

Helsinki University of Technology

Department of Industrial Engineering and Management

Institute of Strategy and International Business

Jonas Alam

Stakeholder Management in the Manufacturing Sector

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Supervisor

Tomi Laamanen

Professor of Strategic Management

Instructor

Liisa Jalanko

Corporate Communications Manager

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TU-91 Strategy and International Business	Professor Tomi Laamanen	
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Manager Liisa Jalanko, Corporate Communications		
<p>Companies are operating in a constantly changing business environment where various stakeholders have different expectations of the company. Addressing these expectations requires complex business decisions and a broad knowledge of stakeholder management. With limited resources, companies may miss the possibilities to increase shareholder value through stakeholder management. This thesis work examines the stakeholder management of a case company in the manufacturing industry.</p> <p>The research problem deals with how should the case company manage its stakeholders to maximise its shareholder value. To support this, the first research objective is to identify the stakeholders that the case company's management should focus on. The second objective is to provide recommendations for the case company to manage each stakeholder group.</p> <p>The empirical part of the thesis consists of an analysis of two Internet surveys and interviews with 27 stakeholders in Finland, Sweden, and the United Kingdom. Threat-cooperation and power, legitimacy, urgency typologies are tested by using them to analyse the twelve interviewed stakeholder groups. Both of the tested typologies are found suitable for analysing stakeholders of a large manufacturing company.</p> <p>On average, the interviewed stakeholder representatives perceive the environmental aspect of corporate responsibility the most important while confirming the importance of social and economic aspects. From the various corporate responsibility issues regarding the case company, stakeholders perceive air pollution and providing employment as the most important ones.</p> <p>The thesis work recommends that the stakeholder groups that should be given the highest salience are customers, trade unions, and the large owners of the case company. Their views should be prioritised over others and taken into account both proactively and reactively. The case company is recommended to involve its large owners with its decision making while collaboration possibilities should be utilised with customers and trade unions. Additionally, it is recommended to build up the capacity of strategic stakeholder management and prepare for changes in the stakeholder field. Within the geographical scope of the thesis, the findings support the proposition of some scholars that market stakeholders have higher salience when compared to non-market stakeholders.</p>		

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<p>Yritykset toimivat jatkuvassa muutoksessa olevassa liiketoimintaympäristössä, jossa erilaisilla sidosryhmillä on erilaisia odotuksia yrityksen suhteen. Odotuksiin vastaaminen edellyttää monimutkaisia liiketoiminnallisia päätöksiä ja laajaa tietämystä sidosryhmäjohtamisesta. Rajallisten resurssien takia yritykset voivat jättää käyttämättä mahdollisuuksia kasvattaa osakkeenomistajien arvoa sidosryhmäjohtamisen avulla. Diplomityö tarkastelee teollisuusyrityksen sidosryhmäjohtamista.</p> <p>Tutkimusongelma on, että miten esimerkkiyrityksen tulisi johtaa sidosryhmiään maksimoidakseen arvon osakkeenomistajille. Tämän tueksi työn ensimmäinen tavoite on tunnistaa sidosryhmät, joihin esimerkkiyrityksen johdon tulisi keskittyä. Toisena tavoitteena on antaa esimerkkiyritykselle suosituksia kunkin sidosryhmän johtamiselle.</p> <p>Diplomityön empiiriset havainnot koostuvat kahdesta Internet-kyselystä ja 27 sidosryhmähaastattelusta Suomessa, Ruotsissa ja Yhdistyneessä kuningaskunnassa. Uhka-yhteistyö sekä valta-, legitimeetti-, kiireellisyystypologioita testattiin analysoimalla niiden avulla kahtatoista haastateltua sidosryhmää. Molemmat testatut typologiat havaittiin sopiviksi suuren teollisuusyrityksen sidosryhmien analysoimiseen.</p> <p>Sidosryhmien edustajat pitävät keskimäärin yhteiskuntavastuun ympäristönäkökulmaa tärkeimpänä, minkä lisäksi sosiaalista ja taloudellista näkökulmaa pidetään olennaisena. Esimerkkiyrityksen yhteiskuntavastuuseen liittyvistä eri näkökohdista sidosryhmät pitävät ilmanpäästöjä ja työllistämisaikutusta tärkeimpinä.</p> <p>Sidosryhmät, joiden näkemyksille suositusten perusteella tulisi antaa eniten painoarvoa, ovat asiakkaat, ammattiliitot ja esimerkkiyrityksen suuromistajat. Heidän näkemyksensä tulisi priorisoida muiden yläpuolelle ja ottaa huomioon sekä proaktiivisesti että reaktiivisesti. Esimerkkiyritystä suositellaan ottamaan suuromistajansa mukaan päätöksentekoon sekä hyödyntämään yhteistyömahdollisuuksia asiakkaiden ja ammattiliittojen kanssa. Lisäksi suositellaan strategisen sidosryhmäjohtamisen kapasiteetin rakentamista sekä varautumista muutoksiin sidosryhmäkentässä. Diplomityön havainnot tukevat työn maantieteellisellä rajauksella tutkijoiden käsitystä siitä, että markkinasidosryhmät ovat keskeisempiä kuin ei-markkinasidosryhmät.</p>	

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APPENDIX 2 FACTORS AFFECTING STAKEHOLDER'S POTENTIALS FOR THREAT AND COOPERATION

Abbreviations

AKT	Transport Workers' Union AKT r.a.
BAT	Best available technology
BSSA	British Stainless Steel Association
CO ²	Carbon dioxide
EU	European Union
HR	Human resources
HS	Helsingin Sanomat
IISI	The International Iron and Steel Institute
ILO	International Labour Organisation
NGO	Non-governmental organisation
NPV	Net present value
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
ROE	Return on equity
ROI	Return on investment
ROA	Return on assets
TKK	Helsinki University of Technology (Teknillinen korkeakoulu)
UNICEF	The United Nations Children's Fund
WHO	World Health Organisation
WWF	World Wildlife Fund

1 Introduction

1.1 Background

Top managers are constantly faced with decisions on how to allocate scarce corporate resources in a turbulent business environment that is placing different kinds of pressures on them. Many stakeholders exert pressure and make corporate responsibility related claims that go beyond traditional business interests of companies (Prahalad & Hamel, 1994). The various stakeholder groups of a company differ significantly from each other and can have conflicting claims. The quality of relationships between a firm and its stakeholders constitutes the corporate responsibility performance of the company (Waddock & Graves, 1997b). High corporate responsibility performance can improve the financial performance of companies (cf. Waddock & Graves, 1997a). Therefore, also stakeholder management affects the shareholder value of a company (McWilliams & Siegel, 2001).

However, over-allocating resources to corporate responsibility management leads to reduced shareholder value (McWilliams & Siegel, 2001). Successful stakeholder management can alleviate the pressures that the constantly changing business environment poses on managers (Savage et al., 1991). Considering the different aspects, managers should identify and adopt approaches to stakeholder management that at the same time suit the stakeholders and serve the interests of the company in the best way. Managers may not possess sufficient resources or knowledge regarding stakeholder management, which may lead to missed shareholder value adding opportunities in companies.

This setup is approached by building recommendations for the stakeholder management of a case company in the manufacturing industry. The recommendations are built based on examining empirical data regarding stakeholders, their views and importance to the case company. Stakeholders are analysed using two different stakeholder management frameworks from the literature.

1.2 Research Problem and Objectives

The research problem of this study is that how should the case company, Outokumpu, manage its stakeholders to maximise its shareholder value. In order to answer this, two research objectives below are defined.

1. *Identify the stakeholders that the case company's management should focus on*

A large company has an enormous network of different kinds of stakeholders. Identifying the relevant stakeholders among them is necessary for successful stakeholder management. This is because managing many of the stakeholders can have a very low potential increase in a company's shareholder value, while managing only a few selected stakeholders could be critical for the success of a company. Thus, the first objective of this study is to identify Outokumpu's most important stakeholders.

2. *Provide recommendations for the case company to manage each stakeholder group*

Stakeholder management is about making complex business decisions based on stakeholder expectations and economic benefits to create shareholder value (McWilliams & Siegel, 2001). Outokumpu's managers need to know which stakeholders' claims should be prioritised over others, what kind of managerial approach should be taken with different stakeholders, as well as which issues and aspects of corporate responsibility should be given priority over others. The second research objective is to develop a stakeholder management approach and concrete recommendations for the stakeholder groups found by answering the first objective.

1.3 Scope of the Project

Because the case company prefers a broad picture to detailed analysis, the geographical coverage is set to cover the three countries where Outokumpu has its main production sites: Finland, Sweden and the United Kingdom. A top-down approach also gives a

better opportunity to provide top management recommendations about what issues should be prioritised over others in Outokumpu's stakeholder management.

Developing countries are excluded from this study, because the nature of stakeholder management in those countries might differ significantly and thus including them would require substantially more resources. As the case company and many stakeholders are international, excluding developing countries may leave out important international aspects of stakeholder management. Therefore, it is highly important to keep this in mind when interpreting the results and conclusions of the study.

The scope of this study is also defined in terms of which stakeholders are included. The following stakeholder groups are excluded: scientists and experts, insurance companies, legislators, political organisations, industry associations, competitors, former employees and the natural environment. See Chapter 4 for further details and for the stakeholder groups included in the scope of this project.

This report uses a classification of corporate responsibility in three main categories: environmental, social and economic responsibility (see Chapter 1.5, Definitions). This classification is generally used by companies for corporate responsibility management and reporting including Outokumpu (Outokumpu, 2006b). The scope given by the case company includes all three aspects of corporate responsibility. This is partly to be able to provide recommendations regarding corporate responsibility and stakeholder management as a whole rather than from a narrow point of view. As an example, it is possible to compare the importance of the three aspects and thus provide managerial recommendations on what kind of priority should be given to each aspect. Additionally, including all three aspects also makes the qualitative interviews more reliable. The reliability is increased because it is easier for many stakeholder interviewees to describe their expectations without classifying their thoughts into three artificial categories. If only one or two of the three aspects were selected, it would be likely to interfere and direct interviewees' thoughts, which are not organised the same way that these aspects are defined. This might lead to the loss of some important information as well. However, selecting the broad scope of all three aspects of corporate responsibility reduces the depth of analysis, as there are less resources available per aspect.

1.4 Research Methods

The research methods used for achieving the objectives of the study are qualitative interviews, Internet questionnaires and an analysis based on stakeholder typologies in stakeholder management literature.

1.4.1 Interviews

Most of the empirical evidence to answer the objectives of the study is collected through interview. The reasons of selecting interviews as the main empirical method are the qualitative nature of objectives and getting more in-depth information about stakeholder expectations. Interviews complement the reduced depth due to the wide scope of the project relative to the resources available. This is expected to lead to a balance between the scope and depth of the study. The weakness of using interviews as a method is that only a few selected stakeholders can be included in the project. Additionally, the interviews may give a deeper view of the expectations of a specific stakeholder, but the view may not be generalised to the whole stakeholder group.

The interviews were conducted during March – May 2005. The interviews in Finland and Sweden were conducted by the author, and the interviews in the United Kingdom by the case company. Out of the 27 stakeholder interviews, 18 were conducted by the author and nine by the case company representatives in the United Kingdom. See the list of interviews in the reference section for details of each interview.

The interviews were conducted using a half-structured interview questionnaire as a basis of dialogue with the stakeholder representative. First, a general interview structure was devised. After that, the structure was modified to match the stakeholder group in question. See Appendix 1 for the general interview structure. In order to understand the interviewee's views correctly, the questions on the interview structure were discussed keeping in mind that the interviewer should not lead the thoughts of the interviewees to issues that are important for the interviewee. The interviews were conducted in face-to-face meetings and the length of each interview was approximately two hours. The information from the interviews was recorded with handwritten notes, except the

interviews in the United Kingdom that were written and sent to the author electronically.

1.4.2 Internet Questionnaires

Internet questionnaires were selected as an additional source of empirical evidence. The strength of using a questionnaire as an empirical method ensures the coverage of a larger number of respondents making it possible to generalise the results in a better way. This enables better empirical results from those stakeholder groups where generalisability is more important than the depth of knowledge. The weaknesses of the Internet questionnaire are, for instance, that the respondents do not necessarily understand the question in the same way it has been planned. Also, it is not possible to give further questions or explanations to the respondents.

The 15 most important questions in the general interview structure (see Appendix 1) were selected for the Internet questionnaire to complement the interviews. The questionnaire was designed to be answered anonymously so that the respondents would feel free to include any possible sensitive opinions in their answers. The answers to the questions were recorded in an electronic database.

1.4.3 Analysis

Both research objectives are answered by analysing the empirical results. Threat-cooperation matrix by Savage et al (1991) and the power, legitimacy and urgency typology by Mitchell et al (1997), are chosen as the basis of analysis because they provide recommendations for stakeholder interaction from the managerial point of view. These two models are also discussed in the most esteemed academic business management journals indicating high theoretical quality. Additionally, the models have been found useful in practice when assessing stakeholders of large companies (cf. Samila, 2005). The two typologies are presented in Chapter 3, Stakeholder Typologies.

1.5 Definitions

This report defines corporate responsibility to mean what is often referred to as corporate social responsibility. The theoretical reason for choosing this term is that the

word “social” in corporate social responsibility may create confusion whether it excludes the environmental and economic aspects of corporate responsibility or not. As the scope of this study includes all three aspects, a term covering all of them is needed. Additionally, the term “corporate responsibility” is chosen because it is widely used in the corporate world (cf. Nokia, 2006), including Outokumpu (Outokumpu, 2006b). Applying the same terminology used by Outokumpu makes it easier for its company representatives to reflect the results of this study in practice.

Accordingly, this report uses the term “corporate responsibility performance” to describe the level of responsibility related to environmental, social and economic aspects. The performance of the environmental aspect is sometimes referred to as corporate environmental performance. Corporate social responsibility is usually used interchangeably with a term this report refers to as corporate responsibility performance. Below are the definitions for corporate responsibility and other terms used in this report.

- **Corporate responsibility**

The voluntary commitment by a business to manage its activities in a responsible way (The International Chamber of Commerce, 2002). Many refer to this definition of corporate responsibility as corporate social responsibility.

- **Corporate responsibility performance**

Used in this report as an umbrella term to refer to the level of corporate responsibility, including environmental, social and economic aspects.

- **Corporate philanthropy**

An important dimension of corporate responsibility (Godfrey, 2005), where philanthropy means “an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner” (Financial Accounting Standards Board, 1993).

- **Individual stakeholder**

Used in this report to refer to a single stakeholder entity as distinct from a stakeholder group.

- **Stakeholder**

Any group or individual who can affect or is affected by the achievement of the organisation's objectives (Freeman, 1984: 46).

- **Stakeholder group**

This report refers to a classified group of several individual stakeholders as “stakeholder group”, which can be further divided into “stakeholder subgroups”.

- **Stakeholder salience**

The degree to which managers give priority to competing stakeholder claims (Mitchell et al., 1997).

- **Sustainable development**

Development which meets the needs of the present without compromising the ability of future generations to meet their own needs (The World Commission on Environment and Development, 1987)

1.6 Structure of the Report

After the introduction, Chapters 2 and 3, provide the literature review. Chapter 2 presents the academic literature on corporate responsibility and stakeholder management, while Chapter 3 describes chosen stakeholder typologies. The literature review is followed with interview preparations in Chapter 4. Chapter 5 consists of the interview results. Analysis and recommendations based on the interviews are presented in Chapter 6. After that, Chapter 7 discusses the reliability of the results. Finally, Chapter 8 presents the conclusions of this study and discusses topics of this report against the academic literature.

2 Corporate Responsibility and Stakeholder Theory

Stakeholder management is closely interrelated with corporate responsibility management. The main reason companies invest in corporate responsibility, is the relevance of stakeholders to companies (Donaldson & Preston, 1995; Mitchell et al., 1997). Corporate responsibility performance is fundamentally defined by the quality of relationships between a firm and its stakeholders (Waddock & Graves, 1997b). Thus, corporate responsibility management and stakeholder management are partially overlapping managerial disciplines. This chapter will present the discussions around corporate responsibility and stakeholder management, and Chapter 3 will describe two stakeholder management typologies.

2.1 Corporate Responsibility Management

Corporate responsibility has become a mainstream topic in management literature in the past decades. This development has been promoted by the news media reporting about damage to the environment, improper treatment of workers and faulty production leading to dangers for consumers (Harrison & Freeman, 1999). Investors and funds have begun to consider corporate responsibility in their investment decisions in addition to the economic criteria (Harrison & Freeman, 1999). Additionally, consumers have started to consider the corporate responsibility performance of the companies from which they buy (Harrison & Freeman, 1999). This development has created a new strategic and operational management setup for companies. The top management has to balance with satisfying non-shareowner stakeholder interests and its owners' financial, environmental and social requirements.

Waddock & Graves (1997a) describe corporate responsibility as a way of doing business. McWilliams & Siegel (2001) define corporate responsibility as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. However, this report uses a definition by The International Chamber of Commerce (2002): “The voluntary commitment by business to manage its activities in a responsible way”.

2.2 Motivation for Corporate Responsibility

One of the main questions in corporate responsibility literature has been whether companies are improving their corporate responsibility performance because of economic reasons or because it has intrinsic merit (Donaldson & Preston, 1995). Donaldson & Preston (1995) called for normative core to stakeholder theory, based on managers' recognition that all stakeholders' interests have intrinsic value. They think managers should consider stakeholder interests because of a moral requirement of the management function. Furthermore, they argue that management serving only the interests of the owners is morally untenable.

Berman *et al.* (1999) developed two testable models to find out the underlying motivation. The first model called strategic stakeholder management suggests that a company is interested in its stakeholders because it can improve its financial performance. Their second model called intrinsic stakeholder commitment assumes that companies have moral ambitions to promote their stakeholder interests, which has an influence on the company's financial performance. According to a longitudinal test, the strategic stakeholder management model most accurately reflects the data (Berman *et al.*, 1999).

Additionally, Ogden & Watson (1999) studied the water industry in the U.K. and concluded that managers' behaviour is not based on stakeholders' intrinsic value. Furthermore, Stevens *et al.* (2005) analysed surveys of 302 senior financial executives. They concluded that the executives are more likely to adopt ethical codes in their business if they perceive it will bring strategic benefit for the company, for example, through a positive external image. All of the mentioned empirical studies indicate that the suggestion of Donaldson & Preston (1995) for a normative motivation of managers does not describe the motivation managers have for considering stakeholders in their decisions. Rather the actual motivation is the financial achievements (Berman *et al.*, 1999).

2.3 Corporate Responsibility Performance

Corporate responsibility performance is a multidimensional construct that includes a large variety of issues and is difficult to measure (Waddock & Graves, 1997a). It also varies significantly according to the sector (Waddock & Graves, 1997a). According to McWilliams & Siegel (2001), corporate responsibility performance correlates with company size, level of diversification, R&D, advertising, government sales, consumer income, labour market conditions and stage in the industry life cycle. Larger companies tend to have higher corporate responsibility performance because of economies of scope and scale.

McWilliams & Siegel (2001) suggest that there is a correct level of corporate responsibility performance for each company, which is defined based on the cost-benefit analysis of corporate responsibility performance. According to them, the corporate responsibility performance achieved this way satisfies the needs of the company's owners and other stakeholders at the same time. At the correct corporate responsibility performance level, the marginal revenue increase equals the marginal cost. The analysis can be conducted with tools that can be modified from the microeconomic theory of production and cost functions, to cover corporate responsibility related resources and output. The resources used in this context are capital, labour, materials, office expenses and purchased services. (McWilliams & Siegel, 2001)

Godfrey (2005) suggested a methodology for cost benefit analysis to determine the correct amount of investment in the corporate philanthropy aspect of corporate responsibility. The analysis is based on the insurance value of the reduced risk achieved by the moral capital created by corporate philanthropy. The optimal investment in corporate philanthropy depends on the value of intangible assets at risk of loss, firm-specific risk and industry-specific risk (Godfrey, 2005).

2.4 Corporate Responsibility Performance and Financial Performance

Several studies have been conducted to find out the relationship between corporate responsibility performance and financial performance. For example, Waddock & Graves (1997a) analysed the financial performance and corporate responsibility performance with a data set of 469 firms. They found that company's financial performance depends on corporate responsibility performance and that the relationship is positive. Furthermore, they suggested that low corporate responsibility performance regarding environmental pollution, labour relations and products have significant negative impact on companies' financial performance. In addition, McGuire et al (1988) investigated the correlation between corporate responsibility performance and company's prior and subsequent financial performance. They concluded that both prior and subsequent financial performance correlate positively with corporate responsibility performance, but found a stronger correlation for the prior performance. More specifically, they found that companies with low corporate responsibility performance tend to have lower ROA and stock market returns compared to companies with higher corporate responsibility performance. However, McWilliams & Siegel (2000) suggested that if the effect of the companies' R&D was eliminated, the results would leave scholars with a conclusion that corporate responsibility performance has a neutral impact on financial performance.

