9)

These questions are based on the theories of Savage, et al, and are formulated to assess the level of cooperation or threat potential each stakeholder possesses. According to Savage, et al, stakeholder type 1 (supportive) has a low threat potential and high cooperation potential; stakeholder type 2 (marginal) has a low threat potential and low cooperation potential; stakeholder type 3 (non-supportive) has a high threat potential and low cooperation potential; and stakeholder type 4 (mixed blessing) has a high threat potential and high cooperation potential.

- Interaction improvements and environmental issues (Questions 10-13)

All these questions were formulated as open-ended and scale-based. Questions 1-2 and 10-13 were open-ended. Question 3 was to put the given stakeholders in order of importance, so the scale was the number of stakeholder groups (Questions 1-11). The importance of the stakeholder was calculated from the median of the given answers; the median was used as a descriptive figure because of the questions' ordinal scale. The average of the values was used as a descriptive number because Questions 4-9 were in interval scale from 1 to 5 (smallest to greatest). When the average reached three, the stakeholder was considered to have the particular attribute (Järvenpää & Kosonen 2003).

3.2 Rautaruukki case study

3.2.1 About the company

The Rautaruukki Group is a producer of total solutions (metal based) for the construction, mechanical engineering and metal fabrication industries. The Group's operations are divided into four divisions Metal Products, Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions, and Production. Rautaruukki is a listed company with operations in 24 countries, and has net sales worth EUR 3 billion and 12,000 employees. Rautaruukki's main office is situated in Helsinki.

The Rautaruukki group is undergoing a change in its business operations model including the adoption of a new marketing name, Ruukki, in September 2004. The Rautaruukki group's official and registered names remained unchanged (Rautaruukki Oyj). The Ruukki name will be used by all the Group's companies in all market areas, and has already concentrated several previous product brands under the new Ruukki brand. The company's corporate logo and visual image have also been reshaped. The change process has affected communication practices in the last year and has appeared as if it has come to a standstill in some communication channels.

Rautaruukki follows the principles of sustainable development by committing to the Business Charter for Sustainable Development of the International Chamber of Commerce (ICC) as well the International Iron and Steel Institute's (IISI) Principles of Environmental Protection. Their aim is to provide answers before the questions are asked. Rautaruukki's current environmental policy was approved in 2000.

Rautaruukki published environmental reports in 1997 and 1999, a sustainable development report in 2001 and a corporate responsibility report in 2004. Some of Rautaruukki's facilities publish their own environmental reports, the most comprehensive of these being from Raahe steel works, which also fulfils the EMAS requirements. Raahe Steel Works is Rautaruukki's biggest polluter in Finland and also the largest company in the Group. It was the first integrated steel works to attain both ISO 14001 certification and EMAS approval for its environmental systems in 1997. All the Group's business locations are responsible for their own environmental performance, but coordination is carried out at Group level.

Rautaruukki has environmental product declarations for the most commonly used steel products, and life-cycle information is published in the environmental reports so that the manufacturer or user of the end product can determine its environmental impact. Carbon dioxide emissions are one of the key issues and minimising the use of raw materials and energy needed for production has been Rautaruukki's focus of attention.

The change in corporate business operations and the unification of the organisation's communication structures has put some communication (at Raahe steel works) on hold since autumn 2003. Until that time, Rautaruukki published a magazine, "Steelari in Raahe", (distributed in the neighbourhood), which included environmental issues; stakeholders appreciated this practice. The Raahe steel plant has also taken an active role in Raahe city events and organised education programmes open to the public. Rautaruukki and Raahe city also measure and publish information on air quality levels.

As an example of neighbourhood activities, Rautaruukki has taken part in local events like "Saloisten päivät", which held panel discussions about local environmental conditions. These face-to-face events helped Rautaruukki to understand the hopes and needs of its local stakeholders by having a recognisable contact for neighbourhood communities – complaints about noise pollution were noted and corrective action taken. Raahe steel works has also had often open-doors days.

Rautaruukki participates actively in different environmental working groups. Rautaruukki's employees also give lectures of environmental issues in metal industry at universities when asked. The environmental communication strategy in Rautaruukki is currently under revision. Templates of what and how often information should be communicated to the public are needed. Internal communication also needs improvement because the only current channel for this is the Group's intranet. Currently main communication channels are intranet, the Internet and reports.

3.2.2 Survey results

Understanding the concept of corporate responsibility

The first question of the survey asks what Rautaruukki understands by corporate responsibility. Ethical operations were considered to be an essential part of corporate responsibility, and acting according to sustainable development principles and taking

all stakeholders into consideration were highly regarded. Applying regulations and committing to standards, as well as continuously improving operations and taking responsibility for their actions were also mentioned often. The fact that a good reputation supports a company's brands was also considered to be important, as was responding to the needs of stakeholders.

Understanding stakeholders' expectations

The second question tries to clarify who Rautaruukki's stakeholders are and what perceived expectations different stakeholders have. In the public sector, the main actors are considered to be the Ministry of the Environment, the Ministry of Trade and Industry, local environmental organisations and local authorities; members of parliament and parliamentary environmental committees are also recognised actors. The interests of the actors are in enforcing and applying their laws and regulations and also in the global reputation of Finland. At municipal and local levels, local authorities and municipal council members are the important public sector actors, and they are more interested in cooperation in pollution control measures, emission measurements, water treatment and observation, continuous improvements in environmental safety, abiding environmental commitments, and minimising environmental complaints. The efficient and open communication of environmental issues is also valued. At the neighbourhood level, local communities are interested in trouble-free housing, sustaining the value of property, and health and safety issues.

Professional and trade organisations were mentioned separately: IISI, TT, Metallinjalostajat ry, Eurofer, Jernkontoret and Teknologiateollisuus ry. These stakeholders are interested in promoting the image of the industry, clarifying the industry requirements, research and legal cooperation, and active lobbying. Competitors, on the other hand, are generally concerned with cooperation through professional organisations, fair play, pilot operations they may be unwilling to carry out themselves, benchmarking, and the image of the industry.

Customers and consumers expect a company to operate competently and safely, abide by standards (including ISO 14001) and permit conditions, produce environmentally-friendly products, be reliable, have a competitive advantage, and

disseminate information covering their products' whole life cycles and the possibilities of recycling. Suppliers, subcontractors and business partners expect company standards to direct production and also expect guidance and information to help predict an increase in demand. The chain reaction of unfavourable publicity spreading to the suppliers and business partners is considered to be a risk.

Owners, investors and financiers require institutional evaluations, risk management (including reputation risk management), and information on future investments' profitability. The growth of ethical investing was also stated to be important for the company. Employees expect safe working conditions, to have a sense of pride in the company, to receive efficient and open communication on environmental issues like reducing emissions, and for the company to be profitable. Improving environmental conditions also improves working conditions – employees living close to the company value the same things as their neighbours.

Non-profit organisations (e.g. environmental organisations) are interested in dialogue, ending polluting operations, proof of continuous development and use of best available technology. Non-profit organisations are thought to see things only in black and white.

The media requires accurate, active and open communication and will notice mistakes quickly, so crisis communication in accident situations is essential to preserve a company's reputation. The natural environment stakeholder and other certification agencies were also mentioned – nature was considered intractable, with sustaining biodiversity and capability as important factors.

Stakeholder valuation and influence

The stakeholders' order of importance was asked in Question 3 (Figure 7). The five most important stakeholders for Rautaruukki are the natural environment; customers and consumers; employees; owners, investors and financiers; and neighbours and the local community. These stakeholders can be considered important actors in Rautaruukki's environmental programmes.

1.	The natural environment	(median 1)
2.	Customers and consumers	(median 3)
3.	Employees	(median 5)
3.	Owners, investors and financiers	(median 5)
3.	Neighbours and the local community	(median 5)
4.	The media	(median 7)
4.	The public sector	(median 7)
5.	Professional and trade organisations	(median 8)
5.	Suppliers and business partners	(median 9)
6.	Competitors	(median 9)
7.	Non profit organisations	(median 10)

Figure 7. Rautaruukki's stakeholders in order of importance.

In Question 5, the perceived influence the company has over its stakeholders was asked (Figure 8). The respondents felt that the company cannot influence stakeholders such as competitors, non-profit organisations, and owners, investors and financiers. The value is lower for owners, investors and financiers compared to other case study companies, which could have been expected.

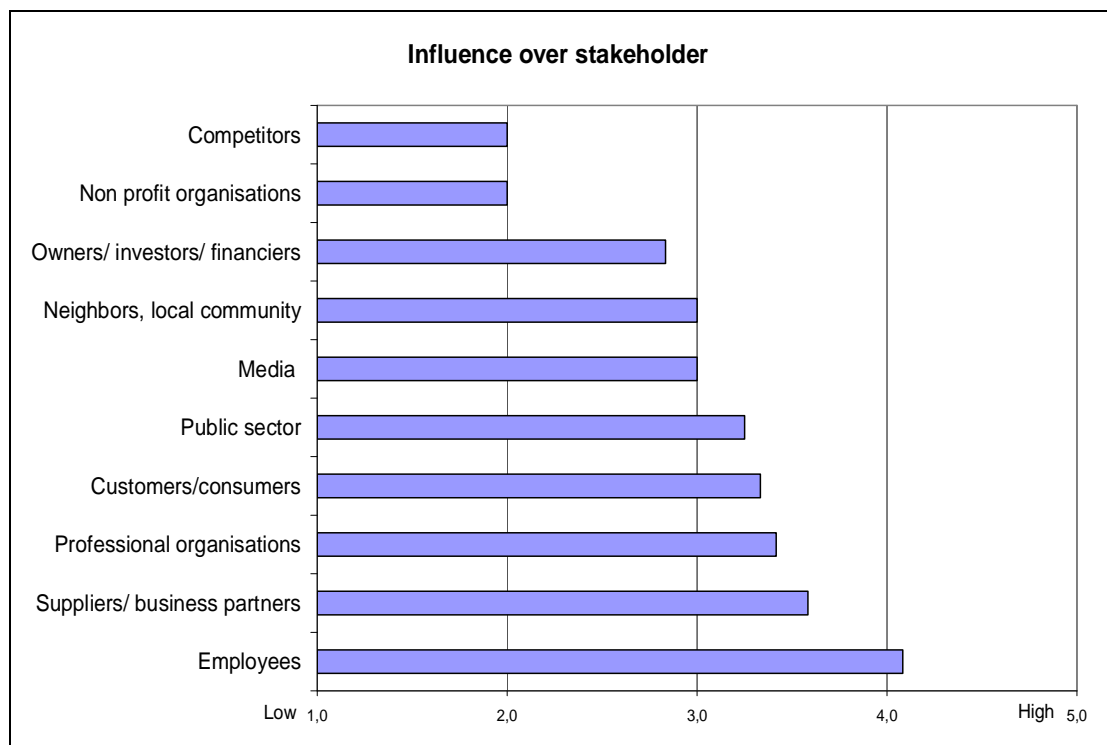


Figure 8. Influence over stakeholders.

Power and legitimacy

The level of power, legitimacy and urgency stakeholders have to influence environmental issues in Rautaruukki was asked in Questions 4, 6 and 7. From Figure 9, it can be seen that employees, the media and professional organisations have legitimacy and urgency but not power, and thus are *dependent stakeholders*. The public sector; owners, investors and financiers; neighbours and the local community; and customers and consumers are believed to have the power to influence, whilst also possessing legitimacy and urgency, making them *definitive stakeholders*. Competitors, suppliers and business partners, and non-profit organisations can be interpreted as *non-stakeholders* because they do not possess any of the three attributes.

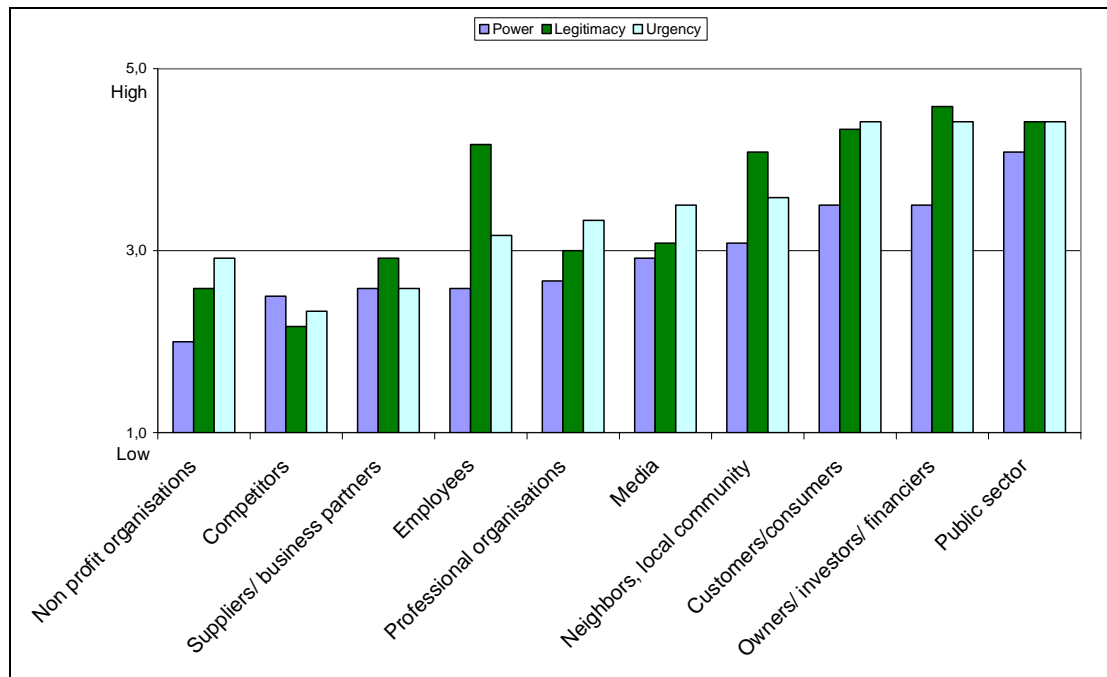


Figure 9. The attributes of power, legitimacy and urgency.

Threat and cooperation potential

The stakeholders' potential for cooperation and threat was asked in Questions 8 and 9 (see Figure 10). According to Savage, *supportive* stakeholders have low threat potential and high cooperation potential – Rautaruukki's supportive stakeholders are professional organisations, employees, suppliers, and neighbours and the local community. Competitors and non-profit organisations are *marginal* stakeholders with low threat potential and low cooperation potential. The only *non-supportive* stakeholders with high threat potential and low cooperation potential are owners and investors. The media, the public sector, and customers and consumers are *mixed blessing* stakeholders with high threat potential and high cooperation potential.

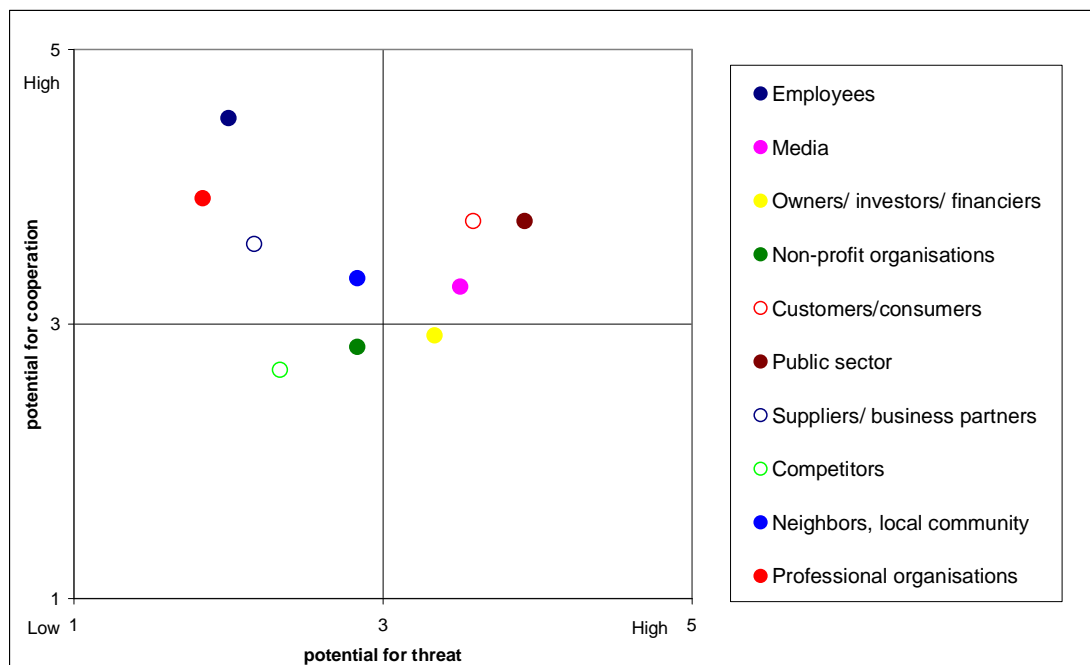


Figure 10. The potential of cooperation and threat to Rautaruukki of various stakeholders.

Interaction improvements

Question 10 dealt with issues the respondents thought needed to be addressed better. For all stakeholder groups, emissions trading, energy consumption and plans to reduce emissions and waste were considered important issues. Local neighbourhoods need information on how the company is trying to improve habitability, minimise noise pollution and sustain an attractive living environment, while employees are thought to need more education and information on environmental working practices. For the public sector, the interpretation of waste law and waste re-use are important

issues that need further discussion, while customers require more information on product characteristics.

Question 11 asked about the benefits of stakeholder interaction. The main benefits here were mentioned repeatedly: fewer complaints and easier interaction with the relevant authorities. Successful interaction creates a positive image and a competitive advantage because investments and environmental issues are dealt with better when properly communicated. Interaction also helps stakeholder groups understand that a policy of zero tolerance is unfeasible in environmental issues because the company will always pollute, but the important point is that work is constantly done to minimise that pollution. In addition, interaction helps prevent the spread of rumours, and increases employee commitment and lobbying success.

The current and future state of stakeholder interaction were addressed in Question 12, and was thought to have deficiencies – current development has been sluggish and the lack of resources and information channels is considered a problem. The environmental training of salespeople and other communicators, and the further development of legal and regulatory control were also mentioned, as were doubts about the sufficiency of current environmental reports. A more visible management commitment to environmental issues was also demanded, and the strategic development of stakeholders' needs should be evaluated and addressed. For the largest sites, the production of environmental reports (a 4 to 8-page PDF) and the elimination of duplicate information in webpages and reports were proposed as action items, as were scheduling the implementation of KILA recommendations for investors and the TT (currently EK), and getting more positive issues to the media.