Porter & van der Linde (1995) suggested that many companies develop competitive advantage by high corporate responsibility performance regarding the environmental dimension. These types of firms are proactive in developing innovative solutions to hazardous waste and pollution problems (Porter & van der Linde, 1995). Russo & Fouts (1997) empirically studied the link between the environmental aspect of corporate responsibility performance and financial performance. With the data of 243 companies studied over two years, they found a significantly positive impact of corporate responsibility performance on economic performance. Furthermore, they found that the growth rate of the company's industry increases the positive impact of corporate responsibility performance on economic performance.

Respectively, Johnson & Greening (1999) found that companies with high corporate responsibility performance regarding the social aspect tend to have better financial performance. Ogden & Watson (1999) also concentrated on the social aspect of corporate responsibility by studying the customer service levels of the water sector in the United Kingdom. They concluded that increased performance on customer service levels lead to significant decreases of short-term profits but significantly increase shareholder value.

Furthermore, McGuire et al (1988) found that low corporate responsibility performance could lead to limited strategic options and significantly higher risk level in the form of lawsuits and fines. Similarly, Godfrey (2005) analysed the implications of corporate philanthropy, suggested that increased corporate responsibility performance leads to reduced risk level and increased shareholder value. Thus, reduced risk level should be considered a substantial benefit of increased corporate responsibility performance when studying its connection with financial performance (McGuire et al., 1988). This is because changing the risk level of a company affects its financial performance (McGuire et al., 1988).

2.5 Corporate responsibility and Reputation

Stevens et al (2005) found that managers are more likely to implement corporate responsibility practices if they perceived it would lead to a positive external image. This image can lead to various reputational benefits for a company. For example, McWilliams & Siegel (2001) suggest that high corporate responsibility performance creates a reputation of quality, honesty, trustworthiness and/or reliability. According to them, this may be especially important in food industries. Jones (1995) also suggests that a company with high corporate responsibility performance is attached with principles of trustworthiness and cooperativeness. Furthermore, he proposes that this enables lasting and productive relationships with stakeholders and can create a significant competitive advantage. Similarly, Lado et al (1997) propose that trust is an integrative mechanism, sustaining and creating cooperation within and between organisations. Trust also reduces transaction costs associated with governance mechanisms that safeguard against the hazards of partner opportunism (Barney & Hansen, 1994; Hill, 1990).

In addition, Godfrey (2005) supports the idea of corporate responsibility performance improving company's reputation that creates shareholder value. He proposes that corporate responsibility investments contribute to a company's reputational capital that has an economic value. The reputational capital causes the company's stakeholders act in ways that create or destroy wealth for shareholders. Furthermore, he proposed that the right kind of corporate philanthropy generates a specific type of reputational capital that he calls moral capital. This kind of corporate philanthropic activity should be perceived genuine and consistent with the ethical values of the community. (Godfrey, 2005)

Reputational capital reduces the risks of the focal company by providing an insurance-like protection for its relation-based intangible assets. Godfrey (2005) calls these kinds of assets relational wealth, and argues that they can not be insured through traditional financial insurance contracts. The relational wealth of a company is decreased when the company does something that its stakeholders consider violating their values, for example, in case of environmental pollution or mass dismissals. Depending on the relational wealth of the company, these kinds of situations will lead to sanctions, e.g. fines, lawsuits, negative publicity campaigns, boycotts or incarceration of key individuals. High moral capital acts as an insurance to provide evidence against the company's bad intentions, and will lead to sanctions that are more lenient. (Godfrey, 2005)

2.6 Stakeholder Management

Stakeholder management has been a part of mainstream managerial thinking and academic field of debate since Freeman (1984) published his book "Strategic Management: A Stakeholder Approach". Since then, the stakeholder literature has tried to provide answers to questions concerning the definition of a stakeholder, the classification of stakeholders, which stakeholders should be paid attention by the management, the purpose of stakeholder theory, etc. Economic efficiency requirements from owners make the executives to take into account the interests of stakeholders other than owners and executives themselves. One reason for this is that some stakeholders may be unwilling to do business with a company if they perceived that the executives favour one particular stakeholder, for instance the owners (Ogden & Watson, 1999).

Savage et al (1991) suggest that stakeholder management is important for managers to survive turbulent and revolutionary changes in their industries.

2.7 Types of Stakeholder Theory

Donaldson & Preston (1995) presented a framework suggesting that stakeholder theory can be divided into three main types, each having their own nature and purpose. These are descriptive, instrumental and normative stakeholder theories. The current state of stakeholder theory has originated from its normative school of thought (Donaldson & Preston, 1995).

The aim of the descriptive theory is to describe and explain specific corporate characteristics and behaviour related to stakeholders (Donaldson & Preston, 1995). I.e. it aims to find theoretical concepts that correspond to the observed reality. An example of this kind of a study is Agle et al (1999).

According to Donaldson & Preston (1995), instrumental stakeholder theory attempts to identify connections between stakeholder management and the measures of corporate objectives, e.g. profitability. This way it addresses the management's need to manage their stakeholders in order to achieve corporate objectives. Implications based on instrumental stakeholder theory are of type: "if you want to achieve goal X, then adopt principle and practice Y in your stakeholder management" (Donaldson & Preston, 1995). An example of instrumental stakeholder theory is the stakeholder typology by Savage et al (1991) described in Chapter 3.2. Stakeholder engagement aiming at profit maximization has been criticised that it is not likely, for example, to create economic benefits if it is based on strategic arguments (Quinn & Jones, 1995).

Normative stakeholder theory focuses on interpreting business management in moral terms. This leads to categorical implications: "do this because it is the right thing to do". Quinn & Jones (1995) advocate normative stakeholder theory and argue that it is logically superior to instrumental theory. Furthermore, they propose that managers should run their businesses first according to moral duties and secondly to maximize shareholder value. Jones & Wicks (1999) suggest that a new converged stakeholder theory should be created by combining instrumental and normative stakeholder theories.

The new theory would demonstrate how to manage businesses with morally sound approaches and how to make them work. Thus, the convergent stakeholder theory of Jones & Wicks (1999) is fundamentally normative.

A descriptive comparison of an instrumental stakeholder model and a normative stakeholder model by Donaldson & Preston (1995) is presented in Chapter 2.2, Motivation for Corporate Responsibility.

2.8 Definition of Stakeholder

It is generally agreed among scholars what kind of entities can be qualified as stakeholders. These include persons, groups, neighbourhoods, organisations, institutions, societies and even the natural environment is generally considered to qualify as an actual or potential stakeholder (Mitchell et al., 1997). Differences in various definitions of stakeholder in management literature are due to the selection of the sorting criteria to narrow down the entities.

2.8.1 Broad Definitions

The definitions differ considerably on whether a broad or narrow view on which entities should be included. The rationale behind broad definitions is that the definition should not exclude any possible stakeholders. This is because the firms can be affected by or can affect almost anyone. Although stakeholder management may be more difficult if it was based on a broad definition, scholars proposing broad definitions generally assume that it should be left for managers to decide which stakeholders to exclude from their attention. The broad definitions usually try to narrow down the universe of entities by sorting the stakeholders according to the types of power they possess over the organisation. The power that the stakeholders have may or may not be based on legitimate claims. (Mitchell et al., 1997)

This report uses one of the broadest definitions in the stakeholder theory by Freeman: "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (1984). This classic definition is widely cited but not universally accepted among the stakeholder theory scholars. The definition leaves both the stake and the field of stakeholders open to cover virtually anyone. It also leaves the

basis of the stake open for being unidirectional or bidirectional, i.e. it includes both those who can affect or are affected by the organisation. Furthermore, it does not require any actual impact between a stakeholder and the organisation but includes also those "who can affect".

2.8.2 Narrow Definitions

In contrast to broad definitions, narrow definitions are based on the reality of scarce resource of management attention to external claims and constraints. Thus, narrow definitions try to answer the question of what are the relevant stakeholders the company should pay attention to in order to achieve its goals. Overall, these types of definitions usually attempt to narrow down the universe of entities by sorting them according to the legitimacy of the claims. Depending on the definition, the legitimacy may be based upon legal rights, moral right, contract, exchange, or moral interest in the achievements and negative impacts of the organisation. (Mitchell et al., 1997)

An example of a narrow definition of stakeholder is by Donaldson & Preston (1995) supporting the normative stakeholder theory. They propose to define stakeholder management as fulfilling the duty to stakeholders by fairly distributing the harms and benefits resulting from the firm's actions. Similarly, they define stakeholders as "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity".

2.8.3 Claim, Influence and Power

Mitchell et al. (1997) explained the "stake" of the stakeholder to be either a claim that a stakeholder has on the organisation or ability of a stakeholder to influence the organisation. According to them, the nature of a claim can be legal, moral or presumed, while the ability to influence can be directed to the organisation's behaviour, direction, process or outcomes. Furthermore, Mitchell et. al (1997), sees these two attributes different and sometimes overlapping where one can exist without the other. On the other hand, Savage et al (1991) considered both the claim and the ability to influence, a requirement for an entity to be identified as a stakeholder. This led them to define stakeholder to "have an interest in the actions of an organisation and ... the ability to

influence it". However, Clarkson (1995) allows either one or two of these two components for a stakeholder. He defines that stakeholders "have, or claim, ownership, rights, or interests in a corporation and its activities".

Another criterion is to see whether a stakeholder has power over the company or the company has power over the stakeholder. The definition by Savage et al (1991) includes only those entities that have power over the company. On the other hand, Freeman's (1984) definition used in this report includes entities with either or ways of power relationships with the company.

2.9 Classifying Stakeholders

The most widely used classifications of stakeholders in academic literature are presented below. Furthermore, two typological classifications oriented to managerial recommendation are explained in greater detail in Chapter 3, Stakeholder Typologies. These are the threat-cooperation matrix and power, dependence and urgency model used as the basis of analysis in this report.

An obvious way to classify stakeholders is by sorting them according to the role they represent, such as customers, employees, suppliers, investors etc (see Chapter 2.10). Harrison and Freeman (1999) points out that dividing company's stakeholders into these types of groups ignores significant differences within the groups. According to them, each stakeholder group could have its own typology and stakeholder relationships should be regarded as multifaceted, multi objective and complex in nature. Furthermore, Wolfe & Putler (2002) concluded in their empirical studies, that the internal homogeneity or heterogeneity of each group should be identified for successful stakeholder management.

2.9.1 Internal, External, Primary and Secondary Stakeholders

Savage et al (1991) divide stakeholders to internal and external stakeholders. The internal stakeholders include employees and managers. The external stakeholders include owners, stock analysts, local communities, government, suppliers, competitors and customers. However, Savage et al (1991) note that some stakeholders can not be

classified as internal or external, but should be considered interface stakeholders. These are, for example, the boards of directors and auditors.

Hillman & Keim (2001) and Savage et al (1991) classify stakeholders into primary and secondary. Primary stakeholders have a direct and necessary economic impact on the organisation (Savage et al., 1991). They also have a formal official or contractual relationship with the company (Savage et al., 1991). Examples of primary stakeholders are owners, employees, customers, suppliers, communities, the natural environment (Hillman & Keim, 2001) as well as creditors and labour unions (Savage et al., 1991). Secondary stakeholders are those that can affect the organisation or can be affected by the organisation, but are not in direct contact with the economic activities of the company (Savage et al., 1991). These include, for example, government institutions, insurance companies and consumer interest groups (Savage et al., 1991). Hillman & Keim (2001) propose that corporate responsibility performance related to primary stakeholders could lead to competitive advantage and increased shareholder wealth. On the other hand, they suggest that corporate responsibility performance related to secondary stakeholders may not create value for shareholders.

2.9.2 Market and Non-Market Stakeholders

A third way to classify stakeholders is to divide them into market and non-market stakeholders (cf. Stevens et al., 2005). Market stakeholders are highly salient to managers because they are in an economic transaction relationship with the firm, and they have the ability to influence the competitive environment of the company directly (Stevens et al., 2005). Market stakeholders have more power over the firm than non-market stakeholders because they possess a threat of exiting the market exchange relationship with the firm (Hill & Jones, 1992). Therefore, losing the confidence of a market stakeholder may hamper the company's ability to meet its performance expectations (Stevens et al., 2005). Market stakeholders include customers, suppliers, employees, financiers, owners and competitors.

Non-market stakeholders, on the other hand, include regulatory agencies, court system, government bodies and special interest groups. Non-market stakeholders are in interaction with the firm on a non-economic basis and are not directly involved in the

production function of the firm (Stevens et al., 2005). Additionally, their claims tend to be less urgent and frequent compared to market stakeholders' claims (Stevens et al., 2005). Agle et al (1999) analysed the data of 80 CEOs and found differences regarding the salience of stakeholder groups, supporting the propositions by Stevens et al (2005). The results of Agle et al (1999) indicated that the stakeholder salience is significantly higher in case of market stakeholders (owners, employees and customers) compared to non-market stakeholders (governments and local communities).

2.10 Role Based Stakeholder Groups

This chapter presents stakeholder group specific findings in corporate responsibility and stakeholder literature. Managerial implications of interacting with certain stakeholder groups and implications between stakeholder groups are discussed when applicable.

2.10.1 Competitors

A large variety of literature exists regarding managing competitors. Competitors generally try to win customers from other companies competing in the same markets, for example, by providing better products or lower price. This may lead to very intense competition that has negative performance consequences for all of the competing firms (Rindova et al., 2004). From the stakeholder management point of view, Rindova et al (2004) found a way for companies engaged in intensified competition to improve their performance. They suggest that communicating regarding competition as “competitive wars” increases the involvement of stakeholders for the benefit of competing firms.

However, competing is not the only strategy that companies can take. Lado et al (1997) proposed a model consisting of four types of corporate interaction with competitors (see Figure 1). The model is based on companies seeking economic rents for their resources using different strategies related to competitive and cooperative orientations. They define economic rent as “the returns over and above the costs of employing a firm’s resource in its next best alternative”.

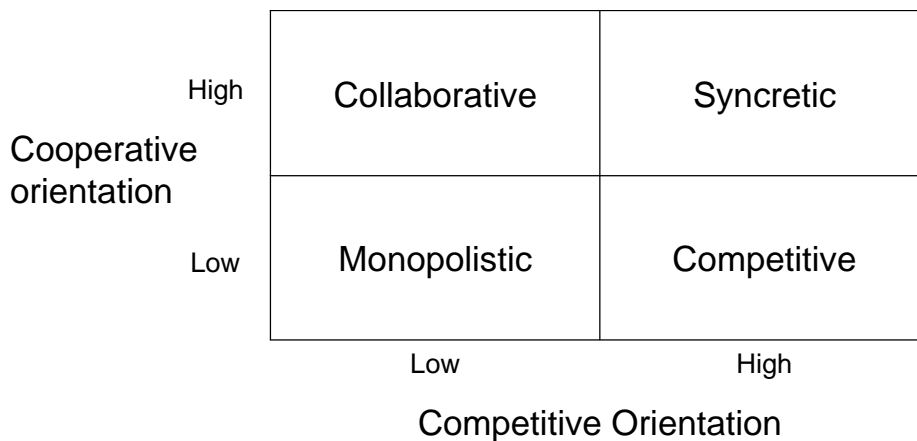


Figure 1 A syncretic strategic behaviour model by Lado et al (1997)

The firms with competitive behaviour pursue best performance by affecting their industry and generating distinctive competences that are hard to copy (Lado et al., 1997). The highest economic rents are generated for those companies that are able to acquire and leverage scarce resources more efficiently than others (Lado et al., 1997). As a result, prices in the industry are set at the lowest possible level (McNulty, 1968). One of the critiques against the competitive strategy is that it leads companies to build their relations based on zero-sum game principle, where one company's loss is another's gain (Jarillo, 1988). This leads to ignorance of positive-sum opportunities through collaboration (Kanter, 1994).

Instead of competitive behaviour, collaborative behaviour is characterised by joint production and shared value through pooling resources (Lado et al., 1997). The collaborative strategy enables companies to focus their attention on the long-term goals and finding positive sum gains (Aram, 1989). This strategy also increases trust in the organisation, which leads to various benefits (please see Chapter 2.5). However, the downside of collaborative behaviour is that the firms might be unable to distinguish genuinely cooperative and trustworthy partners from the opportunistic ones (Frank, 1988). Additionally, collaboration increases the reciprocal commitment of resources to the cooperative effort reducing the strategic flexibility of a company. (Bresser & Harl, 1986).

Monopolistic behaviour is based on companies' need to keep their competitors away from their markets in order to create as high economic rents as possible. This may lead to reduced social welfare, organisational complacency, reduced innovation and entrepreneurship. (Lado et al., 1997)

Companies with a syncretic strategy attempt to find a dynamic balance between competitive and cooperative strategies, enabling them to both compete and cooperate with its competitors (Lado et al., 1997). Companies with a syncretic strategy can achieve competitive advantage in a competitive setup by using their rare, valuable and hard to imitate resources (Lado et al., 1997). This strategy can stimulate innovation, which increases knowledge, market growth and technological progress in comparison to the other three strategies (Lado et al., 1997). At the same time, they can achieve cooperative benefits by efficiently identifying genuinely cooperative partners (Barney & Hansen, 1994), identifying strategic opportunities to realise positive-sum gains (Parkhe, 1993) and by using their resources to achieve strategic goals through alliances (Gulati et al., 1994). Lado et al (1997) proposes that firms exhibiting syncretic behaviour will achieve sustained superior performance compared to other strategies.

2.10.2 Customers

Ogden *et al.* (1999) studied the water companies in the United Kingdom. They gained access to government information on customer service levels and firms' market performance data after the privatisation of the sector. They found that increases in customer service levels had a negative impact on short term profits due to the increased costs associated. However, increased customer service was also linked to significantly increased market value because of the ascertained long-term benefits for the investors (Ogden *et al.*, 1999).

McWilliams & Siegel (2001) in their model of corporate responsibility suggested that there is a consumer demand for products with high corporate responsibility performance. Furthermore, they propose that many, although not all, consumers value corporate responsibility and are willing to pay for it. Many companies that include corporate responsibility arguments in their marketing, for example, the Body Shop, indicate this. For example, authorities and government bodies require a certain level of

corporate responsibility performance from their suppliers (McWilliams & Siegel, 2001). Furthermore, McWilliams & Siegel (2001) classify corporate responsibility as a “normal good”, meaning that higher disposable income will result in greater demand for corporate responsibility. They also propose that the demand is affected by tastes, preferences, demographics and the price of substitute products.

Additionally, Waddock & Graves (1997a) noticed that many consumers use NGO guides and recommendations in their purchasing decisions to differ higher corporate responsibility performance products from lower corporate responsibility performance products.

2.10.3 Personnel and Students

Employees demand their employers to follow certain practises such as progressive labour relations policies, occupational safety regulations and financial security requirements and to implement workplace benefits, for example, child care (McWilliams & Siegel, 2001). Companies that are committed in responding to the interests of their employees are found to achieve greater profitability (Deniz-Deniz & De Saa-Perez, 2003). This kind of a commitment includes a coordinated policy of training, promotion, fair compensation and prospects for future development (Deniz-Deniz & De Saa-Perez, 2003).

Wright et al (1995) suggested that high corporate responsibility performance helped companies attract high-quality employees compared to companies with low corporate responsibility performance. Similarly, McWilliams & Siegel (2001) suggested that employees favour companies with high corporate responsibility performance and it is important especially for companies representing industries having a shortage of certain skilled workers. Turban & Greening (1996) conducted an empirical analysis in 160 firms studying the implications of corporate responsibility performance on recruiting. They found that high corporate responsibility performance in respect to community relations, employee relations, environmental issues and product quality increases the reputation and attractiveness of the company as an employer. Especially employee relations and the treatment of female workers and minorities in an accepted manner attract job applicants, because this indicates better working conditions and enhance the

self-concept of employees (Turban & Greening, 1996). The increased attractiveness might apply only to high-quality applicants who have several companies to choose from and who in turn are more desirable to the firms. (Turban & Greening, 1996). Furthermore, Turban & Greening (1996) found that companies that recruit in campuses and provide material for student career offices have generally a higher awareness among all job applicants.