Possible environmental threats were the issue in Question 13. The threats experienced were: emissions trading, distortion and increasing competition. The tightening of legislation and permit conditions over financial possibilities, accidents in Finland or abroad, changes in raw material availability, environmental activism, and common problems like polluted soil were also mentioned. One of the respondents also named as a threat the demands for new technology that cannot be

implemented. The effect of quartile economics and the lack of long-term planning in environmental issues were also perceived as a risk.

3.2.3 Conclusions

The effect of the brand change is considerable and makes this analysis less relevant, but the conclusions reached were that the previous communication methods should be reinstated, and that communication should not be led entirely from corporate headquarters, but should be distributed to plant level to guarantee interaction with society as a whole.

According to Savage's typology, the owners, investors and financiers are the non-supportive stakeholders for Rautaruukki. Savage's typology proposes a strategy to reduce the dependency of the non-supportive stakeholder or to try to move the stakeholder to another group. The negative relationship between the company and its stakeholders in environmental issues can also be seen in Question 5, where they gained quite a low score. This can be due to the pressures this group puts on the company to make profits at the expense of environmental issues, but could be minimised through a more visible management commitment to environmental issues. This was also demanded as a development area in the replies to Question 12.

The negative position of owners, investors and financiers may be because employees feel they do not have the power to influence the company's environmental performance (Question 4), which is clearly correlated in Question 5 – owners investor and financiers are difficult to influence on environmental issues, and the ability to influence and internal communication should be improved.

The relationship with the public sector and the media were seen as quite positive. The respondents feel that the media and public sector can be influenced (Question 5), but that they have a high threat potential and so should be collaborated with according to Savage's typology.

3.3 Helsinki Energy case study

3.3.1 About the company

Helsinki Energy is a Finnish energy company owned by the city of Helsinki that produces electricity for over 330,000 customers in Finland and distributes heat to over 90% of Helsinki properties. Helsinki Energy has 1,527 employees with a diverse client base ranging from industrial and business enterprises to municipalities and private consumers. The company is divided by its business operations into HelenPower, HelenDistrictHeat, HelenNetwork, HelenElectricity, HelenTrading, HelenService, and HelenEngineering,

Helsinki Energy's electricity and district heat production is produced mostly by natural gas, coal and nuclear energy (only electricity). Combined heat and power production (CHP) is a major aspect of Helsinki Energy's business, but the company also provides the design, projection and maintenance of energy production and distribution systems, and is responsible for street lighting in the city. Helsinki Energy is also a provider of district cooling energy.

Helsinki Energy is also responsible for a reliable electricity supply and an environmentally-friendly production of energy, some of which uses fossil fuels and creates carbon dioxide emissions, which can lead to the challenges of emissions trading. Air quality control has been dealt with for decades by the Helsinki Environmental Centre and Pääkaupunkiseudun yhteistyövaltuuskunta (YTV) (Helsinki Metropolitan Area Council). Helsinki Energy also takes regular measurements of its effects on the environment.

The core objective of Helsinki Energy's environmental work has been to build an environmental management system according to the ISO 14001 standard for all power plants. Helsinki Energy's other businesses are developing environment manuals suitable for the ISO 14001 standard. The Finnish WWF's Green Office Environmental Diploma has been given to three of Helsinki Energy's operations for

making efforts to reduce the consumption of natural resources in their activities and to promote environmentally-friendly consumption habits. It was the first Green Office company in the Finnish energy sector. Helsinki Energy promotes energy saving actions through daily communications and the company's strategic theme in 2004 was stakeholder interaction. Helsinki Energy considers all Helsinki citizens to be neighbours because they live or work near its power plants and high voltage lines – it has organised discussion evenings on local changes such as the planning of a new heat pump station in Katri Vala Park.

As part of its stakeholder interaction, Helsinki Energy organised open-door days in plants, energy-saving week activities and provided energy materials for schools. The Energy Centre and customer services receive feedback and give advice to customers on energy consumption and energy-saving issues. Helsinki Energy publishes an annual corporate responsibility report, as well as employee and customer (business and private) magazines.

Helsinki Energy also participates in public environmental decision making such as on the national climate strategy. Yearly meetings with Helsinki city authorities and environmental authorities are held, during which current energy and environmental issues are discussed. In 2004, the Helsinki city councillors were invited to the yearly seminar (Poppeliseminaari) with the theme of 'the origin of electricity' (2003's topic was the emissions trade). Helsinki Energy is often regarded as an expert organisation in many business fields and regularly consulted by authorities on energy issues. The company has also actively participated in environmental and energy fairs.

The Helsinki cityscape is important to Helsinki Energy because of its influence on it. Landscaped power line pillars have been designed to run between Salmisaari and Meilahti to provide a more aesthetic environment, and electricity distribution centres are being designed in cooperation with The Helsinki University of Art and Design. Other projects have included aesthetic improvement of the Hanasaari plant, where spatial artwork was commissioned and business partners, neighbourhood representatives and the media were invited to the event. The new Salmisaari coal store caves were also launched as a media event. With these projects, Helsinki

Energy is trying to improve the cityscape and involve its stakeholders in planning their own surroundings.

An improvement in stakeholder interaction is now an ongoing process, involving all levels of management through seminars, etc. A stakeholder analysis is currently being conducted and responsibilities are being divided according to expertise. Helsinki Energy has taken part in research by the Finnish Energy Industries Federation (Finergy) on the industry's image (Kiljunen 2003), which gave a positive evaluation of its communication and stakeholder interaction, and also suggested that the picture the industry has of its own operations is in line with public perception. This report has also been used to evaluate the type of information stakeholders want from the company. All these actions suggest that Helsinki Energy is really making an effort to improve its operations.

Helsinki Energy is a city-owned company and its operations are very visible to the everyday life of Helsinki inhabitants, who can be considered as stakeholders. The leading local newspaper (Helsingin Sanomat) has national coverage and even small problems or events quickly reach wider public knowledge. This creates challenges to Helsinki Energy's interaction with its stakeholders.

3.3.2 Survey results

Understanding the concept of corporate responsibility

The first question the survey asks is what the respondents understand by corporate responsibility in the context of Helsinki Energy. From the answers given, it is evident that Helsinki Energy has a large responsibility as the main Helsinki energy supplier and to secure as much energy availability as it can. Acting according to the company's values in all matters was considered to be important and was mentioned several times. Operating within the legal and regulatory frameworks, long term planning on environmental issues, and looking beyond short-term profits were also stated as important factors. Other issues mentioned were fairness of price, profits, and minimising the environmental effects of energy production.

Understanding stakeholders' expectations

The second question tries to clarify the perceived expectations of different stakeholders. At the national level, the public sector (including the Ministry of the Environment, the Ministry of Trade and Industry and the Ministry of Social Affairs and Health) has a common interest in cooperation, following the rules, energy saving, investing in renewable energy sources, and expertise in energy issues. At the municipal and local level, the Helsinki city government, its City Planning Department, Environment Centre and Public Works Department are considered to be the main stakeholders, whose key issues are adjusting operations in the city to avoid disturbance caused to the environment on construction sites. Equally, neighbours and the local community need prior information about changes that affect them on construction sites and building projects.

Of professional organisations, the Finnish Energy Industries Federation (Finergy), the Finnish District Heating Association and the Finnish Electricity Association (Sener) (now the new Energy Industry Association) are the most important ones. These associations serve as a focal point for shared comments, common interests, expert help, lobbying, information resources, and as a place of interaction with competitors and to provide viewpoints on issues such as emissions trading. In addition, competitors are believed to see Helsinki Energy as something of a pace setter.

Customers and consumers expect responsible operations, acceptable products and environmentally-friendly energy production. Helsinki Energy does not have investors and financiers in the usual sense, but from the survey responses, this stakeholder group of owners, investors and financiers should expect intelligible statistics and forecasts, responsible and cost-effective operations, and reliable risk management. Equally, employees expect environmental issues to be integrated into all operations to promote a good image of their work place and sound environmental education.

Non-profit organisations (e.g. environmental organisations) should expect some level of respect from Helsinki Energy, while suppliers and business partners should hope

Helsinki Energy is a reference company for them. As representatives of the media, environmental magazines and Helsingin Sanomat are the most important – the media needs information as well as active and honest interaction on issues affecting the cityscape, for example.

Stakeholder valuation and influence

The five most important stakeholder groups to Helsinki Energy are customers and consumers; the natural environment; employees; the media; and owners, investors and financiers (see Figure 11). The order of importance highlights who the key environmental actors in Helsinki Energy are; this kind of prioritisation is very rough, but gives an idea of which stakeholder groups the company should make more effort to interact with.

1.	Customers and consumers	(median 3)
1.	The natural environment	(median 3)
2.	Employees	(median 4)
2.	The media	(median 4)
2.	Owners, investors and financiers	(median 4)
3.	The public sector	(median 6)
3.	Neighbours and the local community	(median 6)
4.	Professional and trade organisations	(median 7)
5.	Non-profit organisations	(median 9)
5.	Suppliers and business partners	(median 9)
6.	Competitors	(median 11)

Figure 11 The stakeholders' order of importance to Helsinki Energy.

In Question 5, it was asked how large was the perceived influence the company has over its stakeholders (see Figure 12). The neighbours and the local community, competitors, non-profit organisations and the media are stakeholders that Helsinki Energy feels have little power to influence, particularly the local community and the media. These values were considerably lower than in the other two case study companies.

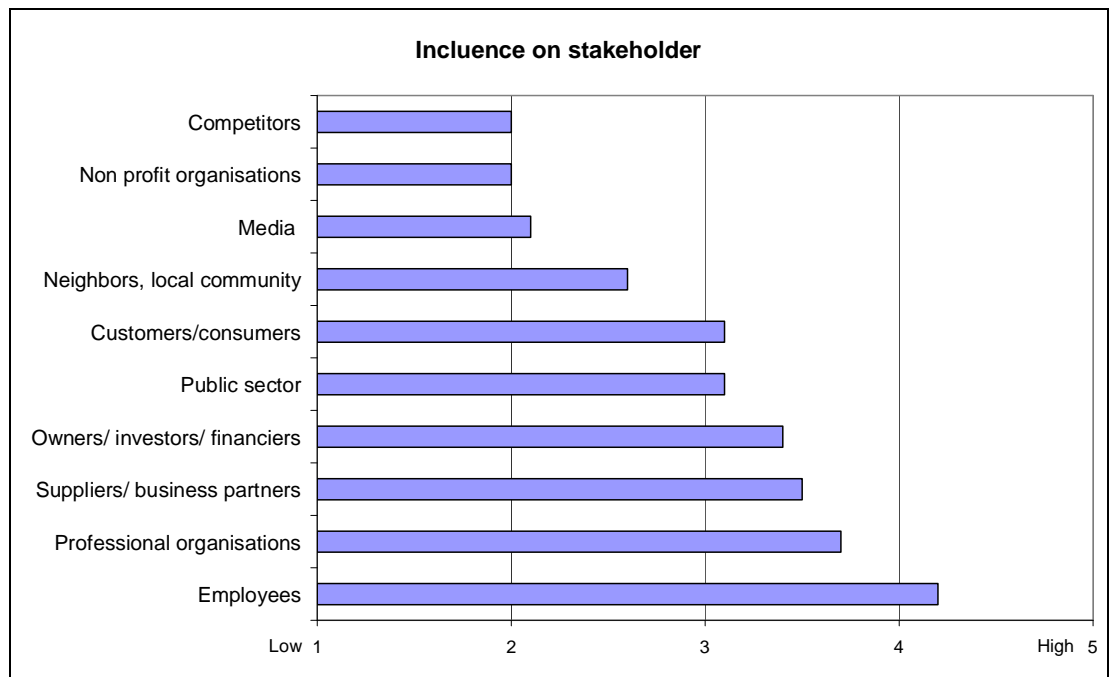


Figure 12 The level influence Helsinki energy perceives it has over its stakeholders.

Power, legitimacy and urgency

Questions 4, 6 and 7 asked about the levels of power, legitimacy and urgency that the stakeholders have to influence environmental issues in Helsinki Energy. The replies can be split into just two categories: definitive stakeholders and non-stakeholders. This can also be seen from Figure 13. The *definitive* stakeholders are employees; the media; owners, investors and financiers; professional organisations; customers and consumers; the public sector; and neighbours and the local community. The *non-stakeholders* are suppliers and business partners, competitors, and non-profit organisations.

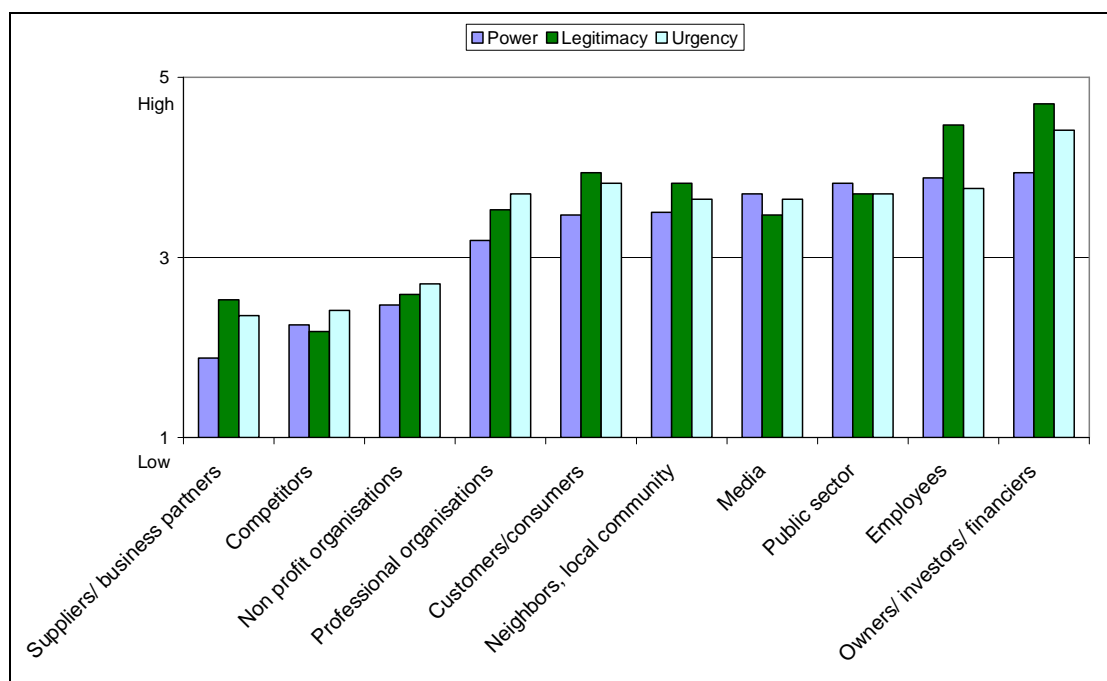


Figure 13 The attributes of power, legitimacy and urgency in Helsinki Energy's stakeholders.

Threat and cooperation potential

It can be seen from the company's responses (see Figure 14) that the *supportive* stakeholders with low threat potential and high cooperation potential are employees; owners, investors and financiers; professional organisations; and suppliers and business partners. The *marginal* stakeholder group with low threat potential and low cooperation potential are the competitors. The *mixed blessing* stakeholder groups, with high threat potential and high cooperation potential are the media, the public sector, and neighbours and the local community. Customers and consumers are between the mixed blessing and supportive stakeholder groups and the company's strategies should reflect this. Non-profit organisations are the only *non-supportive* stakeholder group, with a high threat potential and high cooperation potential.

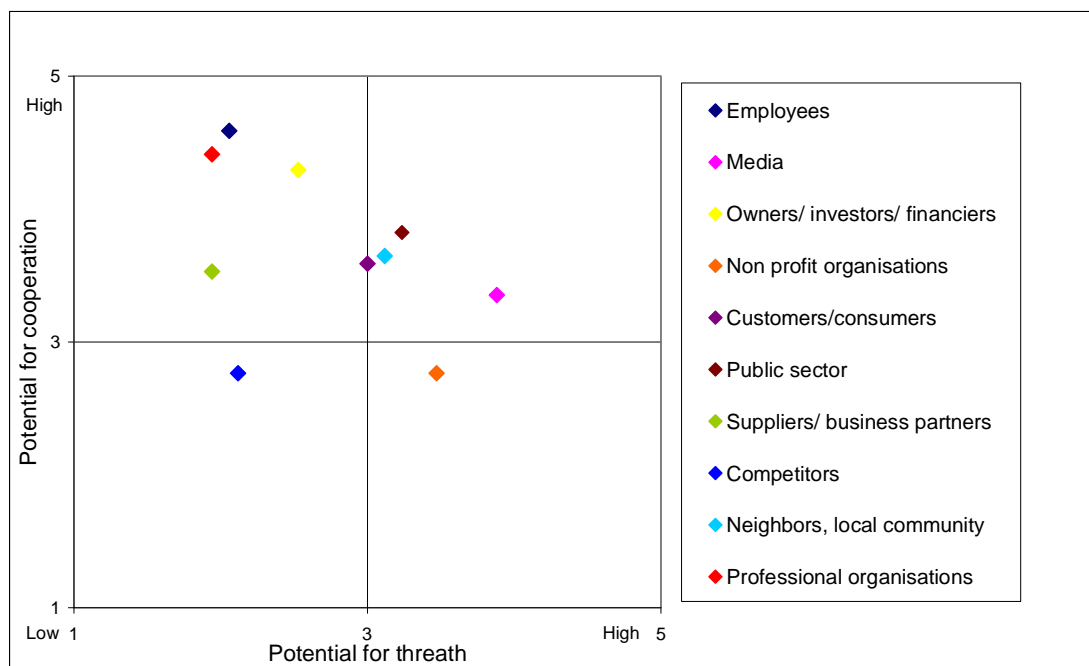


Figure 14 The level of cooperation and threat potential of Helsinki Energy's stakeholders.

Interaction improvements

Question 10 dealt with the issues the respondents thought need addressing better: more information to consumers about what comes from the pipes, total benefit reports rather than just efficiency adverts, waste treatment and recycling, open exchange of information with competitors, development of legal services, air protection, the built environment, the meaning of energy to modern society, carbon dioxide emissions, combustion gas, and contaminated soil. Combined heat and power

production (CHP) and its benefits were issues that were mentioned several times. These themes reflect the possible weaknesses of stakeholder interaction carried out by Helsinki Energy.