Additionally, Turban and Greening (1996) note that a high corporate responsibility performance is a competitive advantage to companies in recruiting applicants, if the applicants are aware of company's corporate responsibility performance. This means that companies may want to include information on corporate responsibility in their recruitment campaigns. The information should be realistic in order to seize the benefits (Turban & Greening, 1996). Furthermore, the competitive advantage in recruitment process generated by progressive practices with employees is reflected in the stock values of companies (Wright et al., 1995). Firms with higher corporate responsibility performance in respect to practices with employees are awarded with increased stock value and *visa versa* (Wright et al., 1995).

2.10.4 Owners

Johnson and Greening (1999) used structural equation modelling to study the effects of institutional investor types on corporate responsibility performance. They found that companies with higher pension fund equity and external director representation perform better in regards to several aspects of corporate responsibility.

In addition to owners requiring companies to create traditional financial value for them, McWilliams & Siegel (2001) suggest that some owners put pressure on the management to increase the corporate responsibility performance. Many analysts screen their potential investments with corporate responsibility performance criteria or use third party corporate responsibility performance evaluations (Waddock & Graves, 1997a). Especially, institutional investors favour companies with higher corporate responsibility performance over others (Graves & Waddock, 1994).

This means that in addition to traditional economic shareholder value, some owners expect companies to create social and environmental value. This leaves the managers of

such companies in a setup where they are not only expected to optimise the economic shareholder value, but they should find a balance in optimising economic, social and environmental values in order to satisfy their shareholders needs.

2.10.5 Top Management

Mitchell et al (1997) suggest that the judgement of managers affect their perception of stakeholders' salience, may it be correct or not. Furthermore, they propose that the characteristics of managers affect the relationships that are formed between the company and its stakeholders. Additionally, Donaldson & Preston (1995) suggested that there is no guarantee that managers would pay attention to their stakeholders even though it would be prudent for them to do so. Stevens et al (2005) found that managers are more likely to implement ethical practices if they have positive attitudes toward the image enhancement function of the code of ethics. These assumptions and findings indicate that top management competence and perceptions regarding the benefits of corporate responsibility and stakeholder interaction are fundamental factors for successful stakeholder management.

Weaver *et al.* (1999) studied the effects of top management and external pressure to corporate responsibility programmes of large corporations. They found that external pressure is most likely to lead to corporate responsibility programmes that are decoupled from organisational processes. These types of programmes are characterised by policy communications, like memos and newsletters. Strong top management commitment in corporate responsibility was found in companies with well-integrated practices such as corporate responsibility performance appraisals (Weaver *et al.*, 1999). Additionally, Stevens et al (2005) found that pressure from non-market stakeholders leads managers to commit symbolically in ethical codes. On the other hand, pressure from market stakeholders leads to genuine ethical commitment with higher probability (Stevens et al., 2005).

2.10.6 Other Stakeholder Groups

Boards of Directors

Luoma and Goldstein (1999) studied the data of 224 companies in order to examine the relationship between non-shareholder stakeholder influence and stakeholder representation on boards of directors. They found that large companies and firms in industries with higher degrees of regulation have stakeholder-oriented board committees with an above average proportion of non-shareholder representatives on their boards. The average representation rate is 14 % of the board seats (Luoma & Goodstein, 1999).

Media

Media often gives attention and free visibility to corporate responsibility performance of companies, both in cases of high and low performers. This increases the awareness of corporate responsibility among other stakeholders, and motivates managers to pay attention to their corporate responsibility management. (McWilliams & Siegel, 2001).

NGOs

NGOs have power over the demand of companies' products by affecting consumer opinions. Many consumers use NGO guides and recommendations in their purchasing decisions to differ higher corporate responsibility performance products from lower corporate responsibility performance products (Waddock & Graves, 1997a).

Trade Unions

Trade unions usually demand similar corporate responsibility improvements than employees do and they play an important role in promoting these issues within companies (McWilliams & Siegel, 2001).

3 Stakeholder Typologies

This study uses the threat-cooperation matrix by Savage et al (1991) and the power, legitimacy and urgency typology by Mitchell et al (1997) to analyse stakeholders. Both of them are summarised in this chapter.

3.1 *Power, Legitimacy and Urgency*

3.1.1 The Attributes

The stakeholder typology presented by Mitchell et al (1997) is based on classifying stakeholders according to three key attributes: power, legitimacy and urgency. Before proceeding to the core of the model, each of the key attributes are described below according to Mitchell et al (1997).

Power

The original idea of defining power comes from Weber (1947), who defines it as “the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance”. Pfeffer (1981: 3) described the definition of power used by Mitchell et al (1997) in their typology: “a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done”.

Furthermore, Etzioni (1964) has suggested a logic in explaining the basis of organisational power, that Mitchell et al (1997) use to support their stakeholder typology. According to Etzioni (1964), exercising power is based on using three basic types of resources described below:

- Coercive power means the use of physical power, violence, force and restraint or the threat of using them. This could be, for example, the use of a gun, a whip or a lock.
- Utilitarian power is the use of material means for power, e.g. financial resources, goods and services.

- Normative power is based on symbolic resources and does not constitute a physical threat. This can be, for example, the use of prestige and esteem, love and acceptance or any physical object that symbolize them. Normative power is referred to as normative-social or social power as well.

Each type can exist independently or in combination. Moreover, power is not seen as a constant attribute of a stakeholder, but rather a variable that can be both acquired or lost (Mitchell et al., 1997). Further implications of this are explained in chapter 3.1.2, Stakeholder

Legitimacy

Weber (1947) proposed that in order to have authority over someone, both power and legitimacy are needed. Both of them can exist independently but without the other an entity will not achieve salience for the company's managers (Mitchell et al., 1997). Legitimacy often refers to socially accepted and expected structures and behaviours. Legitimate can be distinguished from illegitimate by the fact that the parties who use power in a way that the society considers irresponsible, tend to lose it in the long run (Davis, 1973: 314).

Mitchell et al (1997) use the definition of legitimacy, developed by Suchman: "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition" (1995: 574). Thus, legitimacy is a desirable social good beyond self-perception (Mitchell et al., 1997). The most common levels of analysis in the "socially constructed system" are individual, organisational and societal (Wood, 1991).

Urgency

Adding the attribute of urgency gives the stakeholder typology a dynamic nature (Mitchell et al., 1997). According to Merriam-Webster Dictionary, urgency is defined as "calling for immediate attention" or "pressing". Mitchell et al (1997) define urgency as "the degree to which stakeholder claims call for immediate attention". Based on the description of moral intensity of Jones (1993), Mitchell et al (1997) argue that time sensitivity alone is not sufficient criteria for urgency, but that two key attributes have to

be fulfilled. Firstly, time sensitivity: “the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder”. The second attribute is criticality: “the importance of the claim or the relationship to the stakeholder”. Mitchell et al (1997) gave some examples that could make a claim important to a stakeholder. The examples include ownership, expectations for the firm to continue providing something of great value, and risks related to the company, which the stakeholder is attached to.

3.1.2 Stakeholder Model

Stakeholder Classes

Each stakeholder is classified by either possessing or not possessing each of the three attributes. This leads to a combination of eight different stakeholder types (see Figure 2).

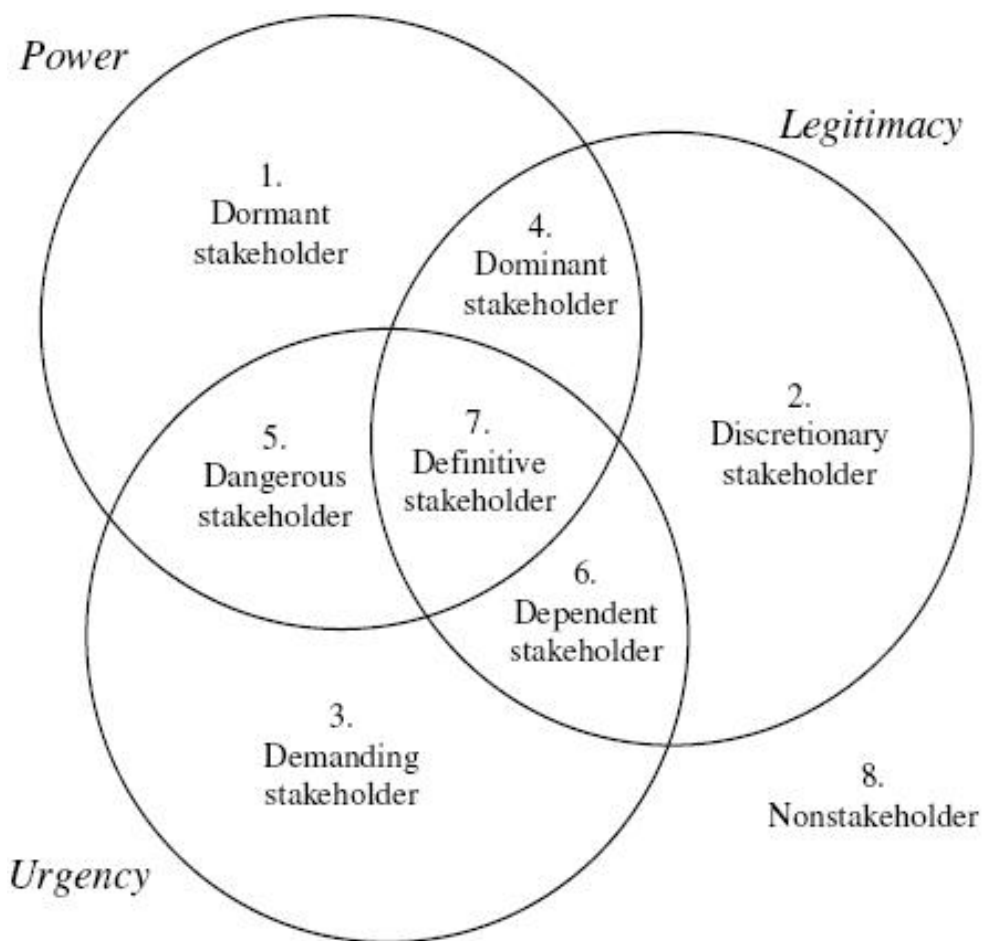


Figure 2 Stakeholder classes according to Mitchell et al (1997)

Characteristics, examples and managerial recommendations for each class are given in Chapters 3.1.3., 3.1.4 and 3.1.5. The classification and recommendations for interviewed stakeholders of Outokumpu are presented in Chapter 6, Analysis and Recommendation.

According to the definition of Mitchell et al (1997), stakeholder salience is the degree to which managers give priority to competing stakeholder claims. They propose that salience is positively related to the number of attributes possessed by a stakeholder as perceived by managers. Furthermore, in case of those stakeholders, who possess only one of the attributes as perceived by managers, stakeholder salience is low. Similarly, stakeholder salience is medium in case of those stakeholders who possess two attributes and high if a stakeholder possesses all three of them. Agle et al (1999) later empirically verified this by examining the data derived from assessing 80 CEOs. They found a significant relationship between the number of attributes and stakeholder salience.

Although stakeholders can be identified by some of the salience classes, managers of the firm finally determine which stakeholders they consider salient to be given managerial attention. Managers may or may not be correct in their judgement. Thus, the characteristics of managers affect the managers' perception of stakeholders and influence the relationships between a company and its various stakeholders (Mitchell et al., 1997). Managers differ in their values (Hambrick & Mason, 1984) and environmental scanning practices (Draft et al., 1988), for example. Managers' values in relation to social regulations significantly influences the way they react to stakeholders covered by the regulations (Greer & Downey, 1982). Agle et al (1999) attempted to verify empirically that CEO values influence their perception of stakeholder salience. They found inadequate relationships to support the hypothesis, leaving this part of the stakeholder model unverified.

Dynamism (Mitchell et al., 1997)

The stakeholder model is dynamic in nature, which means that stakeholders' attributes and salience can vary according to the situation. For example, a stakeholder lacking a specific attribute can become stronger and promote its interest better by acquiring the missing attribute by cooperating with another stakeholder who has that specific

attribute. Additionally, the existence of each attribute does not present the objective reality, but rather a constructed one. A stakeholder possessing an attribute does not necessarily mean that it is aware of possessing it, nor would utilise the attribute to achieve its goals. For example, a local community near a nuclear power plant, which is in the danger of a meltdown, has a serious claim on the plant. However, unless they are aware of the criticality of the situation and their claim, they may not act on upon it. In a similar way, a claimant may not be aware of the claim's legitimacy, or managers may have different perceptions of the claim's legitimacy compared to the stakeholder's own perception. The following principles summarise the dynamic nature of the model:

1. Stakeholder attributes are variable, not a steady state
2. Stakeholder attributes are socially constructed, not an objective reality
3. Consciousness and wilful exercise may or may not be present

The dynamic nature also means that static stakeholder maps can only tell the situation at a particular point of time, because the attributes and salience of each stakeholder can vary from issue to issue. (Mitchell et al., 1997)

3.1.3 Latent Stakeholders

Dormant Stakeholders

Dormant stakeholders are those who possess power but lack a legitimate relationship and an urgent claim on the firm. Until they do not get one or both of the missing attributes, they cannot use their power. Dormant stakeholders usually do not interact with the company. Examples of these types of stakeholders are employees who started firing at the facilities of their previous employer after having been dismissed (coercive power). There are also examples of former employees filing wrongful dismissal suits in court (utilitarian power) or speaking against their former employers on radio (symbolic power). (Mitchell et al., 1997)

Mitchell et al (1997) suggests that managers should be aware of its dormant stakeholders because they will become more salient if they get either urgency or legitimacy. Furthermore, they say that it may be difficult but possible to predict which

dormant stakeholders will become more salient. A proactive company should also find a low-effort way to monitor its dormant stakeholders (Mitchell, 2003).

Discretionary Stakeholders

These stakeholders possess legitimacy but their claims are not urgent and they do not have power to influence the company (Mitchell et al., 1997). Discretionary stakeholders often receive corporate philanthropy and are relevant in terms of corporate responsibility performance (Wood, 1991). Mitchell et al (1997) give an example of a taxi program that pays taxi fees for anyone who feels that he/she has consumed too much alcohol to be able to drive. The beneficiaries of this program are discretionary stakeholders.

There is no pressure on managers to be in an active relationship with discretionary stakeholders until they acquire power or urgency (Mitchell et al., 1997). Anyhow, a company is recommended to proactively consider their claims in terms of corporate responsibility (Mitchell, 2003).

Demanding Stakeholders

Demanding stakeholders have an urgent claim but no legitimacy or power over the company. Mitchell et al (1997) uses an example of a picketeer in front of the company headquarters with a sign that says, “The end of the world is coming! Acme chemical is the cause!”.

These kinds of stakeholders may be irritating to managers but not dangerous (Mitchell et al., 1997). Their claims should not be given attention unless they get some power or legitimacy behind the claims Mitchell et al (1997). However, the approach of managers should be tolerant awareness to make sure that attention can be increased if the salience of the stakeholder increases (Mitchell, 2003).

3.1.4 Expectant Stakeholders (Mitchell et al., 1997)

Dominant Stakeholders

Stakeholders that have both legitimate claims on the firm and power to act on their claims, have a lot of influence and their opinions matter to managers (Mitchell et al., 1997). Companies usually have different systems in place for dominant stakeholders to express their views and get information. These systems include the positions on the board of directors, investor relations offices, HR-departments, annual reports and corporate responsibility reports (Mitchell et al., 1997). Dominant stakeholders are usually part of the formal planning process of the company and it is recommended to address their claims before they become urgent (Mitchell, 2003).

Dangerous Stakeholders

Dangerous stakeholders usually create urgency by using coercive power, having an illegitimate status for acting on their claims (Mitchell et al., 1997). Examples of such stakeholders are wildcat strikers resisting company policies, employee saboteurs disappointed at the company or terrorists resisting oppression. For example, employees of General Motors in Lordstown, Ohio, protested by welding pop cans to engine blocks (Mitchell et al., 1997).

Recommended ways to manage dangerous stakeholders are identifying them and mitigating the dangers they pose (Mitchell et al., 1997). Managers should try to avoid the kind of action that would attract the attention of dangerous stakeholders or give rise to their claims (Mitchell, 2003). If managers were confronted by dangerous stakeholders, the use of coercive power should be avoided by identifying the potentially legitimate parts of their claims (Mitchell, 2003). However, if recognising legitimacy includes surrendering to claims that offend the values of legitimate stakeholders, all kind of legitimate resistance should be considered (Mitchell, 2003).

Dependent Stakeholders

Legitimate stakeholders having an urgent claim but no power to act on their claims are called dependent, because they depend on other stakeholders' power (Mitchell et al.,

1997) and have to seek them to increase their own salience (Mitchell, 2003). Respectively, other stakeholders try to find dependent stakeholders with shared interests to cooperate with (Mitchell, 2003). For example, when Exxon Valdez oil tanker owned by the current Exxon Mobil Corporation grounded and spilled a huge amount of crude oil in Prince William Sound in Alaska, many dependent stakeholders were created (Mitchell et al., 1997). These included local residents, marine mammals, birds and the natural environment (Starik, 1993). The Alaskan state government and the court system provided guardianships in the interests of these stakeholders making them the most salient stakeholders with all three attributes (Mitchell et al., 1997).

3.1.5 Definitive and Distant Stakeholders

Definitive Stakeholders

If a dominant stakeholder with power and legitimacy has an urgent claim on the company, it becomes a definitive stakeholder that managers have to give high priority. Definitive stakeholders originate most commonly in this way. For example, the owners of IBM, General Motors, Kodak, Westinghouse and the American Express saw their stock values fall in 1993. They did not consider the managers' reaction appropriate to the situation, and got them removed. However, dependent and dangerous stakeholders can also turn into definitive stakeholders by acquiring the missing attribute. An example of this is the Exxon Valdez oil spill explained in the chapter for dependent stakeholders. (Mitchell et al., 1997)

The kind of attention definitive stakeholders require is that managers should consider their claims as top priority and take them into account both proactively and reactively because they define the survival prospects of companies. (Mitchell, 2003)

Distant Stakeholders

According to the stakeholder model of Mitchell et al (1997), entities who do not have power, no legitimacy or urgency, can be considered non-stakeholders or potential stakeholders of the company. The recommended attention to distant stakeholders is to

try to foresee the impact of company's actions to identify those distant stakeholders that may at some point become actual stakeholders of the firm (Mitchell, 2003).

3.2 Potential for Threat and Cooperation

The original idea of assessing the potential for threat and cooperation of stakeholders was expressed by Freeman (1984). Savage et al (1991) further developed it into a diagnostic typology. This chapter first introduces the different aspects of the model (Chapter 3.2.1) and then proceeds in describing the characteristics and recommendations of the four types of stakeholders (Chapter 3.2.2).

3.2.1 The Stakeholder Model

The stakeholder model is based on identifying the potential for cooperation and potential for threat in case of each stakeholder of the company. Both of the attributes are first introduced below as Savage et al (1991) perceived them, and then determining them for a stakeholder is described.

Potential for Threat

Assessing the threat of a stakeholder is close to worst-case scenario analysis. The assessment protects managers from unpleasant surprises. The assessment should take the quality and durability of the stakeholder into account, because it affects the potential for threat through the willingness of the stakeholder to act against the organisation. Stakeholders' opportunities and willingness to act against the organisation is affected by the firm's own actions. For example, if a company entered into a just-in-time process with a supplier, it would significantly increase the stakeholder's opportunity for threat. (Savage et al., 1991)

Furthermore, stakeholder potential for threat is based on its relevance to the issue confronting the firm and its relative power. Generally, the power of stakeholder correlates positively with the dependency of the organisation on the stakeholder. For example, a company is more dependent on a supplier who is the only one available to supply certain products or services. (Savage et al., 1991)

Potential to Cooperate

Potential for cooperation is as important as potential for threat because it makes other than offensive or defensive strategies possible and enables better management of business environments. Thus, potential for cooperation should be emphasised to be equal to potential for threat. Assessing the potential to cooperate is similar to developing best-case scenarios. (Savage et al., 1991)

The capacity of a stakeholder to extend its interdependence with the company partly defines its potential to cooperate with the organisation (Savage et al., 1991). Additionally, the willingness to cooperate is an important factor in determining the potential (Savage et al., 1991). The higher the stakeholder's dependency on the organisation is, the higher the stakeholder's willingness to cooperate (Savage et al., 1991). In addition, a threat in the business environment can make a stakeholder and an organisation find possibilities for interdependence (Savage et al., 1991). For example, when Abbott Laboratories developed an infant formula, WHO and UNICEF argued that it reduces breast-feeding of mothers and should therefore be banned (Savage et al., 1991). Abbot Laboratories found a way to cooperate with these stakeholders, but others in the industry, such as Nestlé, did not (Savage et al., 1991). Due to this, Nestlé is still suffering from international consumer boycotts (see Baby Milk Action, 2006, for example).