Question 11 asked the respondents to list the benefits of stakeholder interaction. The general response was along the lines of “*Adds to mutual understanding and the understanding of information*”, but creating a positive company image, bringing out the facts behind decisions, and clearing suspicions or distrust were also mentioned. The importance of participation in the law-making process was considered (because influencing this process is impossible without interaction), as was the media’s influence to increase or decrease sales and the risk poor media relations pose to investments – a good image creates the right conditions for future investments. An example of the concrete benefits of active interaction during the planning process was the trouble-free building of a large-capacity line between Salmisaari and Meilahti and the environmentally-friendly generation of electricity from wind of hydroelectric sources.

The current and future states of interaction were addressed in Question 12. The quality of interaction is considered to be quite good at the moment. A few suggestions were made to disseminate more information about current issues like building projects, and to improve the intelligibility of such information, and one of the respondents wanted more information on environmental permit issues. General seminars were also proposed.

Possible environmental threats were the issue in Question 13. The negative image of coal as an energy form was perceived to be a considerable threat and the possibility of a ban on coal was mentioned. Tougher restrictions, unrealistic laws, and emissions trading and its relation to CHP production were also mentioned several times. The threat of accidents, contaminated soil, air and noise pollution and subsequent loss of reputation were also listed.

3.3.3 Conclusions

All Helsinki citizens can be counted as stakeholders in Helsinki Energy, as can be seen in the company's relations with its employees, customers and the public sector. Helsinki Energy's values were repeatedly mentioned in the responses to Question 1, which may indicate that the company's values have been well adopted and the employees are committed to those values. The fact that management has clearly expressed its commitment to environmental issues may have had an effect on this, so the good work carried out with employees should be continued.

The negative nature of the company's relations with its neighbours and the local community are surprising because of Helsinki Energy's operation as a city-owned company (Question 5). In comparison, owners, investors and financiers were highly appreciated in responses to all questions. Neighbours and the local community, competitors, non-profit organisations, and the media are stakeholders that Helsinki Energy feels do not possess the power to influence; their goals and objectives cannot be attained and the company's strategy here could benefit from some re-assessment – the methods used for interaction should be reconsidered.

The results of the analysis of power, legitimacy and urgency according to Mitchell imply that competitors, non-profit organisations, and suppliers and business partners are non-stakeholders that do not need the attention of the company. The non-profit organisations are seen as non-supportive stakeholders in the analysis of threat and cooperation potential; Savage's proposed strategy would be to try moving them to another category.

The media was considered an important stakeholder group but a difficult one to reach; they also gained the highest threat potential score. Relations with the major media players should be improved through collaboration, and the planned media training for employees should be implemented forthwith.

3.4 UPM-Kymmene case study

3.4.1 About the company

UPM is a forest products company, producing magazine paper, newsprint, speciality papers, and also converting materials and wood products. The Group has production plants in 16 countries, with over 170 sales and distribution companies and net sales of nearly 10 billion EUR. The Group has approximately 35,000 employees and is listed on the Helsinki and New York stock exchanges.

Verified environmental management system according to ISO 14001 is in use at all UPM's pulp and paper mills, and most of its pulp and paper mills in Europe have been registered to EMAS. The company published its first Corporate Responsibility Report in 2002 and environmental issues are well integrated into its daily business practices throughout its operations. UPM is listed as a sector leader in the relative positioning of companies within The Dow Jones Sustainability Index's (DJSI) World Industry Group 'Forest Products & Paper' in 2005.

The basis of UPM's production is wood, which is then processed to produce pulp, paper, sawn goods and plywood; recovered paper is also used extensively as a material. UPM is one of the biggest users of recycled fibre in printing papers worldwide and when choosing suppliers, credit is given to low environmental impact products and certified EMSs.

Waste management, logistics and material supply are important factors in the environmental performance of the whole supply and production chain. The pulp and paper mills use most electricity and thermal energy, but the company is aiming to reduce energy consumption through energy saving, heat recovery and improved energy efficiency. The transportation of raw materials and products has also been responsible for substantial environmental impacts.

European paper producers got together in 2001 to produce the 'Paper Profile', a standardised comparative datasheet that is available for all UPM paper products. It lists commonly-requested information on the products' environmental qualities.

UPM deals with the whole life cycle, from forest to paper. Forest certification ensures that the wood used only comes from sustainable, managed forests and not from protected forests or forest areas subject to conservation programmes. A 'Chain of Custody' is a procedure to follow the raw wood material throughout its transportation, processing and distribution.

UPM-Kymmene communicates environmental issues well. Its interaction is stakeholder-specific, cooperating differently with different stakeholders, and its communication goals are to increase information and mutual understanding. The main goal of such communication is not to give only a positive company image, but to give an accurate one. Mistakes are discussed in its corporate responsibility reports – the overspill of waste water at its Kaukas factory has been a learning process for the whole industry – and its strategies for accident situations have been revised.

The employees, suppliers and business partners, shareholders and investors, and customers and consumers are thought to be the most important stakeholder groups. UPM organises development projects, environmental education programmes and debates on current product requirements with these groups. Employees convey an image of the company to the outside world and its experts are often quoted in the media, which requires those experts be trained in media relations.

Non-profit organisations and public sector authorities are also in the core of UPM-Kymmene's stakeholder interaction, and UPM actively encourages participation in decision making by having employees in workshops, seminars and committees as expert members or speakers – the discussions topics in summer 2004 were emissions trading and the legislation processes. UPM-Kymmene has cooperated with non-profit organisations and the public sector on issues like forest certification and the donation of a forest area to the state as Repovesi national park.

As far as competition is concerned, UPM is now treated neutrally after exposing a cartel among its competitors, and it has gained some level of conditional immunity from competition (for more information, see Nikula 2004). Current cooperation

happens mainly through professional organisations and a collectively-owned central laboratory. UPM wants to bring its own viewpoint to the negotiating table of organisations as such as Metsäteollisuus ry (Finnish Forest Industries Federation).

Interaction with neighbours and local communities has a long tradition in the pulp and paper industry, and now corporate responsibility has revived that tradition. UPM organises open-door events and school visits for its neighbours and the local community. Good practice in its factories is benchmarked and exported to other sites, and emissions and discharges from its plants are registered and, if the permit limits are exceeded, they are reported immediately.

The media is considered to be a very important stakeholder for UPM because other stakeholders often get their information through it. Because UPM mostly operates as a business-to-business sales organisation, it is usually only noticed by the local media, where the news threshold is typically only reached by negative issues. UPM has made conscious choice to shun publicity and let its actions speak for themselves, organising regular briefings on financial issues and forest excursions, among other events.

UPM also acknowledges that the scientific community and universities are important stakeholders by actively discussing the industry's environmental issues and presenting lectures in universities when requested. UPM also acquires several students' theses on a yearly basis.

3.4.2 Survey results

Understanding the concept of corporate responsibility

The responses to Question 1 show that taking care of environmental issues and employees is important. These values are considered to form the basis of business operations, and profits should be pursued according to them. The responsibility of products throughout their life cycle and the sole use of acceptable raw materials are considered to be important. Acceptability of business operations was also mentioned

as an essential part of corporate responsibility – the trustworthy image of the company is believed to come from honesty and openness with all parties.

Understanding stakeholders' expectations

Question 2 aims to clarify what the respondents perceive the expectations of different stakeholders to be. The Ministry of the Environment, the Ministry of Agriculture and Forestry, and the Ministry of Trade and Industry expect the company to abide by the relevant laws and regulations, as well as providing expert help in developing the legislation and emissions trade. The state expects the company to increase employment and participate in the development of environmental methods and techniques. The Finnish Environmental Institute (SYKE) and regional environmental centres are stakeholders, particularly on permit issues. Some of the respondents also mentioned political decision makers (parliament) as important stakeholders, as were the Water Rights Court and water permit authorities. At the municipal level, a willingness to cooperate is considered important. The municipality expects safe operations and trouble-free living from the company's plants, and needs reassuring that the company will take care of its employment and other responsibilities. Water districts and water issues are also important.

Neighbours and the local community will expect openness and honesty in communication; both positive and negative news must be quickly available from the company. They also expect a noise- and odour-free living environment – such issues can affect property values – and for personal contact, open dialogue and even participation in development of local issues.

Both EK and Metsäteollisuus ry were listed as representatives of professional organisations, and were believed to function as forums for exchanging information on best practice and for cooperation between competitors. This commitment to shared goals and rules of the game is the same in trade associations. Competitors are meant to expect cooperation through organisations' open communication and by differentiating between shared and competitive issues, but competitors are also interested in the industry's image and in a company's environmental competence and

specific load figures. Pace setters on environmental issues can get an advantage with clients.

Customers and consumers expect an absence of harmful side effects and chemicals throughout a product's life cycle. Reassurance that the wood comes from ethically-managed sources is important to enable customers to buy the products with a clear conscience. They are also interested in CO₂ emissions, sustainable logging, access to comparative information, open communication and clear certification.

Owners, investors and financiers expect profits, risk avoidance, stock value predictability, certified forest management, and open, accurate and fast communication. The value of the sustainability index was also mentioned in some replies. Employees appreciate that environmental education, honest information, open communication, professional pride and environmental care are not cheap, but in the long term, workplace stability and equality are just as important. Many employees also live near the plants they work in, so they have the same issues as the local community.

According to the respondents, non-profit organisations (e.g. environmental organisations) expect an open dialogue, a commitment to FSC and other certification programmes, the development of new sustainable production methods, and an increase in protected areas and transparency.

Suppliers, subcontractors and business partners are believed to expect cooperation, trust and equity, as well as environmental training and guidance as examples more concrete expectations. The media expects information quickly on any breakdown of relations with other stakeholders, maintenance of contacts and visits to factories, as well as new issues to be brought to their attention.

Stakeholder valuation and influence

The stakeholders' order of importance on environmental issues was asked in Question 3 (see Figure 15). The five most important stakeholders for UPM are the natural environment; customers and consumers; employees; owners, investors and

financiers; and neighbours and the local community. The answers were well distributed across the whole scale.

1.	The natural environment	(median 1)
2.	Customers and consumers	(median 2)
3.	Employees	(median 4)
4.	Owners, investors and financiers	(median 4.5)
5.	Neighbours and the local community	(median 5.5)
6.	The media	(median 6)
6.	The public sector	(median 6)
7.	Non-profit organisations	(median 7)
8.	Professional and trade organisations	(median 9)
8.	Suppliers and business partners	(median 9)
9.	Competitors	(median 11)

Figure 15. The order of importance of UPM-Kymmene stakeholders.

In Question 5, it was asked what power of influence the company has over its stakeholders on environmental issues (see Figure 16). Neighbours and the local community, competitors, non-profit organisations and the media are considered to be the stakeholders that the company has problems influencing. It is interesting to note that the suppliers and business partners received an exceptionally good rating, whereas the public sector received quite a low one.

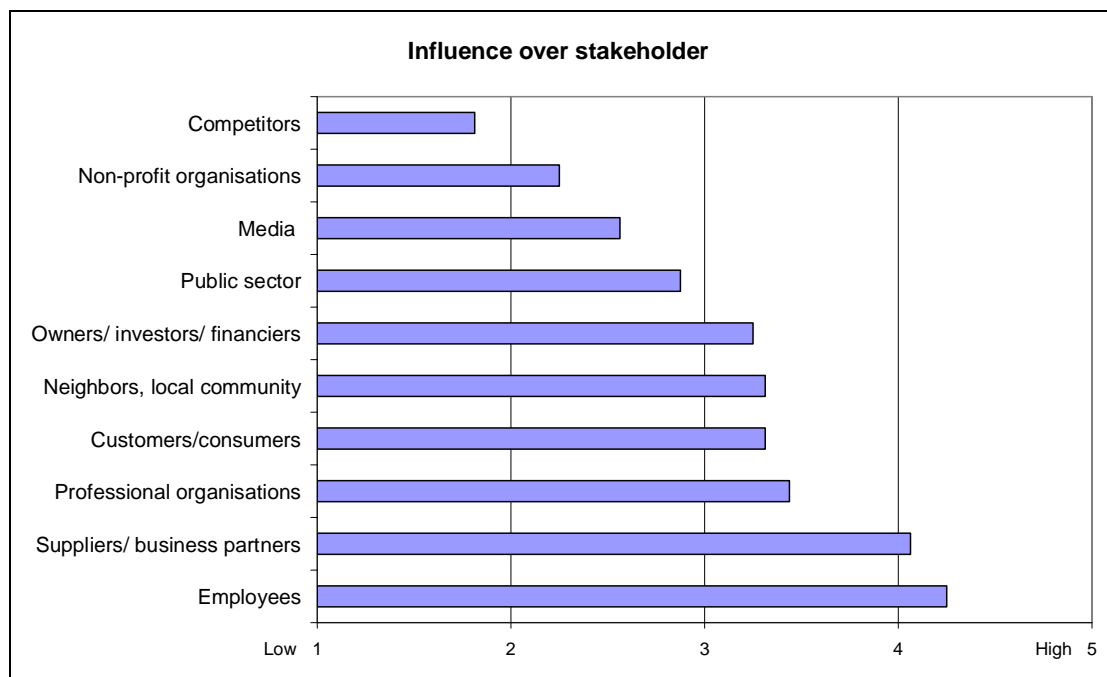


Figure 16. The perceived level of influence over stakeholders.

Power and legitimacy

Questions 4, 6 and 7 asked what levels of power, legitimacy and urgency stakeholders have to influence environmental issues at UPM. The company's responses could be separated into four different stakeholder types (according to Mitchell's typology), as shown in Figure 17. The *definitive* stakeholders, who have all three attributes, are employees; owners, investors and financiers; non-profit organisations; professional organisations; customers and consumers; the public sector; and neighbours and the local community. The *dominant* stakeholder is the media, which has both power and legitimacy. The *discretionary* stakeholders, who only have legitimacy, are the suppliers and business partners, while the only *non-stakeholders*, with none of the attributes, are competitors.

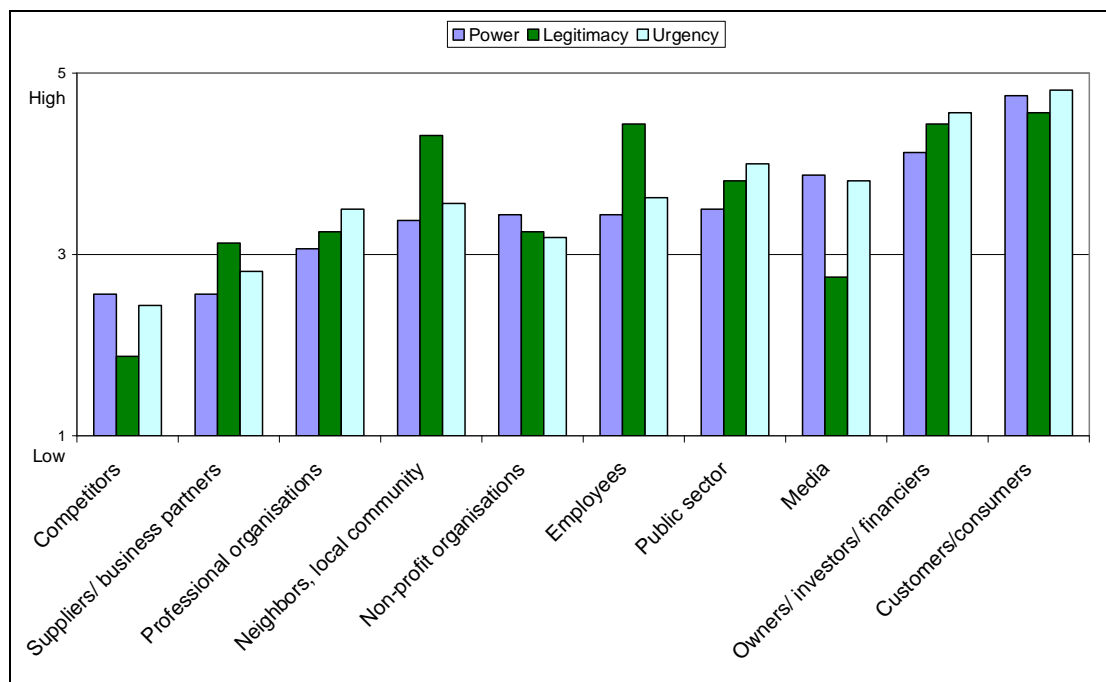


Figure 17. The attributes of power, legitimacy and urgency in UPM's stakeholders.

Threat and cooperation potential

The results of Questions 8 and 9 on cooperation and threat potentials are shown in Figure 18. UPM's *supportive* stakeholders are professional organisations; employees; suppliers; owners, investors and financiers; and neighbours and the local community. These stakeholders have a low threat potential and high cooperation potential. The *marginal* stakeholders, with low threat potential and low cooperation potential, include only competitors. The media, the public sector, non-profit organisations, and customers and consumers are *mixed blessing* stakeholders, with a high threat potential and high cooperation potential. UPM has no *non-supportive* stakeholders.

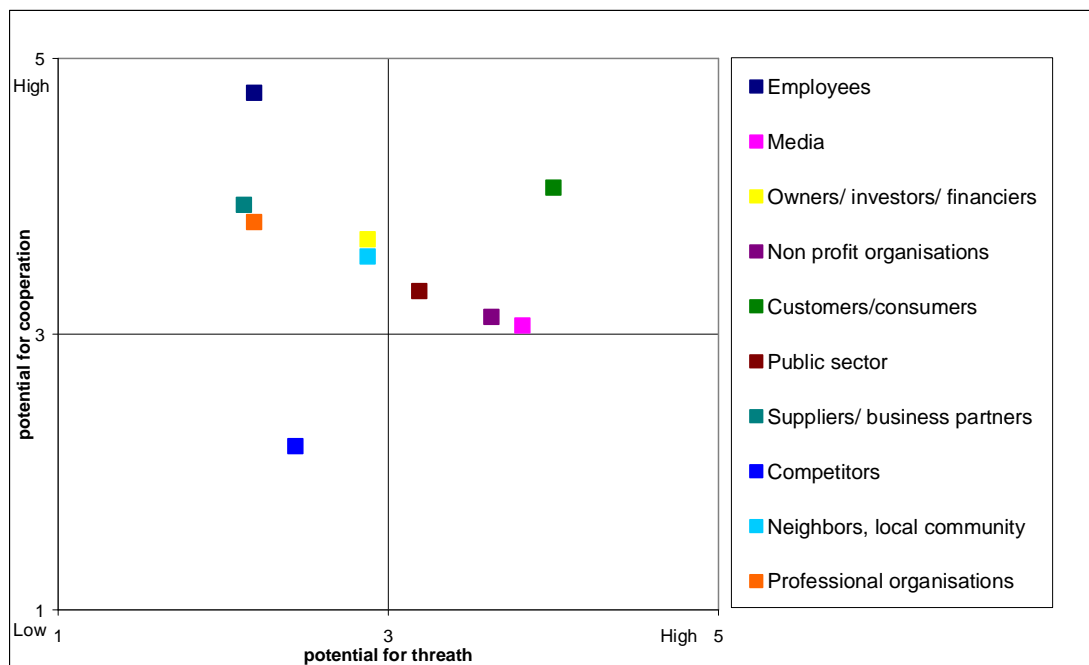


Figure 18. The cooperation and threat potential of UPM's stakeholders.