Diagnosing the Potentials

Stakeholders' capacity, opportunity and willingness to threaten or cooperate should be considered when evaluating them against the two measures. This should include addressing the general power of the stakeholder or its power to control key resources. Additionally, the kind of action a shareholder might take should be taken into consideration and diagnosed. Further, the possibility of a stakeholder forming a coalition with the company or other stakeholders should be diagnosed. Loudest stakeholders should not be given too much focus in diagnosis because they represent a small share of the whole group and they could even have a marginal stake.

To fine-tune the analysis, Savage et al (1991) developed a test (see Appendix 2). The test lists relevant characteristics for diagnosis, and the effects of them to the potential

for threat and cooperation. How a given factor affects the potentials depends on the specific context and the history of the company's relationship with the stakeholder. It also depends on other stakeholders affecting the organisation.

Dynamism and Strategic Stakeholder Management

Like the dynamic nature of the power, legitimacy and urgency model, the threat cooperation model is also dynamic. Savage et al (1991) describe this with issue specificity, meaning that stakeholders of a certain type may react differently in different situations. Additionally, it means that stakeholder diagnosis is an ongoing activity rather than a static one, and that stakeholders can move from one type to another. This means that companies should try to move its stakeholders from high to low potential of threat and from low to high potential of cooperation. (Savage et al., 1991)

In addition to implementing recommended strategies of each stakeholder type, in the context of a particular stakeholder in a specific issue, managers should develop their organisations' capacity for strategic stakeholder management. This should include an ongoing process of setting goals concerning relationships with stakeholders, and evaluating potential impacts of stakeholders on corporate and business unit strategies. Managers should also take into account key stakeholders' concerns while making plans to recognise their emerging needs. (Savage et al., 1991)

3.2.2 Stakeholder Types

Based on the diagnosis of stakeholders, they can be roughly determined to possess either high or low potential for both threat and cooperation. This leads to a matrix of four different stakeholder types: supportive, marginal, nonsupportive and mixed blessing stakeholders (see Figure 3).

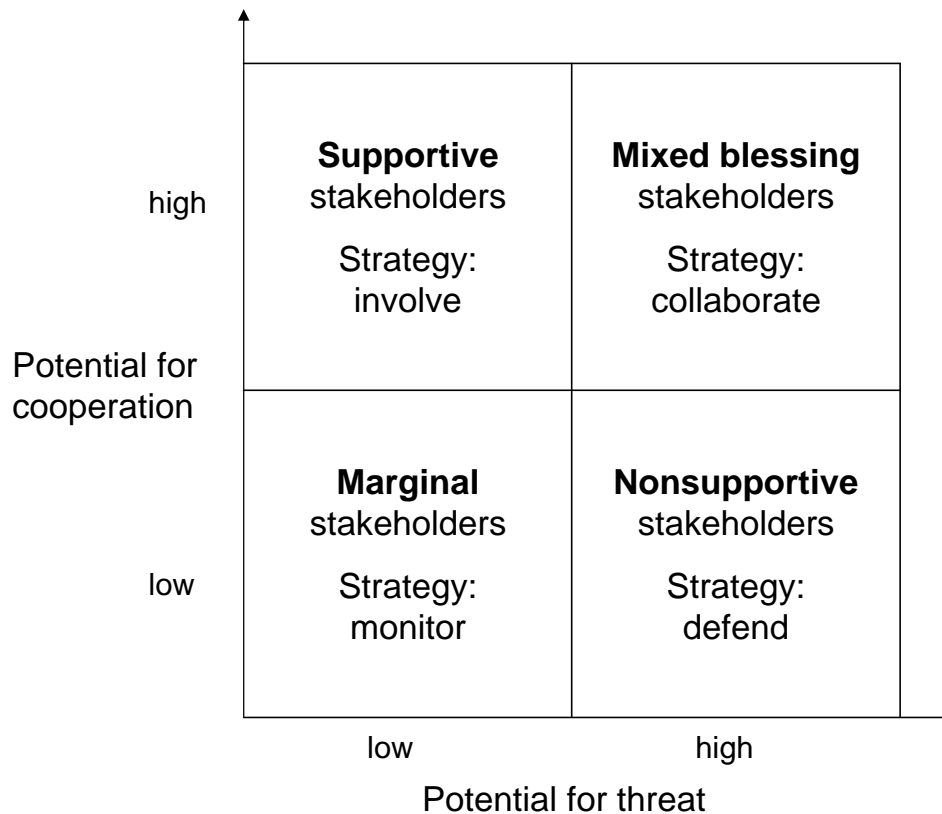


Figure 3 Threat and cooperation potential matrix (adapted from Savage et al., 1991)

Managers should focus on satisfying the needs of supportive and mixed blessing stakeholders, and minimally satisfying the needs of marginal stakeholders. Further recommended strategies, examples and characteristics of each stakeholder type are explained below.

Supportive stakeholders

Supportive stakeholders with low threat and high cooperation potential supporting organisation's goals and actions are ideal from the managers' point of view. These types of stakeholders are, for example, employees, parent company, board of trustees, managers, local community NGOs and suppliers. (Savage et al., 1991)

Managing these types of stakeholders takes some effort and thus managers often ignore it, wasting the potential of cooperation. Supportive stakeholders should be involved in important issues for the company and their participation in decision making should be

increased. To manage these types of stakeholders different participative management techniques and decentralising authority applied to the middle management could be utilised. (Savage et al., 1991)

Xerox (1981 – 1984) is an example about the benefits of involving supportive stakeholders. Xerox involved its suppliers into its production process, for example, by substituting performance specifications by product blueprints, giving their suppliers some freedom to design their parts. This led to the reduction of the net production cost of 10 % per annum. Additionally, it reduced their production lead times from 52 to 18 weeks and product development time and cost by 50%. The rejects of the incoming material was also reduced by 93 % (Burt, 1989)

Marginal Stakeholders (Savage et al., 1991)

Stakeholders that do not have potential for neither threat nor cooperation are not interested in, but do have a potential stake to the organisation and its decisions. Either one of these stakeholders' potentials can increase if they are activated by their potential stakes, such as product safety or pollution. Marginal stakeholders are, for example, consumer interest groups, stockholders and professional employee associations.

The recommended strategy for these kinds of stakeholders is monitoring. The costs of monitoring can be minimised by identifying the narrow interests of marginal stakeholders in the organisation. Managers should also take the salient interests of these stakeholders into account while making strategic decisions. In case managers find such an interest impacted by the company's strategic decision, they should increase support or deflect the opposition of marginal stakeholders.

General Motors in the 1970s and the 1980s provides an example of the benefits of an appropriate monitoring strategy concerning U. S. civil rights organisations. The company identified the sensitivity of its marginal stakeholders regarding racial issues and decided to extend its board of directors and endorse the principles of Reverend Leon Sullivan, who belongs to the African-American ethnic group. This made it possible for companies from the United States of America to conduct business in South Africa without supporting apartheid. It also made the situation of General Motors easier when different marginal stakeholders in the United States of America reduced

institutional investments in organisations supporting apartheid and influenced the views of major key stakeholders, such as universities, city and state governments.

Nonsupportive Stakeholders

The stakeholders with high threat and low cooperation potential are the most disturbing from the managers' point of view. Nonsupportive stakeholders include, for example, competitors, trade unions, governments and sometimes the news media. (Savage et al., 1991)

There is a clear link between managing these types of stakeholders and strategic management. Managing competitors, for example, involves both marketing and strategic notions. The recommended strategy for managing these types of stakeholders is to defend. Kotter's (1979) framework on external dependence suggests that a defensive strategy aims at reducing the dependence of the company from the stakeholder. An example of this occurred in the United States of America when the air traffic controller strike ended in the 1980s. The airlines voluntarily reduced the number of their peak-hour flights to avoid the Federal Aviation Agency from regulating the maximum number of flights each airline would be allowed to offer (Savage et al., 1991).

Managing nonsupportive stakeholders should always include finding ways to change them into other types of stakeholders. For example, collaborating with trade unions in gain sharing to union members or work life programs could change the trade union to a mixed blessing stakeholder. General Motors was able to avoid a strike planned by the United Auto Workers by promising the union members job security contingent upon productivity gains. (Savage et al., 1991)

Mixed Blessing Stakeholders

Mixed blessing stakeholders have a high potential for both threat and cooperation and play a major role for organisations. Mixed blessing stakeholders include customers, employees who are in short supply and companies with complementing products. (Savage et al., 1991)

Managers should apply a collaborative strategy to these kinds of stakeholders. There are many different ways of collaboration, for example, joint ventures and mergers. It is more difficult for these types of stakeholders to take action against the organisation if they are in collaboration with it. If the mixed blessing stakeholders are not properly managed, they can easily become nonsupportive stakeholders. Respectively, an organisation can try to strengthen its relationship with a mixed blessing stakeholder and change it to a supportive stakeholder. An example of this is an airline supplying reservation systems to travel agents. (Savage et al., 1991)

General Motors provided an example of collaborative stakeholder management when they started the New United Motor Manufacturing Inc (Savage et al., 1991). It was a joint venture with their major competitor, Toyota, established in California in 1984 (McWilliams & Siegel, 2001). To operate this company, General Motors renewed their collaboration with the United Auto Workers by conducting contract negotiations and started to manufacture new cars and engines applying progressive workplace practices (Savage et al., 1991). This included a strong emphasis on teamwork and employee empowerment (McWilliams & Siegel, 2001).

4 Interview Preparations

4.1 *Identifying Stakeholders*

Stakeholders are identified by using the broad definition of stakeholders by Freeman (1984): “any group or individual who can affect or is affected by the achievement of the organisation's objectives”. No literature is found in the literature review regarding explicit methods to identify stakeholders of a company. However, theories and examples of stakeholders in literature are applied to Outokumpu when listing its stakeholders. This is complemented by identifying the missing stakeholder groups, relevant subgroups and individual stakeholders during interviews with Outokumpu representatives (Jalanko & Lindqvist, 2005). The nineteen identified stakeholder groups and their subgroups are listed in Table 1. Most of the groups can be further divided into sub-groups by the country, but these are excluded from Table 1 to avoid repetition. Stakeholder groups, sub-groups and example organisations are visualised in Table 1.

It should be noted that the classification of stakeholder groups is not exclusive. For example, a media representative of a local community newspaper belongs both to the media and to the local communities group. In this classification, local authorities are assumed to be included in the authorities group, and not in the local communities group. Additionally, the owners include all shareholders of the company and suppliers include sub-contractors.

Table 1 Initial list of stakeholder groups and sub-groups

Stakeholder group	Stakeholder sub-groups	Example individual stakeholders
Analysts		Goldman Sachs, Kaupthing Bank, Opstock Pankkiiriliike
Authorities	Local, national and EU level	The Swedish Environmental Protection Agency (national)
Competitors		Acerinox, ThyssenKrupp
Customers	Wholesalers, manufacturers and end customers	Electrolux (manufacturer), Ruukki (wholesaler)
Experts and scientists	Private and academic	TKK, SAM Group
Financiers		Nordea, Sampo
Former employees		
Industry associations	National, EU level and global	BSSA (national), IISI (global)
Insurance companies		Ilmarinen
Legislators	National and EU level	European Parliament
Local communities		Medowhall Centre (UK)
Media	Local and national media: TV, radio, press	Avesta Tidning (local press), HS (national press)
NGOs	Environmental, social and economic NGOs	FinnWatch, Greenpeace, ILO, OECD, WWF
Owners	Private, organisational and governmental	The Finnish State, Opstock Oy
Personnel	Top management, middle-management, white and blue collar workers	
Political organisations		The Finnish Social Democratic Party (national)
Students	University, polytechnic and vocational students	Olari School, TKK, University of Oulu
Suppliers		GBN Ltd. (UK), Nalco (UK), Romukeskus (Finland)
Trade unions		AKT, The Finnish Metalworkers' Union

4.2 Allocating Interviews

Stakeholders in Table 1 are initially classified into three priority groups according to their importance to be interviewed. The classification is agreed upon in discussions with Outokumpu representatives (Jalanko & Lindqvist, 2005). This way Outokumpu's previous knowledge and experience regarding stakeholder interaction is utilised. Criteria in prioritisation include the power of the stakeholder group over Outokumpu, visibility of the stakeholder group, potential for cooperation, potential for promoting sustainable development and potential for economic synergies with Outokumpu.

Seven of the nineteen groups are excluded from the scope of this project, because these seven groups are categorised as having the least urgent need to be interviewed. These include competitors, former employees, insurance companies, industry associations, legislators, political organisations, experts and scientists. Six stakeholder groups are categorised as "important": trade unions, financiers, analysts, NGOs, authorities and students. The remaining six stakeholder groups are classified as "highly important" in the initial prioritisation: owners, media, customers, suppliers and local communities.

The "important" stakeholder groups are allocated with one to two interviews each, with the exception of students, who received an Internet questionnaire. Furthermore, the "highly important" category stakeholders are allocated with three to six interviews per group, except personnel, which is included in the Internet questionnaire. See Table 2 for the initial prioritisation and the allocation of interviews to Outokumpu's stakeholder groups.

Table 2 Allocation of interviews according to the initial prioritisation

Stakeholder group	Interviews in Finland	Interviews in Sweden	Interviews in the United Kingdom	Total
Highly important to be interviewed				
Customers	2	1	0	3
Local communities	1	0	5	6
Media	2	1	0	3
Owners	3	0	0	3
Personnel	<i>Internet questionnaire</i>			
Suppliers	2	0	3	5
Important to be interviewed				
Analysts	1	0	0	1
Authorities	0	1	1	2
Financiers	1	0	0	1
NGOs	2	0	0	2
Students	<i>Internet questionnaire</i>			
Trade unions	1	0	0	1
TOTAL	15	3	9	27

4.3 Selecting Interviewees

The individual stakeholder organisations interviewed are decided upon with Outokumpu representatives (Jalanko & Lindqvist, 2005). The most significant and influential stakeholders are prioritised over others. Regarding those stakeholder groups that are allocated several interviews, the similarity of the organisations interviewed is avoided in the selection process in order to get a better representation of views among the stakeholder group. The only organisation that refuses to give an interview is a Finnish supplier, *Kuusakoski Oy*, which is replaced by *Romukeskus Oy* in the same stakeholder group. The refusal may be due to the lack of interest to have dialogue with Outokumpu or a temporary shortage of resources.

In each stakeholder organisation, a person best suited to discuss the topics in the general interview structure (see Appendix 1) is selected. The previous experience of Outokumpu regarding contact persons and references relating to the organisations interviewed are utilised in determining the persons to be interviewed (Jalanko & Lindqvist, 2005). The individual organisations selected to be interviewed can be found in Chapter 9.2, Interviews.

4.4 Topics of interviews

In order to meet the research objectives described in Chapter 1.2, Research Problem and Objectives, it is essential to collect different kinds of information about the case company's stakeholders. In order to provide concrete stakeholder management recommendations, the following questions are discussed in the interviews of each stakeholder.

1. What kinds of expectations do stakeholders have regarding Outokumpu?
2. What kind of information do they need from Outokumpu? Should Outokumpu manage communications with its stakeholders differently?
3. How do stakeholders perceive the dialogue between them and Outokumpu? Should Outokumpu take some steps to improve the dialogue?
4. How do stakeholders perceive corporate responsibility and Outokumpu's corporate responsibility performance? How should Outokumpu manage its corporate responsibility?

The interview structure is built based on these four key areas. Four to eight questions regarding each topic are defined. These questions are listed in the general interview structure in Appendix 1.

5 Results

This chapter describes the empirical findings regarding the expectations, views and perceptions of Outokumpu's stakeholder groups. It should be kept in mind that there may be a high variation of opinions of individual stakeholders within a stakeholder group. Additionally, there are only a few interviews per stakeholder group. Therefore, views and expectations described in this chapter cannot be fully generalised to apply to the whole stakeholder group. Chapter 5.1 presents the general results and the following chapters describe stakeholder group specific results.

5.1 General Results

The quantitative results of comparing the importance of the three aspects of corporate responsibility and Outokumpu's corporate responsibility performance are visualised in Figure 4 below.

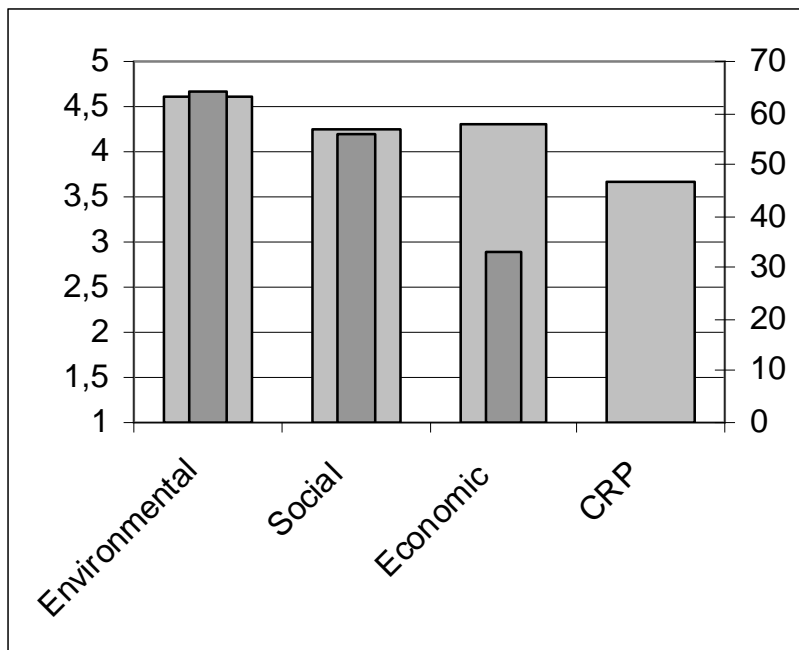


Figure 4 Average importance of corporate responsibility aspects and the perceived corporate responsibility performance of Outokumpu

All interviewees were asked to rate the importance of each corporate responsibility aspect (environmental, social and economic) on the scale of 1 – 5 in order to determine their relative significance. The question was formulated “how important it is for you how Outokumpu takes care of the effects of its operations on a) the environment, b) peoples’ well-being and c) the society’s economic state?”. In response to this question, the interviewees gave the highest priority to the environmental aspect with an average rate of 4.6. Corresponding values for social and economic aspects are also high: 4.2 and 4.3 - see the light grey columns and the left axis in Figure 4. Furthermore, the interviewees were asked, “In your view, how well has Outokumpu managed its corporate responsibility?”. In response to this question on the scale of 1 - 5, the average answer was 3.7 (see Figure 4), where four on the scale corresponds to “somewhat according to expectations”.

Another way of measuring the significance of the aspects of corporate responsibility (environmental, social and economic) is by comparing the number of times an issue belonging to a particular aspect was mentioned. The total number of corporate responsibility issues mentioned were divided according to their respective aspect of corporate responsibility and visualised with the dark columns and the right hand axis in Figure 4. When the three aspects are compared with this measure, the environmental aspect can again be seen as the most important for Outokumpu’s stakeholders. However, the economic aspect ranked significantly lower compared to the measure on the scale of 1 - 5. See Chapter 6.1.1 for discussion on the reasons regarding the differences between the two measures in Figure 4.

Furthermore, the interviewees were asked to name the issues that are important for them regarding Outokumpu’s corporate responsibility. This was formulated using the question “In your view, what issues of corporate responsibility are relevant for Outokumpu?”. Figure 5 shows the number of interviewed organisations mentioning corporate responsibility issues that emerged most frequently. According to the figure, air pollution and employment stand out as the two most frequently mentioned corporate responsibility issues. Most of the interviewees mentioning air pollution understood it as CO₂ pollution. The third corporate responsibility issue, “long term personnel policy” captures all those views that emphasized on minimising lay offs and recruitments caused by market volatility.

It should be kept in mind that Figure 5 should be read as being suggestive only, since it is not possible to classify some corporate responsibility issues exclusively. For example, “employee motivation” is partly overlapping with “long term personnel policy”, “salaries”, “occupational safety”, “employees’ health care” and “employee education”. Main differences of prioritisation between the stakeholder groups regarding corporate responsibility aspects and issues are described later in this Chapter.