Interaction improvements

Question 10 dealt with issues the respondents thought needed to be better addressed. Neighbours have issues like the plants' operations and discharges, the chemicals used, and the environmental risks and impacts they bring with them. With suppliers, the availability and environmental quality of the materials, involvement in environmental issues, the natural cycle of wood production, renewable raw materials, user friendliness, health issues and using wood as a building material were considered important. Customer issues were the unnecessary increases in paper

lightness and product safety, while environmental organisations were interested in sustainable forestry, where the wood comes from, life cycle thinking, and the development of discharges and comparability of certifications. One of the respondents also stated that the public should be made aware of UPM's position on environmental issues compared to its competitors, and that most basic studies are paid for by the industry. Financiers are believed to need information on environmental performance, possible risks and responsibility issues.

Question 11 was about the benefits that stakeholder interaction has brought to UPM. The importance of interaction to the company's image was noted several times – running the business responsibly, addressing local issues properly and respecting the media affects the entire corporate image. Successful cooperation with the public sector and NGOs can result in positive publicity; a continuous dialogue with NGOs and neighbours minimises risk and keeps them satisfied because it gives them the ability to influence. The education provided in schools can positively influence attitudes towards UPM as long as those attitudes are based on facts and not emotions. All this stakeholder interaction helps UPM to anticipate any problem developments; the implementation of new technologies and projects is easier with the support of stakeholders, who themselves can have more commercial value than a good salesperson.

The possible development issues of environmental interaction were addressed in Question 12. The proactive approach of a continuous dialogue with non-profit organisations was missed, and more initiative with the media was expected in order to keep them up to date with developments. The company's websites were also proposed as a focus area of development, with the aim of improving publicity through them. One concrete suggestion was to place a road sign next to the forest estates with the words "This area is managed by UPM in sympathy with its natural environment".

Educating politicians to understand the concept of minimum effect, developing reporting techniques and improving chemical understanding were also mentioned in responses to Question 12. In customer relations, improvement areas were identified

as customer-centred projects, adding more expertise at the customer level, and communication and cooperation with customers. Customer training – for example, training people in graphic arts to assist in information transfer to the end user – and better-defined rules for what to do in emergencies were also suggested.

Possible environmental threats were addressed in Question 13, such as ruining the water system, the emissions trade, deficient or inaccurate communication on environmental issues, and the tightening of national and EU legislation and environmental permit conditions, high energy consumption, decrease in wood availability, and the possibility that public opinion might swing against the forest industry. Environmental organisations' attitudes towards certification and campaigns outside Finland were also experienced as a threat, as was the urbanisation of middle Europeans because of how forests have suffered in densely populated areas, with the risk that Finnish forests are seen as one of the last European conservation areas.

3.4.3 Conclusions

The relationship with suppliers and business partners is believed to be good (Question 5). This can also be seen through Savage's categorisation of suppliers and business partners as supportive stakeholders, and Mitchell's categorisation of them as discretionary stakeholders – there is no pressure for special attention to be paid to them, and UPM's challenge is to maintain this relationship at this level.

Interestingly, according to Savage's categorisation, UPM has no non-supportive stakeholders, but the survey suggested that non-profit organisations and the public sector are still considered to be a threat (see Question 5). The perceived power of non-profit organisations was also seen in Mitchell's categorisation, where it had all three attributes (power, legitimacy and urgency) and was categorised as the definitive stakeholder.

The strategy proposed by Mitchell for the dominant stakeholder group – in this case, the media – is to communicate through public relations. This is consistent with the current operating model of UPM. It should be noted that the media was also

considered to have a high threat potential and is very close to being a non-supportive stakeholder – so the emphasis given to it is also consistent with Savage’s typology.

A customer-centred focus is clearly visible in the responses to all the questions. Customers are perceived to have power, legitimacy and urgency to influence the company, they are the second most important stakeholder after the natural environment, and they have a high cooperation potential on environmental issues. Surprisingly, they are also thought to have the highest threat potential of all the stakeholders, but the survey respondents do believe that the company can influence its customers and consumers. The reason they are perceived like this needs further investigation, but one analysis is that customers are not as interested in the environmental qualities of the product as they are in its price.

3.5 Synthesis of the results

The case studies are analysed and compared, based on the responses to the survey questions. Conclusions are presented towards the end of this chapter.

The companies understand the concept of corporate responsibility quite well, but there were some distinguishing factors in the responses: Helsinki Energy emphasised its company values, Rautaruukki emphasised the ethical aspects of its operations, and UPM emphasised the responsibility of its products through their whole life cycle.

The stakeholders and their expectations were very similar in all companies; any small differences can be explained by the variations in business fields. The general knowledge of the stakeholders and their expectations can be considered satisfactory.

The stakeholders’ order of importance was more-or-less the same, with a few exceptions. The seven most important stakeholder groups were the same for UPM and Rautaruukki, but Helsinki Energy put the media higher up the scale and neighbours and the local community lower down. This may be the result of its organised events and the position of Helsingin Sanomat as the company’s local newspaper.

The power of influence the companies have over their competitors and non-profit organisations was thought to be low – the greatest differences here were in the perception of the media; the public sector; neighbours and the local community; and owners, investors and financiers. For Rautaruukki, its influence over owners, investors and financiers was lower than any other company, and Helsinki Energy's ability to influence the media, and neighbours and the local community was thought to be low. At UPM, the power to influence the media and the public sector was considered to be low, but the power to influence suppliers and business partners was notably higher than the other companies.

Mitchell's stakeholder categorisation by power, legitimacy and urgency attributed Rautaruukki 3, Helsinki Energy 2 and UPM 4 out of the 8 possible categories. At Rautaruukki, the power of employees was quite low; the whole scale of Rautaruukki's answers for the power attribute was lower than in Helsinki Energy or UPM. For the public sector, however, Rautaruukki's perception was higher than in the other companies. Helsinki Energy's perception of its customers' power of influence is quite low, while for UPM, the media did not have the legitimacy to influence its environmental thinking. Mitchell's typology was found to correlate with the results of this order of importance.

Savage's typology of cooperation and threat potential has four categories for stakeholders. The surprise result of this question was that, in Rautaruukki, owners, investors and financiers are considered to be a non-supportive stakeholder, and that the public sector poses the highest threat potential but also carries a high cooperation potential. At both Helsinki Energy and UPM, the media has a high threat potential, but it is customers and consumers who have the highest threat potential for UPM.

Interaction improvements needed in the companies were mostly about getting information to their neighbours, interaction with authorities on the development of legislation and permit conditions, and dialogue with non-profit organisations. Only Rautaruukki was thought to have considerable deficiencies in communication. The environmental issues considered a threat were the emissions trade and tightening of

the relevant legislation; operating conditions were thought to be at risk if the legislation and permit conditions were to be tightened unrealistically.

All the companies can be considered to have an environmental leadership strategy (Buyse & Verbeke 2003) through their relations with their stakeholders. The only exception to this is Rautaruukki, which has relatively strong ties with the public sector and so could have a pollution prevention strategy even though it also actively monitors other stakeholders. There is the possibility that the old operations model and industry traditions could affect this result.

The companies' good qualities are their pursuit of better interaction with their stakeholders and the existing number of stakeholder-relative events. Rautaruukki has the potential for more successful interaction when its re-organisation is finished. Its relationship with owners, investors and financiers needs further work and the possibilities of employee influence should not be ignored. Helsinki Energy has recognised its media relations problem and their planned media training should help alleviate this. The company's relations with non-profit organisations needs enhancement, but the threat that non-profit organisations pose can be minimised through open dialogue. UPM-Kymmene has learned from past mistakes and currently has good relations with all its stakeholder groups. It should continue monitoring the situation and developing its existing relationships, particularly with the media and non-profit organisations, who are close to being classed as non-supportive.

4 Summary and discussion

4.1 Summary of main findings and results

In this thesis, current and relevant stakeholder theories were examined to improve interaction in stakeholder relations. The questions considered, according to the framing of the problem, were as follows: how stakeholder relations should be categorised, what the relations of companies to the stakeholders are and what the possible stakeholder strategies are.

Through the literature review, a stakeholder model was constructed and potential stakeholder strategies considered. The idea of corporate responsibility functions as an incentive for improving stakeholder interaction, and so the company begins the interaction process by first recognising its stakeholders and their expectations. Then the company examines the characteristics and relationships of its stakeholders and categorises them by the qualities they possess to develop stakeholder-specific strategies.

In this thesis, two theories were selected to be the foundation for empirical research: Mitchell's typology of power, legitimacy and urgency, and Savage's typology of threat and cooperation potential. The typologies suggested stakeholder-specific strategies according to their relationships, and were examined in light of the survey results of the case study companies. Data on current situations and future challenges was gathered, and the theories were found to be applicable to environmental issues, and thereby useful to environmental management. Suggestions for development were proposed, such as greater interaction with the media and non-profit organisations.

In conclusion, the stakeholders should be reassessed, their interaction systematised through categorisation and prioritisation, and the responsibilities of different stakeholder groups divided inside the company according to their expertise. To determine how different stakeholders should be approached, it is suggested that an examination of their characteristics will provide strategies to successfully manage

stakeholder relations. Such examination is studied in this thesis by employing the theories of Savage and Mitchell.

The implications of this study are that stakeholder interaction can and should be used in environmental management, expanding the future commitment of companies to this interaction. The case studies presented here have a long history of corporate responsibility and are exemplary in their pursuit of dialogue with stakeholders, which makes them ideal for benchmarking. In Finland, small and medium sized companies are starting to achieve a competitive advantage through understanding their stakeholders, and the management of all Finnish companies should realise the value of successful stakeholder interaction.

Figure 19 shows the relation of the case study companies to their stakeholders in environmental issues:

	Rautaruukki	Helsinki Energy	UPM-Kymmene
Competitors	ñ	ó	ò
Customers/consumers	ó	ó	ó
Employees	ò	ñ	ó
Media	ñ	ò	ò
Neighbors, local community	ñ	ò	ó
Non profit organizations	ó	ò	ò
Owners/ investors/ financiers	ò	ñ	ó
Professional organizations	ó	ó	ó
Public sector	ñ	ó	ó
Suppliers/ business partners	ó	ó	ñ

ñ	Relationships are excellent
ó	Relationships are good
ò	Relationships need extra care

Figure 19 The current situation of stakeholder relations in the case study companies.

4.2 Strengths and weaknesses of the assignment

Environmental management is a very broad concept to be handled by this kind of research and the consideration of the survey questions was made at a very general level. An analysis of stakeholder interaction around one special issue or event would probably have given more valid information about their relations because the risk of generalisation in stakeholder identification is very high and stakeholder borders are hard to determine – an individual can be a neighbour, an employee and a member of an environmental organisation all at the same time.

Mitchell's theory of the attributes of power, legitimacy and urgency is very much issue-bound because of the definition of urgency, which depends on the issue at hand. Mitchell's typology was found to correlate with the order of importance results. Savage's theory, on the other hand, is not so bound to one issue and can be used in more general research, which is why its utilisation was successful in this thesis.

The case studies were difficult to draw general conclusions from due to the small amount of quantitative information. The companies chose the respondents of the survey and there could have been bias in this selection process, though it is very likely that the people most interested in corporate responsibility, environmental issues and stakeholders in general were selected. The survey was formulated early in the research process and one of the questions (Question 2) turned out to be difficult to answer, and was left blank in several responses. The results of this question are therefore left out of the analysis to some extent. Interviews were conducted to fill the gaps in the survey and for the researcher to acquire more familiarity with the company in question.

The initial distribution of national emission rights took place in summer 2004 and so the discussion about emissions trading during preparation of this thesis has influenced its conclusions. This influence is particularly apparent in the responses to Question 13, where emissions trading was often mentioned as a threat.

Rautaruukki's changing operations model limits the applicability of their results. Hopefully, the suggestions for development will be noted and the situation will be improved when the change process has ended.

Selection of the case study companies affected their interest in participating in the study. The existing orientation was favourable to stakeholder interaction and the results should be interpreted with this in mind. The applicability of this research to other situations is estimated to be high because the case companies of this study were from various industries and yet still produced comparable results.

4.3 Suggestions for further research

The need for further research lies mostly in determining the stakeholders of specific issues such as a factory development project or a change in business operations. This study was restricted to exploring the stakeholder relations of the case study companies and proposing stakeholder strategies according to the two theories discussed. Possible communication channels were presented in this study, but further research is needed to find out which methods are the most suitable and efficient for each stakeholder.

This research raised interest in specific issues and how applicable Mitchell's and Savage's theories are to those issues. Future studies might focus on new issues like:

- Who the stakeholders of emissions trading in energy companies are
- The relations of public sector authorities to their stakeholders in the legislative process
- How the relations with non-profit organisations and other companies could be improved

The effect of an individual being a member of different stakeholder groups should also be investigated further. The long-term examination of a specific case or the short-term study of a certain event would provide more information on the dynamics of stakeholders and their interrelations, and such analysis should include the initial and final states of the event and an examination of the stakeholder dynamics.

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Interviews

Rautaruukki

Kari Norberg, Ympäristöjohtaja (20.9.2004)

Pekka Tervonen, Ympäristö- ja laatupäällikkö (20.9.2004)

Eija Paldanius, Ympäristöasiantuntija Raahe steel plant (20.9.2004)

Helsinki Energy

Martti Hyvönen, Ympäristöjohtaja (15.10.2004)

Jarmo Karjalainen, Asiakaspalvelu ja viestintä johtaja (15.10.2004)

UPM-Kymmene

Marja Tuderman Ympäristöjohtaja (20.10.2004)

Jari Lemetyinen, Yhteiskuntavastuu päällikkö (15.10.2004)

Sini Paloheimo, Viestintäpäällikkö (mediasuhteet) (15.10.2004)

Websites and the annual, environmental and corporate responsibility reports of:

Rautaruukki

Helsinki Energy

UPM-Kymmene

Appendix 1. The questionnaire

- 1) What do you feel corporate responsibility means to your company?

- 2) Write under following headings who your company's stakeholders on environmental issues are and their most important expectations to your company. (*Stakeholders are all the groups and individuals whose actions affect the company or whom the company's actions affect*)
 - Public sector
 - State (e.g. Ministry of the Environment)
 - Municipal level
 - Local level
 - Neighbours and the local community
 - Professional organisations
 - Customers and consumers
 - Owners, investors and financiers
 - Employees
 - Competitors
 - Non-profit organisations (e.g. environmental organisations)
 - Suppliers, subcontractors and business partners
 - The media
 - Other (please specify)

- 3) Place the following stakeholders in order of importance to your company (1 is the most important, 11 is the least important)

Employees	
The media	
Owners, investors and financiers	
Non-profit organisations	
Professional organisations	
Customers and consumers	
The public sector	
Suppliers and business partners	
Competitors	
The natural environment	
Neighbours and the local community	

- 4) How significant do you feel are the following stakeholders' powers to influence your company's environmental issues?

	low	1	2	3	4	5	high
a) Employees							
b) The media							
c) Owners, investors and financiers							
d) Non-profit organisations							
e) Customers and consumers							
f) The public sector							
g) Suppliers and business partners							
h) Competitors							
i) Neighbours and local community							
j) Professional organisations							

- 5) How significant is your company's influence on the following stakeholders?

	low	1	2	3	4	5	high
a) Employees							
b) The media							
c) Owners, investors and financiers							
d) Non-profit organisations							
e) Customers and consumers							
f) The public sector							
g) Suppliers and business partners							
h) Competitors							
i) Neighbours and local community							
j) Professional organisations							

6) How significant do you feel are the following stakeholders' legitimacy to influence your company's environmental issues?

a) Employees	low	1	2	3	4	5	high
b) The media		1	2	3	4	5	
c) Owners, investors and financiers		1	2	3	4	5	
d) Non-profit organisations		1	2	3	4	5	
e) Customers and consumers		1	2	3	4	5	
f) The public sector		1	2	3	4	5	
g) Suppliers and business partners		1	2	3	4	5	
h) Competitors		1	2	3	4	5	
i) Neighbours and local community		1	2	3	4	5	
j) Professional organisations		1	2	3	4	5	

7) How significant do you feel are the following stakeholders' urgency to influence your company's environmental issues?

a) Employees	low	1	2	3	4	5	high
b) The media		1	2	3	4	5	
c) Owners, investors and financiers		1	2	3	4	5	
d) Non-profit organisations		1	2	3	4	5	
e) Customers and consumers		1	2	3	4	5	
f) The public sector		1	2	3	4	5	
g) Suppliers and business partners		1	2	3	4	5	
h) Competitors		1	2	3	4	5	
i) Neighbours and local community		1	2	3	4	5	
j) Professional organisations		1	2	3	4	5	

8) How big a threat do the following stakeholders pose to your company on environmental issues?

a) Employees	low	1	2	3	4	5	high
b) The media		1	2	3	4	5	
c) Owners, investors and financiers		1	2	3	4	5	
d) Non-profit organisations		1	2	3	4	5	
e) Customers and consumers		1	2	3	4	5	
f) The public sector		1	2	3	4	5	
g) Suppliers and business partners		1	2	3	4	5	
h) Competitors		1	2	3	4	5	
i) Neighbours and local community		1	2	3	4	5	
j) Professional organisations		1	2	3	4	5	

9) How large a potential for cooperation do the following stakeholders have with your company on environmental issues?

a) Employees	low	1	2	3	4	5	high
b) The media		1	2	3	4	5	
c) Owners, investors and financiers		1	2	3	4	5	
d) Non-profit organisations		1	2	3	4	5	
e) Customers and consumers		1	2	3	4	5	
f) The public sector		1	2	3	4	5	
g) Suppliers and business partners		1	2	3	4	5	
h) Competitors		1	2	3	4	5	
i) Neighbours and local community		1	2	3	4	5	
j) Professional organisations		1	2	3	4	5	

10) What environmental issues do you feel your company should address with its stakeholders?

11) Do you feel that stakeholder interaction creates benefits for your company? If so, what are they?

12) How should stakeholder interaction on environmental issues be developed in your company? Please give some examples.

13) What environmental issues do you feel could be a threat to your company?