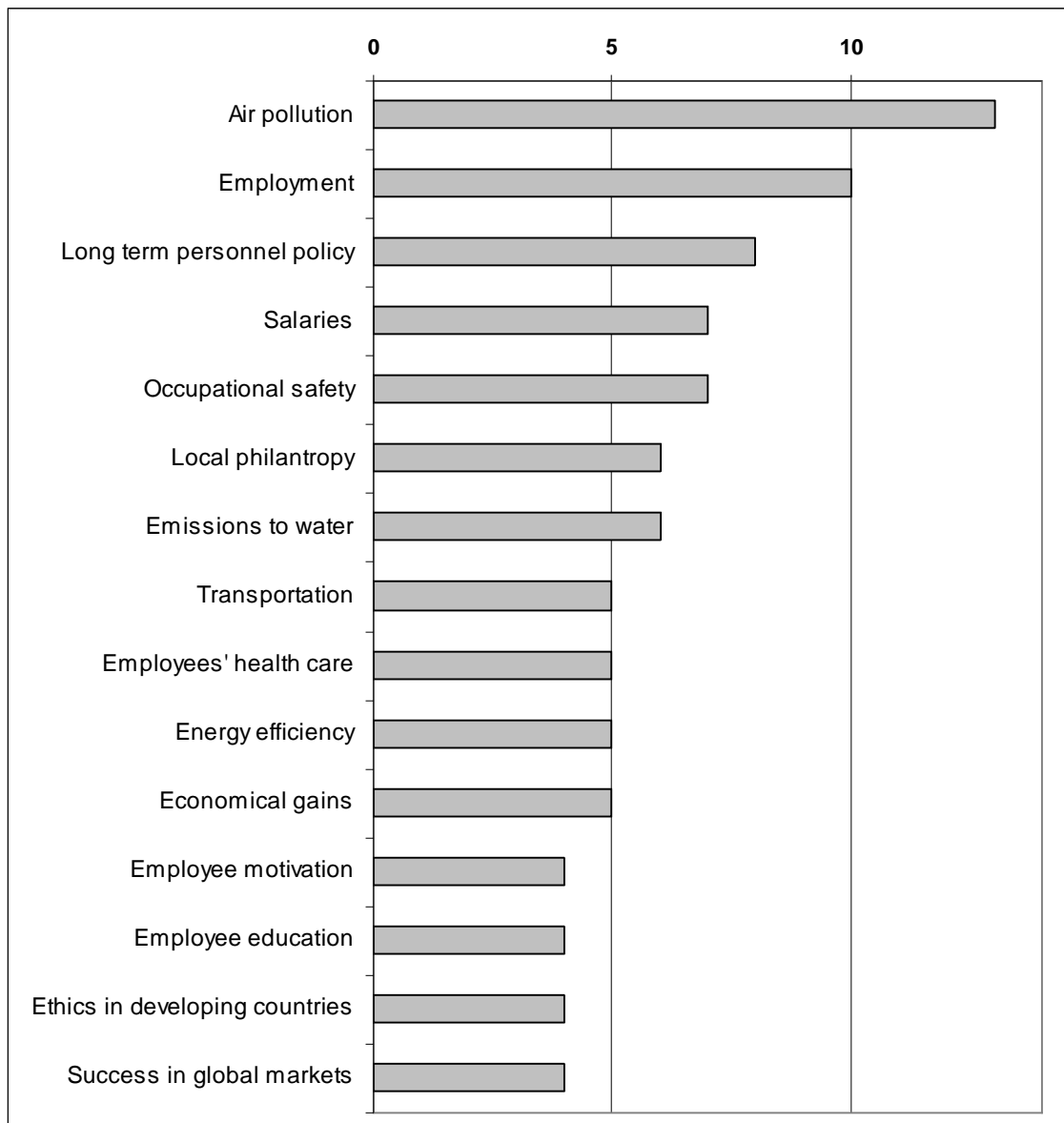


Figure 5 The number of organisations mentioning each corporate responsibility issue

5.2 Analysts

The interview with the analyst gave mostly similar results compared to the interviews with owners. The interviewee summarised that economic value added is clearly the main priority for him, and therefore, his view of Outokumpu might be quite narrow.

The interviewee felt that he gets enough information about Outokumpu and that Outokumpu listens to their views sufficiently. Analysts require diverse information that significantly (more than 10%) affects the expected cash flow of Outokumpu. The most important things to know are the steel market price, steel production volumes and cost structure. Different ways to acquire this information include discussions with Outokumpu's top management, annual reports, capital market days and web pages. It was told that Outokumpu's annual reports were good, clear, easy to read, comparable and detailed. Positive feedback was also given on the information and time given by Outokumpu's Michael Cook, who specialises in steel market prices. The frequency of monitoring information related to Outokumpu is about once per week.

Corporate responsibility is seen as very important only on a personal level, but it does not affect business decisions in the interviewee's company. The interviewee mentioned that the following things come to mind when discussing environmental aspects of corporate responsibility: the best available technology (BAT) and research on it, recycling of steel and pollution from chrome iron smelting plants. He also pointed out the importance of whether people feel that Outokumpu's products are environmentally friendly or not. In this respect, Outokumpu should educate its customers regarding the environmental aspects of its products. When discussing the social aspect, the interviewee mentioned minimum salaries in developing countries, employee health care and outdoor activities.

5.3 Authorities

The authorities interviewed mostly look at Outokumpu from the environmental legislation compliance point of view. Their main impression of Outokumpu was positive and no significant complaints were mentioned.

5.3.1 Expectations and Information Required

Authorities require using BAT, and focusing on how to handle chemicals (The Swedish Environmental Protection Agency, 2005). According to the interviewee, the law requires companies to know the environmental impact of chemicals, raw materials and their substitutes they use (The Swedish Environmental Protection Agency, 2005). Furthermore, companies are required to choose the least harmful chemicals available (The Swedish Environmental Protection Agency, 2005). Additionally, Outokumpu should understand the end usage of their products and try to affect the United States of America, e.g. car exhaust gas emissions (The Swedish Environmental Protection Agency, 2005). Positive feedback was given on Outokumpu's involvement in Green Business Network's project (The Environment Agency, 2005) that focuses on composting and plastics recycling in Sheffield (Green Business Networks, 2005).

When discussing the information required from Outokumpu, the authorities told that it includes various details related to the environmental permit applications made by Outokumpu (The Swedish Environmental Protection Agency, 2006). For example, information regarding Outokumpu's packaging data (The Environment Agency, 2005) and environmental impacts are required by the authorities (The Swedish Environmental Protection Agency, 2005). The Swedish Environmental Protection Agency (2005) explained that information is sometimes exchanged between the various authority organisations. Additionally, they hoped to get information related to Outokumpu's research on how to improve their environmental performance. The authorities also hope that Outokumpu would share its experiences in the international BAT discussions (The Swedish Environmental Protection Agency, 2006).

5.3.2 Communication

The authorities are in contact with both companies and their industry associations. The representatives of the authorities feel that in most cases they get all the information they need from Outokumpu. The information is acquired via the Internet, by telephone and arranging regular visits twice per year (The Environment Agency, 2005). In addition, other contacts with Outokumpu's management were mentioned. Annual reports are used, but not much of the information required is available in them (The Swedish

Environmental Protection Agency, 2005). Outokumpu received positive feedback on the openness of their contact persons (The Environment Agency, 2005).

The interviewees were not in a position to give information about the dialogue between Outokumpu and the authorities. An example of a dialogue topic is the long-term environmental impact of Outokumpu's production, products and their consumption. The authorities facilitate the dialogue between companies and other stakeholders by arranging seminars on different topics. (The Swedish Environmental Protection Agency, 2005)

5.3.3 Corporate Responsibility

The Swedish Environmental Protection Agency (2005) said that the environmental aspect is the only important one for their organisation, while the social aspect is important for them only on a personal level. They perceive the economic aspect as somewhat important because it enables good environmental performance. The Environment Agency (2005) in the United Kingdom also stressed the environmental aspect but considered all three aspects important.

Because only environmental authorities were interviewed, other than environmental issues were not mentioned, except employees' wellbeing as the only social issue (The Environment Agency, 2005). The most important environmental issues are related to air pollution (The Swedish Environmental Protection Agency, 2005). These include CO², NO_x, and other pollution, as well as energy consumption, efficiency and source. Waste handling and recycling, recycled raw material and dioxin emissions are also perceived as important environmental issues (The Swedish Environmental Protection Agency, 2005). The authorities require Outokumpu, as well as other companies, to have environmental permits for their operations.

The impact of Outokumpu's corporate responsibility performance on the relationship between the authorities and Outokumpu is not considered very significant. High corporate responsibility performance leads to the faster approval of environmental permit applications. (The Swedish Environmental Protection Agency, 2005)

5.4 Customers

Three customer companies were interviewed: Ruukki, Starckjohannsteel and Electrolux. The first two of them are Finnish wholesalers, while the third organisation, Electrolux, is a manufacturer producing, for example, washing machines in Sweden. The interviewees at Starckjohannsteel (2005) and Electrolux (2005) said that they are satisfied with Outokumpu's services, while Ruukki's (2005) comments were more critical in nature.

5.4.1 Expectations

The expectations that the interviewees were very satisfied with are delivery times, delivery rate and quality. The only exception was Electrolux (2005) mentioning that the delivery time from Outokumpu's steel factory in Avesta is eight weeks, compared to getting the corresponding non-stainless steel product from Norway in two weeks. The interviewee proposed that Outokumpu should try to deliver their products in three weeks.

Electrolux (2005) and Starckjohannsteel (2005) interviewees said that Outokumpu's pricing is higher than its competitors' pricing, but the products are worth the higher price. Packaging, safe delivery, R&D, and the introduction of new products are considered important customer expectations (Starckjohannsteel, 2005). In addition, availability and lot sizes are relevant for customers (Ruukki, 2005). In case of faults in products or delivery, Outokumpu can be trusted in taking its responsibility to compensate its mistakes (Electrolux, 2005). Quickly reacting to customer reclamations was also given as positive feedback (Starckjohannsteel, 2005).

Customers gave critical feedback regarding the unclear marketing policy and unclear distributing channels, which did not fulfil the basic customer expectations. Outokumpu has not made clear whether it is distributing to wholesalers or to actual customers. (Ruukki, 2005)

5.4.2 Information Required and Communications

It is also important to communicate openly and immediately about production and delivery delays. To explain technical background information of products and production in an understandable way is also desirable. Information about delivery times and billing is required of Outokumpu. It was perceived that Outokumpu performs well in all of these aspects of communications. (Starckjohannsteel, 2005)

Information required also includes global market information, such as prices, demand, capacities and raw material price forecasts (Ruukki, 2005). Additionally, information about error margins regarding product measures and product availability in stock are required as well (Electrolux, 2005). In addition, material certificates with official classifications are required for products, including information about the origin and composition of the products (Starckjohannsteel, 2005).

Ruukki has daily or weekly contacts with Outokumpu at the operational level. Telephone calls and meetings are the preferred way of communication. In addition, email is used. Top-level contacts are less frequent and the Ruukki interviewee felt that there is not enough dialogue and that Outokumpu does not sufficiently consider its views at top management level. At the operational level, Ruukki's views are taken sufficiently into account. (Ruukki, 2005)

Both Starckjohannsteel (2005) and Electrolux (2005) interviewees felt that they get enough information on Outokumpu. They also said that they are in dialogue with Outokumpu predominantly about pricing and delivery times. Starckjohannsteel (2005) prefers telephone and email to the Internet. They hold meetings with Outokumpu representatives once per month or less. The representative of Electrolux (2005) said that they meet Outokumpu representatives once or twice per year. Electrolux (2005) hoped that Outokumpu would have more understanding of the customer point of view. This is relevant, for example, when Outokumpu demands purchasing orders and order forecasts unreasonably early before the actual need of the product.

5.4.3 Corporate Responsibility

As far as the environmental aspect of corporate responsibility is concerned, better performance than just legal compliance is demanded regarding heavy metal emissions (Ruukki, 2005). For Ruukki (2005), pollution and effluents from Tornio's site was told to be more important than the impact of Outokumpu's other sites. Also not using protected wood species in wooden pallets is mentioned (Starckjohannsteel, 2005). Additionally, materials like oil and plastic used in stainless steel products, and the quality of transportation equipment were considered important environmental issues (Starckjohannsteel, 2005).

Regarding the social aspect, both Electrolux (2005) and Ruukki (2005) considered a long-term personnel policy important, i.e. not laying off employees according to business cycles but securing jobs for longer periods. Safety at work (Electrolux, 2005) and child labour in developing countries (Starckjohannsteel, 2005) were mentioned.

Both Ruukki (2005) and Electrolux (2005) interviewees pointed out the importance of the economic aspect of corporate responsibility. In Outokumpu's case, it means using the dominating market position it has in a responsible way. According to the Ruukki (2005) interviewee, this means taking the national competence of the local machine and metal industry into account and following the international market pricing policy instead of protecting domestic market prices. Other issues mentioned regarding the economic aspects are cartels and production costs.

Corporate responsibility is considered important because the use of environmental certificates requires adequate corporate responsibility performance from the part of suppliers (Starckjohannsteel, 2005; Electrolux, 2005). In addition, Electrolux (2005) does not want to buy products containing certain harmful substances. Additionally, personal ethical reasons are mentioned as a motivation regarding corporate responsibility.

High corporate responsibility performance leads to better interaction with Outokumpu and it might also lead to preferring Outokumpu to its competitors (Electrolux, 2005). Another interviewee said that corporate responsibility performance does not affect the

customer relationship as long as no major corporate responsibility flaws come to the public (Starckjohannsteel, 2005).

When asked how Outokumpu's corporate responsibility performance ranks against its competitors, Electrolux (2005) replied that Outokumpu is the best stainless steel supplier. According to Ruukki's (2005) interviewee, Arcelor is number one while Outokumpu and ThyssenKrupp share the second position and Acerinox comes after them. He also mentioned that the Asian stainless steel companies have surprisingly high corporate responsibility performance.

5.5 Financiers (Nordea, 2005)

The main impression of the financier interview with a Nordea representative is that the stakeholder is satisfied with the current interaction. The main priority of the financier is to get open and honest information about Outokumpu, so that it does not have to get surprises related to the business. The financiers also want to develop their partnerships with the companies they finance. They also expect a certain level of corporate responsibility performance from their customers in the form of requiring them to conduct business according to the generally accepted ethical principles.

Information is required on the plans for future investments, problems in the business, market forecasts, major investments and major changes related to business strategy or operational level. The information is acquired through Outokumpu home pages, media, analysts, Outokumpu's stakeholder magazine, weekly phone discussions, annual top management meetings and during general discussions during lunch meetings. The people in the financing organisation and Outokumpu have known each other over a long period of time, which also makes the information flow easier. The financier occasionally invites Outokumpu representatives to social functions to maintain these relationships. The financier felt that they are satisfied with Outokumpu's communications, and that Outokumpu considers their views sufficiently.

The interviewee did not have a very concrete view on the issues corporate responsibility includes. Regarding the environmental aspect, pollution and legislation were mentioned, including the uncertainty of how emission permit quotas are allocated in the future. The

financier felt that Outokumpu's environmental communication is carried out well. Corporate responsibility performance does not affect the relationships between Outokumpu and the financier as long as Outokumpu's corporate responsibility performance is at a satisfactory level. The motivation behind the required corporate responsibility performance includes personal ethical principles as well as reduced economical risks.

5.6 Local Communities

Six local community interviews were conducted in the United Kingdom and Finland and two local newspaper interviews were conducted in Finland and Sweden. The local community sites in question are Tornio in Finland, Avesta in Sweden and Sheffield in the United Kingdom. In general, the local communities are happy to have Outokumpu's facilities in their communities and appreciate the employment it provides.

5.6.1 Background

Tornio

Local people in Tornio held demonstrations thirty years ago in order to get the steel factory located there. Outokumpu is the single most significant company in the town and employs about 10 % (~2000 people) of the local population, while the unemployment rate is 13 - 15 %. Considering this background, the basic attitude is positive towards Outokumpu even though the focus on corporate responsibility performance regarding the local community would not be on an above average level. Since the factory is near the Swedish border, the local people on the Swedish side of the border have a negative basic attitude towards Outokumpu factory. This is because they are confronted with the negative environmental impacts without being able to enjoy most of the benefits the factory brings to the community on the Finnish side of the border. (Pohjolan Sanomat, 2005)

Avesta

A similarly positive basic attitude applies to Avesta steel factory in Sweden. However, the development has been negative from the local community point of view during the last decades. The Avesta factory used to employ 3 000 people twenty years ago and the factory was owned by a locally influential person, well known in the community. People connected the factory with the European bison (wisent) as a symbol, and the factory had its own bison park. At present, the number of employees is reduced by about two thirds and the owners are unknown to the local people. Currently, the factory employs about 5 % of the local population in Avesta. Additionally, the cultural value of the factory has significantly diminished because the traditional bison logo and park do not belong to the factory anymore. (Avesta Tidning, 2005)

5.6.2 Information Requirements, Expectations and Corporate Responsibility Performance

Local people are mostly satisfied with Outokumpu's communications and dialogue with it. They need information related to open jobs, community involvement, changes affecting the local community, educational needs, contact information and company's visions for the future. Preferred communication channels are brochures, site visits, meetings and emails.

The issues regarding environmental aspects with local communities include the cleanliness of premises (The Meadowhall Centre, 2005), water and air pollution (cf. Tornio City Council, 2005), waste handling (Avesta Tidning, 2005), the use of environmental management standards (Avesta Tidning, 2005), energy consumption (Avesta Tidning, 2005), clean technology investments (Avesta Tidning, 2005), transportation (cf. Tornio City Council, 2005), and publishing the results of environmental impact studies (Pohjolan Sanomat, 2005). For example, in Tornio, changing the transportation method from trains to trucks is not appreciated. Regarding this decision, local community representatives held a view that Outokumpu put too much emphasis on the economic aspect. Transition to trucks would have been acceptable only if the price premium paid for rail transportation had been 10 % or more (Tornio City Council, 2005). Additionally, compensation for possible environmental

damages in cases where the factory's pollution would, for example, prevent fishing or mushroom picking in the neighbourhood, was mentioned (Pohjolan Sanomat, 2005).

The issues relevant considering the social aspect of corporate responsibility may be divided into two categories: employment related and community involvement related issues. All local community interviewees mention that it is important that Outokumpu provide employment for as many people as possible. They also hope that Outokumpu would prefer employing local people to people outside the community. The employment is expected to include good occupational health care, good employee satisfaction and the adherence to national collective labour agreements. In addition, the training of local people and giving guidelines to local educational institutions on the training required by Outokumpu are considered important by the local community interviewees. To be approachable to the local communities and to have good, working and proactive relationships with the local communities is considered important (Avesta Tidning, 2005). One issue mentioned related to community involvement, was philanthropy directed to sport clubs, churches, cultural events, local NGOs, and other local entities (Pohjolan Sanomat, 2005). Outokumpu's achievement in developing the infrastructure of Tornio is appreciated (Pohjolan Sanomat, 2005).

The most important issues related to the economic aspect for the local community interviewees are taxes paid to local communities and indirect business activities in the local community generated by the local factory. In case of Tornio, it was mentioned that too large a share of company taxes is paid to Espoo, where Outokumpu has its head office, although the factory where the actual production takes place is elsewhere (Tornio City Council, 2005). Success regarding the economic aspect was also mentioned to enable success concerning the environmental and social aspects. This means that the company should be successful in the global markets, think strategically and be efficient (Avesta Tidning, 2005). On the other hand, some interviewees in Sheffield think that the economic aspect is given too high a priority, and owners' value added should be prioritised lower.

Corporate responsibility performance is considered very important regarding the relationship between the local communities and Outokumpu. On average, the interviewees think that Outokumpu's corporate responsibility performance is good. A

good performance is linked to a positive attitude towards Outokumpu and gives credibility to the company. Low performance would lead to bad attitudes, disputes and decreased quality of local peoples' lives.

5.7 Media

Media interviews were conducted with two local newspapers, Pohjolan Sanomat and Avesta Tidning, and with Helsingin Sanomat, which can be considered a national newspaper in Finland. Because the views of two local newspapers partly reflect the views of their local communities, the results of HS as a national newspaper are emphasised here. The local community specific views of the local newspapers are presented in Chapter 5.6, Local Communities.

All media representatives think that in most cases they get enough information from Outokumpu. HS (2005) and Pohjolan Sanomat (2005) think that Outokumpu listens to their opinions sufficiently. Channels for getting information regarding Outokumpu include email, fax, Outokumpu's news briefs, annual reports, telephone interviews and personal meetings (Pohjolan Sanomat, 2005). In Tornio, local people working at the Outokumpu production site and newspaper representatives know each other, making information flow more efficient (Pohjolan Sanomat, 2005). Only the interviewee of Avesta Tidning mentioned that there should be more dialogue between them and Outokumpu, for example, concerning environmental issues.

Media representatives also pointed out that the external communications by Outokumpu should be as transparent as possible. Information is needed about changes at the operational level, about personnel issues, environmental issues, reasons behind strategic choices, and background information about the industry. Information needed for analysing Outokumpu's financial statements has been hard to get in some instances in the past. Outokumpu's external communications is considered good at the present, including the way it has handled cartel discussions (HS, 2005). The annual reports are appreciated for their quality and clarity.

The environmental aspect is important for the local newspapers. An example of a relevant environmental issue is openness in informing about problems in waste

management (HS, 2005). The social aspect is also important for the media representatives. There has been, for example, a debate in the local newspaper about the new work shift arrangements adopted by Outokumpu (Pohjolan Sanomat, 2005). Environmental education of the personnel is also considered an important topic. A relevant social issue is, for example, child labour in developing countries. Important economic issues are all factors affecting the profit, top management compensation, cartels and transparency.

The local newspapers have a view that Outokumpu's corporate responsibility performance does not affect the relationship between them and Outokumpu. The national newspaper replied that the corporate responsibility performance is reflected directly on their relationship. All newspapers agreed that Outokumpu's corporate responsibility performance affects the way they write about Outokumpu.

5.8 NGOs

NGOs are characterised with high corporate responsibility performance expectations, a global perspective and the threat of negative publicity. At both Greenpeace (2005) and FinnWatch (2005), the interviewee was not very familiar with Outokumpu' and was able to give mostly general level answers.

5.8.1 Communications

Regarding communications, both interviewees emphasised the significance of genuine actions behind the words in corporate responsibility reports and policies. The company must get its personnel to be genuinely interested in corporate responsibility and the corporate responsibility reports should consist of relevant topics. When risks to its reputation occur resulting in penalties, the company should not deny its mistakes if it wants to maintain its credibility. An example of this is a cartel dispute regarding Outokumpu.

The FinnWatch (2005) interviewee pointed out that it is difficult to get a comprehensive picture of Outokumpu's corporate responsibility performance because it has numerous subsidiaries around the world. FinnWatch (2005) is not interested in regular stakeholder dialogue, as it does not have adequate resources to do so as a small organisation. The

basis of FinnWatch operations is on individual cases triggered by the international partners of FinnWatch.

5.8.2 Expectations and Corporate Responsibility

The NGOs' views on corporate responsibility are based closely on international agreements. Regarding the environmental aspect, the Rio 1992 declaration was brought up as an example. In addition, environmental standards, such as ISO14001 and EMAS, are considered important. The interviewees felt that companies should recognise the role of EU as a pioneer in environmental sustainability and therefore should not lobby against environmental regulations without presenting alternative solutions to the environmental problems (Greenpeace, 2005).

In respect to the social aspect of corporate responsibility, interviewees representing NGOs pointed out the importance of following the UN declaration for human rights and ILO recommendations, as well as respecting the employees' right to join a trade union. The right to join a union is considered an issue of growing importance in the future. It was also emphasised that when operating in developing countries sustainable policies should be followed and local people should not be treated differently from others due to their poverty. FinnWatch (2005) told that there are examples where local people were relocated against their will in order to start a mine in the area. Another example was from Ghana, where the killing of local people was linked to the mining business.

The kind of view of economy, in which companies focus on maximising stock price in the short term, sometimes called "quartile economy", is not considered positive. The interviewees think that companies should pay more attention to managing long-term issues than what they currently do. Regarding economic issues, NGOs consider paying fair salaries in developing countries and having zero tolerance for corruption important. According to the FinnWatch (2005) interviewee, Outokumpu operates in some corrupted countries and its industry is vulnerable for corruption. If Outokumpu cannot operate in a country without getting involved in corruption, it should exit the business in that particular country (FinnWatch, 2005). The interviewees also pointed out that Outokumpu should follow OECD guidelines for multinational companies and extend its corporate responsibility policy to the whole supply chain.

The implications of Outokumpu's corporate responsibility performance regarding the relationships with NGOs is significant. Low performance can lead to a media visible campaign against the company. This can lead to considerable losses e.g. through weakened reputation. On the other hand, high corporate responsibility performance can bring positive visibility to Outokumpu (Greenpeace, 2005).

5.9 Owners

In the owners group, three organisations were interviewed; the Ministry of Trade and Industry of Finland, Ilmarinen, and OP-Delta investment fund. All of them rank top-five biggest owners of Outokumpu (see Table 3). As the Finnish State owns the Finnish Social Insurance Company, in most cases both of them have similar views related to Outokumpu (The Ministry of Trade and Industry, 2005). In addition to OP-Delta Equity Fund, the same bank has more shareholder power over Outokumpu through some other funds.

Table 3 The biggest owners of Outokumpu as of July 31st, 2006 (Outokumpu, 2006c)

Shareholder	% of shares
Ministry of Trade and Industry	37.8%
The Social Insurance Institution of Finland (KELA)	9.8%
Ilmarinen Mutual Pension Insurance Company	2.3%
Odin Norden	1.2%
OP-Delta Equity Fund	0.8%

5.9.1 Communications

The owners interviewed are satisfied with communications with Outokumpu. Sources of information are one-on-one meetings or phone calls, capital market days, annual reports, interim reports, analysts, news agencies and to some extent, Outokumpu Internet pages. Outokumpu's financial reporting was endorsed (The Ministry of Trade and Industry, 2005). Information for preparing qualitative assessments is required, for example, about

the market position, strategy, top management and long-term drivers of Outokumpu (Ilmarinen, 2005).

One-on-one meetings are preferred over other ways of communication. The interviewees also feel that Outokumpu listens sufficiently to the views of its owners. The Finnish State has a representative on the managing board of Outokumpu, which reduces the need of communication outside the board or annual meetings (The Ministry of Trade and Industry, 2005).

5.9.2 Environmental and Social Expectations

Environmental aspects brought up were process efficiency in respect of environmental pollution and effluents. Investment decisions regarding low emission process improvements, energy consumption and the source of energy are seen as important questions. The inclusion of Outokumpu in the sustainability index listings was also mentioned as important. The representative of Ilmarinen (2005) stressed production processes more, while the Ministry of Trade and Industry (2005) representative mentioned only the waste from Keminmaa mines.

Long-term investments and business risks should reflect on the personnel policy. Good financial results should lead to financial benefits for the personnel because the personnel also bear the risk of losing their jobs in difficult times. To lay off people at the bottom of business cycles should be avoided because business investments are also made in a twenty years' perspective. Gender equality is considered good at Outokumpu. It was suggested that recruiting women from outside Finland would be needed to secure competent representation of women in high positions. (Ilmarinen, 2005)

The Ministry of Trade and Industry (2005) considered employee safety, interaction between employees and top management, employee training, empowerment, and well-being as important social issues.

5.9.3 Expectations Regarding the Economic Aspect

All owners stressed the importance of economic returns as the most important aspect. Measures like ROE (Ilmarinen, 2005), share value against index value (OP-Delta, 2005)

and dividends (The Ministry of Trade and Industry, 2005) are used for measuring the success of a firm. An average 13 % ROE value and a minimum of 9 % ROE is required. The economic requirements are reflected in the need to foresee the demand and positive NPV in case of each investment (Ilmarinen, 2005). The importance of risk management is also emphasised among the owners. Balancing business and financing risk is important, i.e. the share of debts compared to sales should not be too high in order to reduce the risk of bankruptcy. As steel price is attached to the price of the US dollar, managing currency risks and informing about them is also considered important. Innovation, R&D and an approach, which is not exceedingly engineering-focused, were also pointed out as important factors (Ilmarinen, 2005). A general impression of Outokumpu's business strategy and business focus is that it is now in a good shape, but that it has been far too volatile before (OP-Delta, 2005). To become established in the international markets, especially in Asia, and possible mergers are seen important regarding the future of Outokumpu (The Ministry of Trade and Industry, 2005).

The interviewees brought up corporate governance as an issue with growing importance. The board should have as few members as possible representing the top management because the board should be independent of the top management. In addition, international diversity of the board is appreciated. Increasing the competence instead of reducing the compensation for the board is preferred. The top management incentives were also brought up, and share ownership is preferred over options because the industry is not growing rapidly. Short-term incentives should be linked either to, achieving goals approved by the board, or to competitor comparison, but not to the stock price.

The Ministry of Trade and Industry (2005) representative also mentioned that it is in its interests that the ownership structure is stable and supports business development. The Finnish ownership of Outokumpu is preferred in the future. The representative of Ilmarinen (2005) also mentioned that he is happy that Outokumpu has production facilities in Finland although it is not obvious that Finland is a competitive location.

5.9.4 Corporate Responsibility

The benefits of corporate responsibility are seen in the reduced risk levels, which in turn leads to reduced profit expectations by the owner, leading to a higher share of ownership. If Outokumpu was considered guilty of a major corporate responsibility violation and it would not take genuine steps for improvement, the owners would sell off their shares. The same might happen if Outokumpu undermined a violation (Ilmarinen, 2005). The OP-Delta (2005) representative did not see a link between Outokumpu's corporate responsibility and OP-Delta's ownership in Outokumpu, except in case of funds that only invest in companies listed in sustainability indexes. Corporate responsibility is important for him merely at a personal level.

The Ministry of Trade and Industry (2005) representative says that Outokumpu's corporate responsibility performance does not affect the ownership. The state ownership of Outokumpu has been reduced and will be reduced in the future as well. He pointed out that the state of Finland, as an owner does not impose national interests on Outokumpu's operations as it might have done before. Instead, to carry out profitable business should be the main driver for Outokumpu (The Ministry of Trade and Industry, 2005).

5.10 Personnel

Eleven employees of Outokumpu answered the personnel questionnaire anonymously on the Internet. The results of the internet questionnaire are presented below. As a general result, the personnel require a stable job with a stable employer. This includes that employees should not need to be afraid of losing their jobs or need to move abroad to keep their jobs. Salaries and safety at work are also considered important.

Information needed include general information about the company's performance, operations abroad and information about future expectations regarding Outokumpu. Information is required from daily to quarterly basis depending on the case. The respondents feel that internal communication needs to be improved. They feel that they should receive more information that is not targeted to external stakeholders of the

company. Additionally, many personnel respondents think that Outokumpu's top management is too distant from them.

Personnel respondents from the United Kingdom indicated that more UK specific information should be included in internal corporate level communications. One respondent in the United Kingdom also feels that he is able to express his views on Outokumpu in the United Kingdom but not at the corporate level. Most of the respondents in Finland and Sweden feel that they are able to express their opinions within the company. The respondents think that they should be able to express their opinions through job satisfaction and other surveys, and during top-management and other meetings. The respondents were divided approximately equally when asked whether Outokumpu considers their views sufficiently or not.

Several personnel respondents think that the HR management at Outokumpu should be improved. The company should listen more to the views of its personnel, implement plans regarding personnel well-being in a better way, pay better salaries and be more human-oriented. Both personnel and several external stakeholder respondents consider Outokumpu old fashioned, hierarchical and bureaucratic as an organisation.

Personnel respondents prioritise the social aspect of corporate responsibility management over other aspects and the environmental aspect as the second most important. Outokumpu's corporate responsibility performance is considered satisfactory, while some respondents wrote that Outokumpu should be more ethical. It was also suggested that Outokumpu should define what corporate responsibility means. Only a respondent in Sweden, who thinks that Outokumpu's investments are distributed unequally in geographical terms, commented the economic aspect of corporate responsibility.

5.11 Students

34 students answered the web survey, for which the 15 most important questions were selected and modified on the basis of the general interview structure. Most of the respondents were students at TKK, and all study levels were represented. Some respondents were also from Oulu and Tampere.

Most of the respondents wrote that they get enough information about Outokumpu, while only a few felt that they would like to know more. Many also wrote that they want to get information from the students' point of view instead of only receiving marketing and recruitment oriented communication. Students need information about open jobs, summer jobs and thesis work possibilities. Tips on how to apply for a job at Outokumpu and a description of what kind of students Outokumpu is looking for, are also needed in order for students to plan their studies and prepare job applications. In addition, information about thesis work completed within Outokumpu, job descriptions for graduate recruits, and starting salaries are perceived interesting. Additionally, students consider deeper knowledge about Outokumpu's industry and the educational and age structure of its personnel relevant.

The social aspect of corporate responsibility is the most important for students. Issues like job availability, long-term employment policy, safety at work, employee satisfaction, salaries, employee health care, gender equality, interests of local communities and the fact that Outokumpu is not recruiting temporary employees were brought up. The environmental aspect was also considered important and it is perceived to include effluents, pollution and recycling, for example. Regarding the economic issues, paying taxes and the consideration of the national interests in Finland were mentioned.

Most of the respondents indicated that corporate responsibility performance has a strong impact on their interest in Outokumpu as an employer. Its attractiveness as an employer is reduced by the fact that many new employees would have to move to another city or travel long distances to work for Outokumpu. Favouring TKK was a concern for some respondents from other educational institutions.

5.12 Suppliers

In total, five interviews were conducted with suppliers and subcontractors. The general attitude among them is that Outokumpu is a good and fair customer but has some points to improve in.

5.12.1 Information Required

Information needed varies according to the supplier interviewed. Information needs include production planning information, annual stoppages, satisfaction in suppliers' services, environmental issues and business strategy (Lassila & Tikanoja, 2005). Suppliers in the United Kingdom need information about Outokumpu's operations abroad (Energy & Environmental Services Ltd., 2005). For the recycled steel supplier interviewee, the price of recycled steel is the most important information needed (Romukeskus Oy, 2005). The representative of Nalco (2005), needs information about Outokumpu's health and safety policies, environmental issues and business strategy.

Some suppliers think that they get enough information and that there is enough dialogue between them and Outokumpu, while some of them do not think so. Communication channels include scheduled meetings, written customer satisfaction surveys, daily operational level conversations, phone, email and the Internet.

5.12.2 Aspects of Corporate Responsibility

Issues mentioned considering the environmental aspect of corporate responsibility included environmental standards, air pollution, cleanliness of premises, employee education and motivation (Lassila & Tikanoja, 2005). Additionally, water emissions, the use of recycled steel, energy consumption and environmental policies were mentioned.

Social issues mentioned by suppliers included long-term employee policy, safety at work, salaries, occupational health care and other employee benefits (Lassila & Tikanoja, 2005). Out of these, several supplier interviewees mentioned health and safety issues and the interest of local community.

The supplier interviewees see the economic aspect as the foundation for managing the other two aspects (Romukeskus Oy, 2005). It includes paying taxes and paying the suppliers (Lassila & Tikanoja, 2005). Generally, an honest and punctual way to carry out business and being successful financially is considered important (Nalco, 2005).

Most suppliers consider that Outokumpu is advanced in its corporate responsibility management. Lassila & Tikanoja (2005) interviewee thought that it might not need to put so much effort regarding the social aspect, as it currently does. Outokumpu was also mentioned to have a general attitude to “do the things right”. However, this attitude is not evident in all parts of the company and Outokumpu could do better if it committed the company on the whole to adhere to this attitude (Nalco, 2005).

5.12.3 Impact and Motivation for Corporate Responsibility

Different motivations exist behind the suppliers’ need regarding Outokumpu’s corporate responsibility management. These motivations include, for example, that the supplier itself is operating in the environmental or social sector, the company policy of the supplier requires attention to be given to corporate responsibility. Another motivation is that high corporate responsibility performance is seen to secure the business in the long term. The answers regarding the impact of Outokumpu’s corporate responsibility performance are twofold. Some considered that it does not affect the relationship between them and Outokumpu or that the only thing that matters to them is that Outokumpu pays its bills. (Romukeskus Oy, 2005; Lassila & Tikanoja, 2005). On the other hand, GBN’s relationship with Outokumpu is based on striving towards high corporate responsibility performance, making the impact vital (GBN Ltd., 2005). Nalco does not deal with customers that have low corporate responsibility performance or operational problems (Nalco, 2005).

5.13 Trade Unions (*The Finnish Metalworkers’ Union, 2005*)

The trade union interview was conducted with a representative of The Finnish Metalworkers’ Union. His general view of Outokumpu is that the union is happy with the company and likes their open and informal relationship.

5.13.1 Communication

Trade unions, as well as all other stakeholder interviewees realise that the Finnish legislation poses restrictions on what kind of information can be shared. The trade union

was interested in discussing strategic issues and they hope that Outokumpu's shop stewards would be able to participate in Outokumpu's strategic planning and decision-making. The interviewee felt that he gets enough information about Outokumpu, including production information, production reorganisation, market information and profitability data. The main channels of communication are telephone calls and meetings. The trade union representative also felt that there is enough dialogue with Outokumpu and that its views are sufficiently listened to.

5.13.2 Corporate Responsibility

Outokumpu is seen as an exemplary, safe and secure employer with their personnel policy in accordance with the collective labour agreement. Providing employment is also considered an increasingly important corporate responsibility issue in the future. Outokumpu was given special credit for its benefit programs for the retired employees. Outokumpu's effort in developing the local communities it is operating in, and in encouraging its employees to participate in local politics, was also endorsed.

Regarding the environmental matters, the interviewee pointed out that Outokumpu has made exemplary investments in environmental technology, and has tried to reduce energy consumption through R&D. He also mentioned the closed water circulation system in processes to avoid effluents. Other points that came out were safety and personnel work transport arrangements. Further credit was given for the cleanliness of Outokumpu's premises.

The trade union has strong national interests and an employment-oriented perspective to Outokumpu. Therefore, trade unions want Outokumpu to put emphasis on the Finnish national interests regarding its corporate responsibility management as well. This is relevant especially now when there is a fear of jobs and investments moving away from Finland to the emerging economies. The trade union wants to help Outokumpu with structural matters to make it more competitive in Finland. These matters include supporting nuclear power, transportation, emission trading, etc.

The interviewee recognised the significance of Outokumpu's economic goals because they are strongly linked with the national interests of Finland. The national interests include having Outokumpu's R&D and headquarters in Finland, dividends to the

Finnish State, as well as encouraging direct and indirect employment in Finland. He was not satisfied with Outokumpu's decision in reducing the roles of copper and mining in its corporate strategy.

The trade union representative believes that Outokumpu's corporate responsibility performance has a significant impact on the relationship with the trade union. High corporate responsibility performance correlates with committed work force in difficult times, and with the visibility of the joint effort of the company and the trade union in projects serving Outokumpu's interests. On the other hand, the trade union actively criticises companies with low corporate responsibility performance.

6 Analysis and Recommendations

This Chapter provides answers to the research objectives of the study. The objectives are to identify the most important stakeholders and to provide recommendations for managing them. First, the general analysis and recommendations are presented, and after that the stakeholder group specific ones.

6.1 *General Analysis and Recommendations*

6.1.1 The Focus of Corporate Responsibility Management

According to the interviews, the most important aspect of corporate responsibility for Outokumpu is the environmental aspect (see Chapter 5.1). Based on this, Outokumpu should plan its stakeholder interaction and corporate responsibility with an emphasis on the environmental aspect. Nevertheless, all three aspects are important and should be included in stakeholder management and corporate responsibility depending on the stakeholder in question.

There is a significant difference in the relative importance of the economic aspect when interviewee ratings and the number of times economic issues mentioned by interviewees are compared (see Figure 4). When asked to rate on the scale of 1-5, the economic aspect seems to be more important for the stakeholders than if compared to the number of times different issues within the three aspects were mentioned. The difference may be explained by the fact that the economic aspect has a lesser number of issues to be mentioned than social and environmental aspects do. Thus, the social and environmental aspects are broader and more complicated in nature and the issues related to them are therefore mentioned more frequently than in case of the more homogenous economic aspect. If this explanation is true, the interviewee ratings on the scale 1 – 5 give a more realistic picture of the priorities of the interviewees regarding corporate responsibility aspects.

The issues relating to each aspect of corporate responsibility that Outokumpu should give special attention to in its corporate responsibility management, based on the stakeholder interviews, are those listed in Figure 5. These issues are CO² and other

pollution to air, employment provided by the company, long-term personnel policy, salaries, safety at work, local philanthropy, emissions to water, transportation, occupational health care, energy efficiency, economic gains, employee motivation and education, high ethical standards in developing countries, and being successful in further internationalisation. Long-term personnel policy means that Outokumpu should balance the market changes with avoiding unnecessary hiring and layoffs. It should be taken into account that equal weight for each interviewed stakeholder organisation is given in Figure 5 and therefore the order of priority should only be seen as suggestive.

6.1.2 Stakeholder Groups in the Selected Typologies

The stakeholder groups interviewed are classified according to Mitchell's stakeholder typology (see Figure 6) and threat cooperation matrix (see Figure 7).

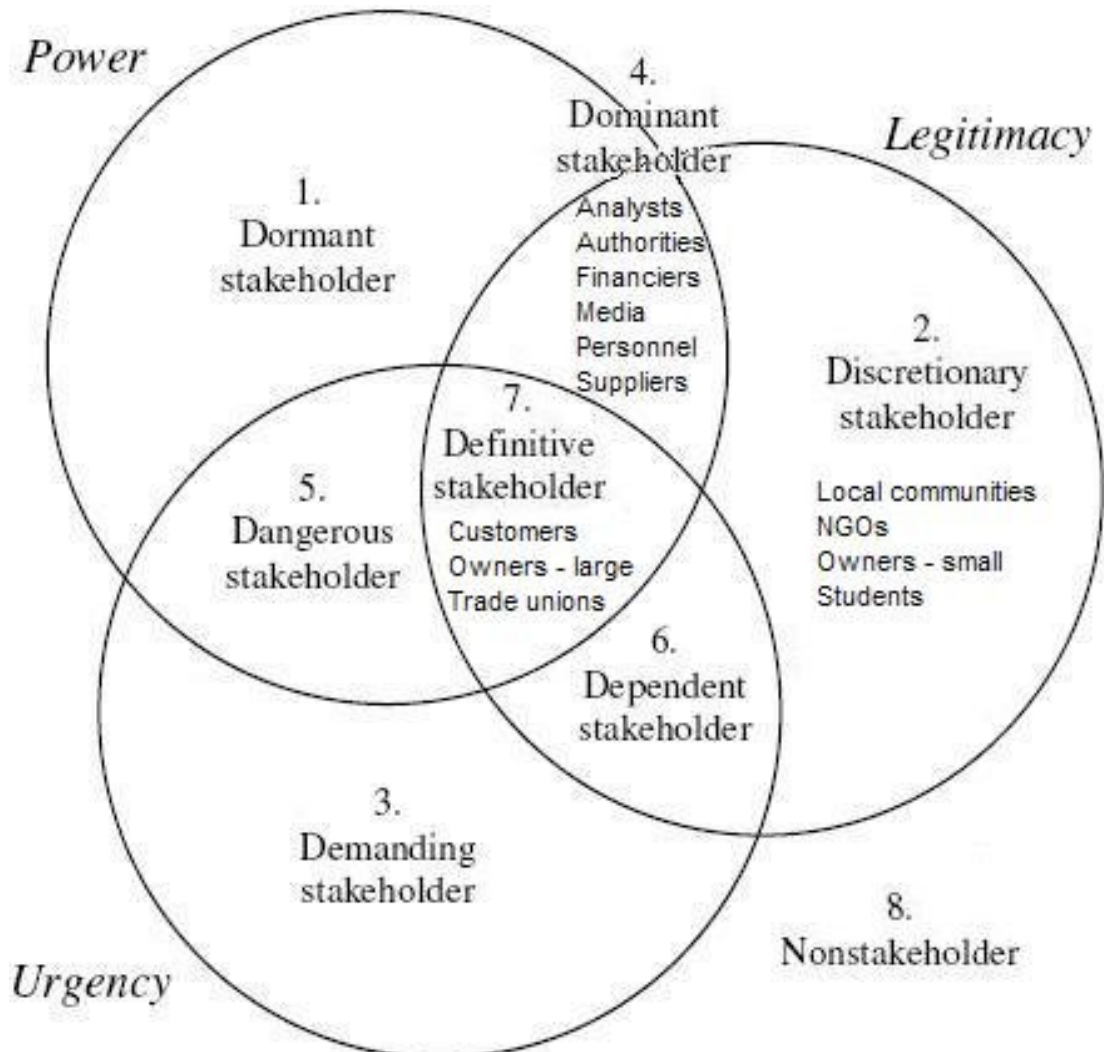


Figure 6 Interviewed stakeholder groups in the typology of Mitchell et al (1997)

Stakeholder groups were classified in the threat and cooperation matrix by reflecting the affecting factors by Savage et al (1991) in Appendix 2. Further reasoning and discussion on how the stakeholder groups are classified in these typologies are included in the stakeholder-specific chapters below.

It should be kept in mind that the classifications are not stable but dynamic in nature. This means that a stakeholder can change its type according to the circumstances. Especially in the typology of Mitchell et al (1997), urgency is usually gained in a situation that leads to the urgency of a stakeholder's claim. Because of this, most stakeholder groups belong to the power-legitimacy axis in the typology of Mitchell et al (1997). Additionally, different stakeholder organisations within a stakeholder group can belong to different types. Thus, the classification presented in Figure 6 and Figure 7 is suggestive and is based on the interview results.

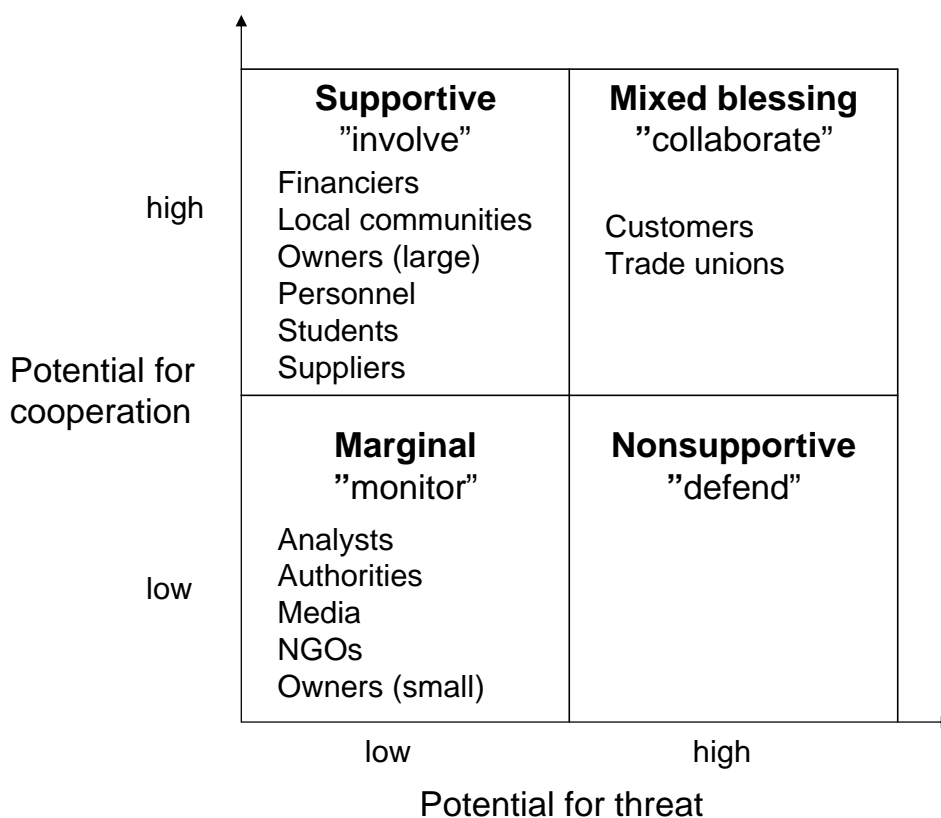


Figure 7 Interviewed stakeholder groups in the threat-cooperation typology

6.1.3 Stakeholder Salience

In order to give managerial recommendations regarding how to prioritise attention between company's stakeholder groups, a combined salience matrix based on both typologies is constructed (see Figure 8). Mitchell et al (1997) proposed that the stakeholder salience is low for those stakeholders that possess one of the attributes (power, legitimacy or urgency). Furthermore, the salience is medium for those who possess two of the attributes and high for those possessing all three attributes (Mitchell et al., 1997).

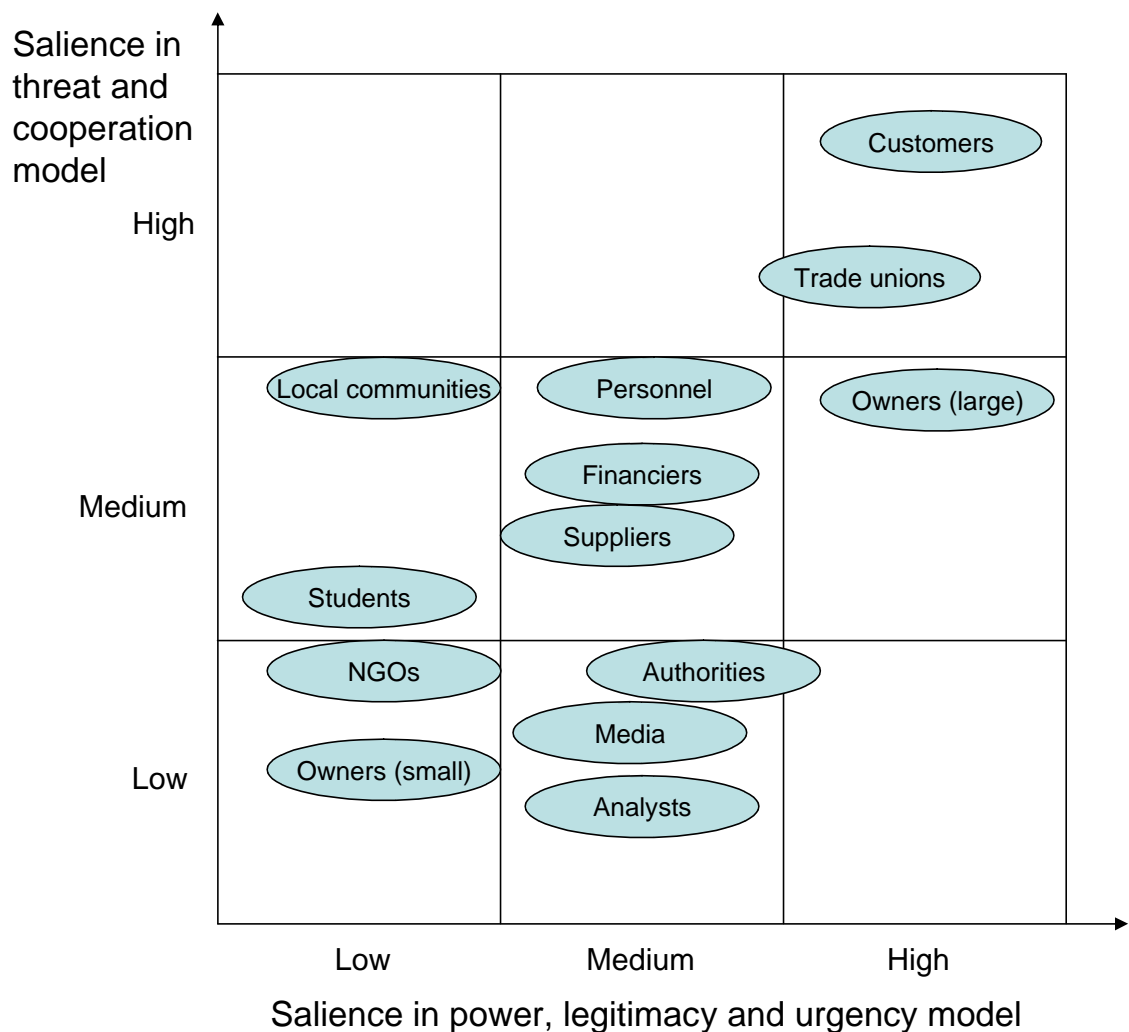


Figure 8 Salience of the interviewed stakeholder groups

Similarly, the stakeholder types in threat-cooperation model can be considered to belong to three levels of salience. The highest salience is assumed to be possessed by

those stakeholder groups that have high potential for both threat and cooperation. On the contrary, those who have low potential for both threat and for cooperation are considered to have low salience. The remaining two stakeholder types are assumed to have medium salience. The stakeholder groups are plotted in a matrix with the salience of power, legitimacy and urgency typology on the x-axis and the salience of threat-cooperation model on the y-axis (Figure 8).

The closer the stakeholder groups are to the upper right hand corner in Figure 8, the higher salience they possess in both stakeholder models. Similarly, the closer the stakeholder groups are to the lower left hand corner, the lower salience they have in both typologies. However, managers should not ignore these stakeholders. The diagonal crossing the Figure 8 is illustrating an area of a specific stakeholder salience level.

6.1.4 General Recommendations

Analysis of Figure 8 indicates that Outokumpu's managers should give the highest priority to managing their customers, trade unions and large owners. Additionally, high importance should be given to managing personnel, suppliers, financiers, authorities and local communities. The salience of the interviewed stakeholder groups is illustrated with the distance in the stakeholder diagram (see Figure 9). However, salience should be treated with caution since the calculation is based on several generalisations. The salience diagram represents the situation at the time of the interviews, and salience can be expected to change according to the situation as Mitchell et al (1997) describe with the dynamic nature of the model (see Chapter 3.1.2). This highlights the importance that even the lower salience stakeholders should be properly managed and Outokumpu should not reduce the existing level of interaction with any of the interviewed stakeholder groups.

Additionally, the salience of stakeholder organisations within stakeholder groups may vary significantly. Thus, stakeholder organisations should be managed individually instead of managing them as a group. However, a stakeholder group level analysis is useful for developing general strategies. A recommended general strategy is to focus on the stakeholder groups of the highest salience (see Figure 9) and to adopt group specific approaches in order to manage them most efficiently (see Chapters 6.2 - 6.13). In order

to implement this, Outokumpu should develop its capacity for strategic stakeholder management as the threat-cooperation model suggests. This cannot be done by simply dealing with a specific stakeholder on a particular issue.

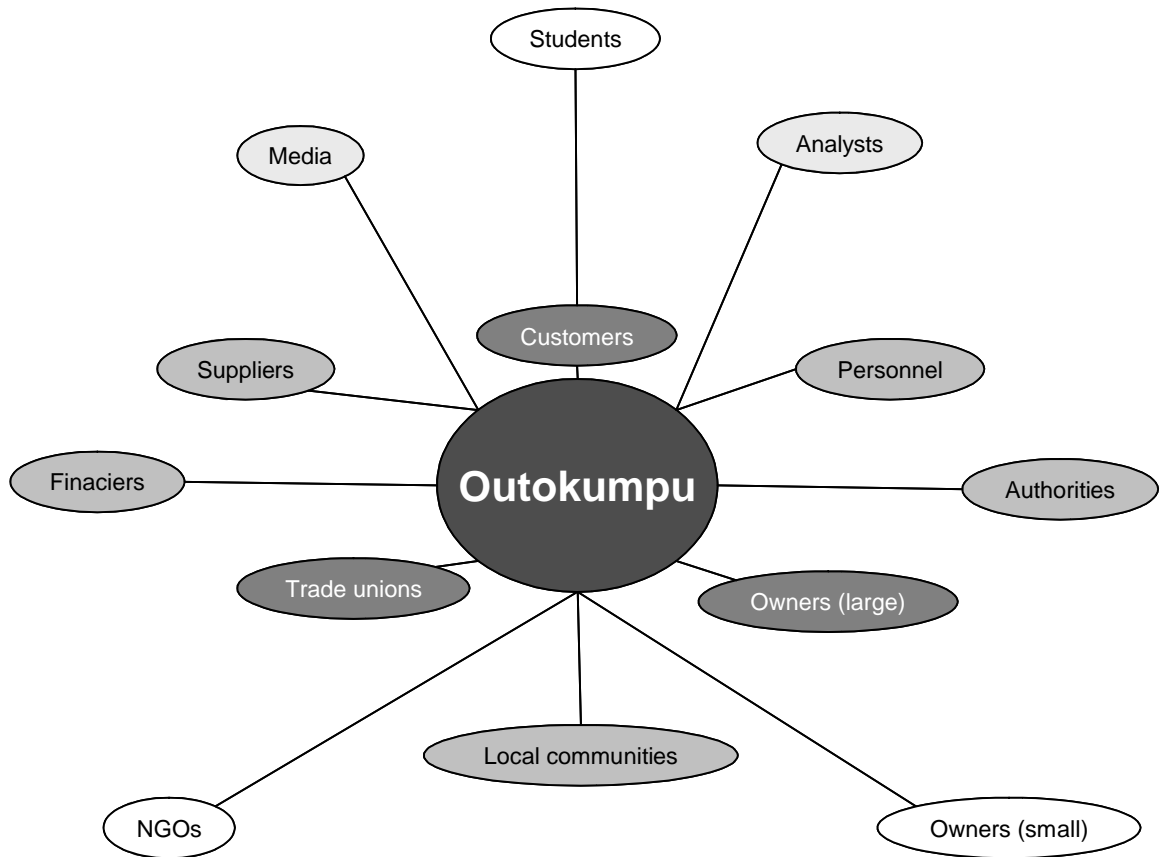


Figure 9 Stakeholder diagram of Outokumpu

6.2 Analysts

6.2.1 Typologies

In the threat-cooperation typology, analysts can be considered marginal stakeholders with low potential for cooperation and low potential for threat. Their task is to provide analyses of the company and to be able to do this their main claim is to get information about the company. This does not put them in a position to have any specific potential for threat or cooperation. This is because the quality of relationships with them is not likely to affect their recommendations regarding the company's stock value. However,

some threat can be seen in cases where a company does not provide information to its analysts leading to ignorance regarding its positive future prospects.

In Mitchell's typology, analysts can be considered to possess power and legitimacy. Their role and tasks as analysts are considered generally legitimate. Their recommendations significantly affect the stock value of the company and therefore they can be considered to possess significant normative power. Although some of their recommendations may have an urgent effect on investors' behaviour, their claim on the company to get information is not particularly urgent. This makes them a dominant stakeholder group in the typology of Mitchell et al (1997).

6.2.2 Recommendations

According to the threat-cooperation typology, analysts should be monitored. The cost of monitoring analysts can be minimised by establishing a focused monitoring system. It is important for Outokumpu to know what analysts think and say about Outokumpu. This gives the opportunity to take the views of analysts into account when making strategic decisions, thus improving the future stock value.

According to the power, legitimacy and urgency model (Mitchell, 1997), dominant stakeholders are included in systems that address their needs. This means that analysts should have regular channels of receiving information about the company. In addition, their questions should be answered to the extent that is feasible for the company, but not all of their information requirements should be given the highest priority.

The current relationships with analysts are good and should be maintained. If Outokumpu would like to improve its stakeholder relationships within this stakeholder group, the analysts can be given personal meetings with top management once or twice per year. The analyst interviewee also indicated that there should be more clarity in Outokumpu's communications policy in respect of what information is public and what is not.

6.3 Authorities

6.3.1 Typologies

Authorities' potential for cooperation is low because their interests are mostly different by nature compared to the interests of Outokumpu. Their potential for threat is moderately low to companies who operate according to the laws and regulations. However, authorities can be considered to have some potential for threat in the form of tightening regulations, refusing permits to operate or imposing fines and penalties. These risks are higher if corporate responsibility performance is low. Based on the interviews of the authorities and other stakeholders, Outokumpu's corporate responsibility performance does not give reason to consider authorities as a high-risk potential stakeholder. This makes the authorities a marginal stakeholder not far from being a nonsupportive stakeholder in case Outokumpu's operations conflict with their interests.

The authorities can be considered to possess both power and legitimacy through their generally accepted official status. The power of the authorities is based on law while their legitimacy is based on peoples' needs within a democratic system. In developing or corrupted countries, the case might be different and it should be taken into account when operating in such countries. However, their claims are not normally urgent in the typology of Mitchell et al (1997). This leads to authorities being a dominant stakeholder group.

6.3.2 Recommendations

According to the threat-cooperation typology, authorities should be constantly monitored. This is important in order to be aware of any potential claims that can change them into nonsupportive or supportive stakeholders. If the authorities become nonsupportive stakeholders, appropriate defensive actions should be taken.

Outokumpu should also have the appropriate systems in place to be able to address the claims of the authorities before the claims become urgent. This includes providing all the required information to the authorities regarding permits and taxation stipulated by laws and regulations. In case of the interviewed authorities, these systems were mostly

sufficient. Improvement could be made in the manner of providing comprehensive information to the authorities when applying for environmental permits. The improvements could also serve Outokumpu's interests by making the application process faster. One form of cooperation with the authorities could be to get information from them regarding the details of the requirements of the environmental law.

6.4 Customers

6.4.1 Typologies

In the threat-cooperation typology, customers have high potential for cooperation because they have a strong interest in getting the products and services of Outokumpu. Customers can also be considered to have a high threat potential because a company is dependent on its exchange relationship with its customers. The threat is based on customers' interests to minimise the costs and the need to find the most cost-effective supplier. This poses a constant threat of losing a customer to a competitor. However, this risk is reduced in case of Finnish customers whose other optional suppliers are far away compared to Outokumpu's dominant presence in Finland. Thus, customers are classified as mixed blessing stakeholders.

In the typology of Mitchell et al (1997), customers have a high level of utilitarian power. Their status as a paying customer with the right to change their suppliers is also considered legitimate in the current system based on the market economy. Customers' claims are often also urgent to managers because of the threat of switching to another supplier. Thus, customers are definitive stakeholders with high salience.

6.4.2 Recommendations

Customers are clearly among the top three salient stakeholders (see Figure 8). Because they are mixed blessing stakeholders, customers should be collaborated with (Savage et al., 1991). The closer the collaboration, the less likely customers are to change the suppliers. Consequently, through close collaboration with customers there is a high probability of customers becoming supportive stakeholders. The collaboration could

include, for example, the involvement customers in the development process of products and services of Outokumpu.

In the typology of Mitchell et al (1997), customers are definitive stakeholders and their claims should be considered top priority and their views should be taken into account both proactively and reactively (Mitchell, 2003). In case of customers, this means that all strategic and operational planning should be reflected against the effects on customer value. Additionally, the company should react seriously to customer complaints and try to attempt to fulfil them. A sufficient customer feedback mechanism should also exist in order to identify the possible sources of dissatisfaction.

Although two of three interviewed customers seemed to be satisfied with Outokumpu, the interviewee at Ruukki (2005) indicated that customer expectations should be given more attention than before. For example, they would like to have more dialogue and more information about the industry, and felt that they do not get information in time about production delays. Ruukki (2005) also brought up the difficulty in finding a contact person from Outokumpu who would have an understanding about Outokumpu as a whole instead of representing a single function. Outokumpu should address these challenges regarding communications. Additionally, top-level customer contact person could be designated to ensure that justified customer needs are met in the future.

Customers also experienced the lack of information flow regarding products available in stock (Starckjohannsteel, 2005). To fix this, customers could be given an online access to products in stock information, or a specific email to the same effect could be sent once or twice per day. In addition, information about compound materials of Outokumpu's products could be sent automatically, instead of customers having to ask for the same information separately for each order (Starckjohannsteel, 2005).

One way to encourage customer collaboration is to invite customers to visit Outokumpu's production sites. Electrolux (2005) interviewee indicated that he was interested to visit if invited. He also felt that communications could be made more flexible by replacing phone calls with emails. Additionally, customers should be kept updated about what is new at Outokumpu by sending them Outokumpu's Factor magazine or providing news in some other form. The interviewee at Electrolux (2005)

did not get the Factor magazine. The Electrolux interviewee (2005) also hoped that Outokumpu would recycle the wooden pallets and plastic covers that they use for packaging their products.

6.5 Financiers

6.5.1 Typologies

Financiers are specific types of suppliers, who provide financing which is a highly critical resource for the company. They possess a high potential for cooperation because they are interested in providing their services to their customers. Cooperation with financiers is especially important for Outokumpu operating in a capital-intensive industry and having as high debt to equity ratio as 74.5% (Outokumpu, 2006d). Although financiers possess a threat for increasing the cost of financing or stop financing a specific company, their overall potential for threat is low due to their interest to serve their customers. Financiers having a high potential for cooperation and a low potential for threat are supportive stakeholders in the typology of Savage et al (1991).

In the power, legitimacy and urgency typology, financiers possess power for the same reasons mentioned above. Additionally, financiers requiring information and good practices from its customers can be generally considered legitimate. However, the claims of financiers are not urgent unless they start losing their trust in Outokumpu's ability to meet its liability for debts. This combination of attributes puts financiers in the category of dominant stakeholders.

6.5.2 Recommendations

Supportive stakeholders should be involved in the important issues and decisions of a company (Savage et al., 1991). A company cannot require that financiers have the adequate competence to be deeply involved in the strategic decisions of the company. However, financiers could be involved in the process of financial planning and the decisions should be transparently communicated to them to satisfy their information needs. Based on the financier interview, the current level of interaction is good (Nordea,

2005). If Outokumpu wanted to improve the interaction, they could provide more business unit specific information. Furthermore, Outokumpu should ensure that the communication with financiers is clear and understandable for professionals who are not themselves operating in the steel industry.

The approach for dominant stakeholders is providing systems that address the claims of the stakeholders (Mitchell et al., 1997). In addition to the public information, the information needs of financiers are addressed by organising capital market days. Because the capital market days focus on forecasting the stock price, it does not fully address the financiers' needs (Nordea, 2005). Thus, Outokumpu should assess the feasibility of organising separate bankers days. These events could be attended by 1-2 representatives from each financing organisation and provide up-to-date information about Outokumpu's capability to respond to its financial commitments. The bankers' day could be combined with factory visits in order to give a more concrete picture of Outokumpu's business.

6.6 Local communities

6.6.1 Typologies

Local communities possess a low potential for threat to Outokumpu. The only risk for threat could occur if Outokumpu significantly decreased its level of corporate responsibility performance, which would lead to bad attitudes towards the company. On the other hand, their potential for cooperation is high because the well-being of local communities depends on the company in many ways and the work force available locally is important for the company. This means that local communities are supportive stakeholders in the typology of Savage et al (1991).

In the typology of Mitchell et al (1997), local communities can be considered to possess the legitimacy attribute. This is because possible claims for clean living environment, jobs and good quality of life are based on legitimate needs. On the other hand, the claims of local communities are not urgent. Only in case something out of ordinary happens, e.g. a mass dismissal or an environmental disaster, the local community representatives' claims become urgent. In these situations, local communities become

dependent stakeholders that seek the partnership with a stakeholder possessing power. Furthermore, most local community representatives do not possess the power attribute because they are local citizens, NGOs or companies who are not in a position to impose their will on the company. However, local city councils usually have power over the company, but they are considered to represent the authorities' stakeholder group in this report. Thus, local communities are discretionary stakeholders.

6.6.2 Recommendations

Local communities are supportive stakeholders that should be approached with an involvement strategy (Savage et al., 1991). This means that their cooperative potential should not be wasted and they should be involved in the decisions of the company (Savage et al., 1991). Outokumpu could deepen its cooperation with local educational institutions, for example. There has been indications that local communities would be willing to train the kind of workforce Outokumpu thinks it will need in the future (Darnall Forum, 2005). It could be in the interest of both parties for Outokumpu to communicate its long-term needs for skilled workforce.

There is no pressure for managers to have an active relationship with discretionary stakeholders (Mitchell et al., 1997). However, it is recommended to consider their claims proactively as part of corporate responsibility management (Mitchell, 2003). In case of Outokumpu this could mean, for example, responding to the needs of reducing chromium pollution, funding local environmental projects and directing corporate philanthropy to support local art, cultural organisations and events (Pohjolan Sanomat, 2005). In the United Kingdom, funding Christmas parties for local children or old people was indicated as a way to respond to the needs of local people (Tinsley Forum, 2005).

Local communities also need information regarding Outokumpu. Outokumpu could improve its responsiveness in this regard by responding to the suggestions made by local community stakeholders. Avesta Tidning (2005) hoped that Outokumpu would give a face to the company by arranging a top-management visit to Avesta or Stockholm to hold a press conference. The information given should include views regarding Outokumpu's plans for Avesta. In addition, Avesta Tidning (2005) suggested

that Outokumpu would start a regular section or a separate leaflet in the local paper to spread information about the company. Another way to provide information to reach the local communities would be to produce site-specific environmental or corporate responsibility reports. Some of the interviewed local community representatives experienced that they did not get enough information and that there is not enough dialogue between them and Outokumpu. Emails and face-to-face meetings could be utilised to provide information about the company and to build good relationships with the stakeholders. Stakeholders could also be invited for site visits to increase the awareness of the company and the interest in it.

6.7 Media

6.7.1 Typologies

The media can be considered to have a moderately low potential both for threat and for cooperation. This is because it has not many claims from Outokumpu and the nature of relationship between Outokumpu and the media may not be significantly reflected on what they write about the company. Their main claim is to get information regarding Outokumpu, and Outokumpu's corporate responsibility performance mainly affects their cooperativeness or threat posed on the company. Thus, the media belongs to the category of marginal stakeholders in the typology of Savage et al (1991).

In the power, legitimacy and urgency typology the media can be considered to possess the power attribute because of their high influence on public opinion. Additionally, the interviewed media organisations are well established and they are considered legitimate in fulfilling their role of providing information to people. Their claims of asking for a specific piece of information can also be considered urgent, if they decide to write about not receiving the specific information. However, mostly their information needs are fulfilled and their claims are not urgent. Thus, media is a dominant stakeholder.

6.7.2 Recommendations

Marginal stakeholders should be monitored (Savage et al., 1991). In case of the media, this means that Outokumpu should keep track on the information the media receives

about the company and the articles written about Outokumpu. In case of unreasonably negative publicity, Outokumpu should be ready to react in a timely fashion in order to protect its reputation. Additionally, Outokumpu should try to move the media to the supportive category by providing them information regarding its corporate responsibility achievements.

According to Mitchell et al (1997), dominant stakeholders should be provided systems that address their needs. This includes providing them with press releases, interim reports etc. The Pohjolan Sanomat interviewee told that they have a process of meeting Outokumpu representatives annually. The newspaper representatives feel happy about the practice. The interviewee of HS (2005) stated that they have occasional meetings with Outokumpu representatives with an executive present. However, these meetings are not regular although they would like them to be. Outokumpu should assess the feasibility of arranging these kinds of regular meetings to all media organisations to fulfil their information needs. The Avesta Tidning (2005) interviewee hoped to receive news regarding Outokumpu through fax. They also hoped that they would receive interim reports regularly in Swedish language and have a Swedish-speaking contact person in the company. Outokumpu should further assess whether fulfilling these requirements are feasible or not.

6.8 NGOs

6.8.1 Typologies

In the threat and cooperation typology, NGOs are often considered to have low potential for cooperation because their interests often conflict with corporate interests. However, they may be considered to possess some potential for threat to some companies. The potential for cooperation and threat may depend on the corporate responsibility performance of the focal company. In case of companies with pioneer corporate responsibility strategies, the NGOs may provide help in increasing the corporate responsibility performance and providing positive publicity and legitimacy. Similarly, companies with low corporate responsibility performance strategies, the NGOs' potential for threat may be higher than with other companies. This report does not assume that Outokumpu is among companies with low corporate responsibility

performance or that it is one of the corporate responsibility pioneering companies. Thus, the NGOs have moderately low potential for threat and low potential for cooperation, belonging to marginal stakeholders.

In the typology of Mitchell et al (1997), NGO's claims can be considered legitimate, but often lacking urgency and power to implement. This makes NGOs discretionary stakeholders in the normal circumstances. However, the dynamic nature of the stakeholder model in this case could mean that if disagreements escalate between NGOs and companies, NGOs can acquire the attributes of power and urgency. However, in some cases they may also lose the legitimacy attribute if the public opinion considers their means unjustified. If NGOs start cooperating with stakeholders possessing urgency and power, e.g. with the media, the NGOs can become very important stakeholders.

6.8.2 Recommendations

Marginal stakeholders should be managed by monitoring them and taking into consideration their interest in strategic decisions (Savage et al., 1991). Monitoring NGOs is important because Outokumpu should be able to react to their possible claims in a timely fashion if they turn to nonsupportive stakeholders. Considering their views in strategic decisions could mean, for example, that Outokumpu could create corporate responsibility management plans for developing countries in case it opens production facilities there. The plan should consider local practices and lower corporate responsibility performance requirements while proactively satisfying NGOs' claims in Europe.

There is no pressure for managers to engage in active relationships with discretionary stakeholders (Mitchell et al., 1997). However, it is recommended to consider their views proactively as part of corporate responsibility management (Mitchell, 2003). The kind of views that came up in NGO interviews include that Outokumpu should publish facts concerning negative aspects in addition to focusing on the positive aspects of corporate responsibility in the corporate responsibility reports. Additionally, NGO interviewees hoped that the annual reports should clearly indicate the name of the company preparing the report. They also think that Outokumpu should be more open to admit its mistakes in case public debates arise if the company is accused of something. Additionally, the

United States of Americability of Outokumpu's website also got some criticism from NGOs (FinnWatch, 2005). It is recommended to fix the United States of Americability issue, because it is related to several other stakeholders as well.

6.9 Owners

6.9.1 Typologies

In the threat and cooperation typology, owners can be considered to possess high potential for cooperation. This is because of their mutual interests with the company to maximise its success in the markets. However, the potential can be considered low in case of small owners whose economic interest to support the company is low. The risk potential of owners can be considered low because owners seldom have an interest to create problems for the company. However, a possible risk in case of owners might be if they aggressively reduce their ownership, which could result in a negative impact on stock value or the ownership structure. In Outokumpu's case, the Finnish State has an exceptionally high share of ownership (see Table 3), but based on the interview results, the state can be considered a stable low-risk owner. Low potential for threat and high potential for cooperation makes large owners supportive stakeholders. On the other hand, small owners who have a low potential for cooperation belong to marginal stakeholders.

In the typology of Mitchell et al (1997), large owners can be classified as definitive stakeholders. The owners have utilitarian power to impose their will on the company during the annual general meetings. This makes their claims also urgent, as their will must be implemented immediately. The claims of the owners are usually legitimate through the generally accepted democratic market economy system. However, the small owners of companies cannot be considered to possess the power attribute. Although their claims are considered legitimate in the system, they are not able to impose their will with a minor share of company stock. This also means that their claims are not urgent to the managers of the company. Thus, small owners are classified as legitimate stakeholders and large owners as definitive stakeholders.

6.9.2 Recommendations

Supportive stakeholders should be involved in important company issues and their cooperative potential should not be wasted (Savage et al., 1991). In case of the large owners of Outokumpu, this could mean, for example, discussing the important decisions during regular one-to-one top management meetings. In case of small owners, a monitoring approach will be sufficient in order to be aware of possible claims that may be supported by more powerful stakeholders possessing more power.

According to Mitchell et al (1997), there is no pressure to fulfil the claims of small owners. However, the claims of definitive stakeholders should be considered both proactively and reactively and should be given priority over other stakeholders' claims (Mitchell, 2003). For example, the state owner has criticised Outokumpu regarding its top management incentive structures. This kind of criticism should be addressed seriously and a mutually satisfying incentive structure should be negotiated. Additionally, the owner interviews brought up the following claims which Outokumpu is recommended to address, if they do not conflict with other major business interests. One owner felt that Outokumpu discriminates against them in favour of international investors because it does not respond to their written inquiries requesting for analyses on certain topics, but rather responds by phone (Ilmarinen, 2005). More analytical information regarding the annual report on the company Internet pages would also be required by the owners (OP-Delta, 2005). The representative of OP-Delta (2005) also hoped that Outokumpu's communications would be more transparent, for example, by providing more production site specific profitability indicators such as site-specific ROI. The interviewed owners also hoped that Outokumpu would ensure that there is an appropriate action plan for communications if some risk scenario would be realised. In those cases, Outokumpu should make sure that it does not underestimate the issue, but pays attention to improving the situation (Ilmarinen, 2005).

6.10 Personnel

6.10.1 Typologies

In the threat-cooperation matrix, personnel can be considered to possess a high potential for cooperation. The cooperation is based on the key role of employees' contribution towards the success of the company. If the personnel is committed and works well, it is reflected in Outokumpu's performance as a company. On the other hand, if the personnel works poorly or intentionally harms the company, it has negative implications on the company's performance. However, the personnel are low threat potential stakeholders because the employees' own interests normally include being good employees and it is seldom an interest of the employees to harm the employer. Thus, employees are classified as supportive stakeholders.

Employees possess their human capital, have access to functions and information regarding the company, Therefore they can be considered to have the power attribute in the typology of Mitchell et al (1997). The employees can also be considered legitimate stakeholders, as several claims of the personnel regarding their health, well-being and compensation are generally considered important and justified. While employees do not possess urgency in normal circumstances, the personnel is classified here as a dominant stakeholder in the typology of Mitchell et al (1997). Circumstances where they would possess the urgency attribute could be in case of mass-dismissals.

6.10.2 Recommendations

As supportive stakeholders, personnel should be involved in the decision making of the company. The possibilities of decentralising power could be assessed. This would mean developing the corporate culture to make people feel that they are working in an organisation, which is not very hierarchical and bureaucratic. Reduction of bureaucracy is also supported by the expectations of other stakeholders of Outokumpu, in addition to the personnel. Perception of hierarchy could be reduced for example by arranging opportunities for personnel to meet, listen and ask questions from the top management e.g. on biannual basis.

Dominant stakeholders should be provided with systems to address their needs (Mitchell et al., 1997). Furthermore, Deniz-Deniz & De Saa-Perez (2003) found that companies committed to responding to the interests of their personnel have greater profitability. In case of Outokumpu, one of the systems for addressing personnel needs that could be improved is the internal communications. As one personnel respondent wrote, he read a news article about Outokumpu in the newspaper before the news reached him internally. Internal communication policy should be different and more open than external communications in order to develop group spirit and trust among Outokumpu's personnel. Additionally, more information about Outokumpu's operations abroad could be given to personnel. One personnel interviewee in the United Kingdom wrote that the corporate communications of Outokumpu does not give enough information about the operations in the United Kingdom.

Additionally, based on the personnel questionnaire and on the views of several other stakeholder groups, mass-dismissals should be avoided and the employment policy should be planned on long-term basis. If the case company follows this, it increases the feeling of continuation and security while improving the public image of the company.

6.11 Students

6.11.1 Typologies

Students can be considered to have a low potential for threat because they have only a few conflicting interests with the case company and no means to threaten the it. Students can also be considered to have a high potential for cooperation, because of their interests to advance in their career, to find jobs and carry out their thesis and other projects. The matching students' interests and Outokumpu's need for skilled personnel makes students a supportive stakeholder group. Students seldom possess power or urgency, but their needs can be considered legitimate. This makes students a discretionary stakeholder group in the power, legitimacy and urgency typology (see Figure 2).

6.11.2 Recommendations

The claims of discretionary stakeholders pose no pressure for managers to address them. (Mitchell et al., 1997). However, Outokumpu can respond proactively to the claims of discretionary stakeholders if it needs to increase its corporate responsibility performance. Supportive stakeholders should be involved in the company and the waste of cooperative potential should be avoided (Savage et al., 1991). In students' case, it would mean being visible to them in order to utilise the possibilities offered by students interested in doing course projects, thesis work or acquiring summer jobs at the case company. Turban & Greening (1996) found that companies recruiting on campuses and providing material for student career offices are generally known better among all job applicants. Thus, visibility regarding students is important so that recruitment is efficient. Visibility can be increased by providing information needed by students using guild email lists. However sending email more than once per month should be avoided. It is recommended to acquire additional visibility by marketing campaigns in publications that students read, for example, in an annual recruitment oriented student publication at TKK called "Teekkarin työkirja". As students are often active Internet users, a section further developed and updated for students in particular, can be considered. Students' section could include thesis job possibilities, contact information and industry knowledge, for example. Recruitment oriented communication style should be avoided in case of students. Instead, an informal from students' perspective should be preferred.

In addition to providing information, social events could be used in getting students involved with Outokumpu. For example, excursions and company visits are recommendable for targeted student groups. In addition, the presence at recruitment exhibitions is recommendable as an efficient way to contact students seeking jobs. Sending Outokumpu employees and specialists to the educational institutions to talk about their work and speciality field could also be considered to bring the company closer to students. Finally, in interaction with students, Outokumpu should not present a stagnant picture to avoid losing its attractiveness. A more attractive perception could be achieved by implementing some unconventional ideas, e.g. arranging new types of sports events not arranged before.

6.12 *Suppliers*

6.12.1 *Typologies*

In the threat and cooperation typology, suppliers are classified as supportive stakeholders. Suppliers are considered to have a high potential for cooperation because they have strong interests to provide their products and services to Outokumpu. As profit seeking companies, cooperation is usually in their interests. For the same reason suppliers usually want to satisfy their customers and build long-term relationships thus avoiding to create threats for them. However, in cases where suppliers have high bargaining power they could be associated with the threat of overpricing or not serving the focal company.

In the power, legitimacy and urgency model, suppliers usually possess power. Their power is based on the critical role of their input for the company to serve its customers. However, some smaller suppliers with less crucial products and services and low bargaining power, could be considered not to possess the power attribute. The claims of suppliers are not urgent in normal circumstances because they depend on their customers' approval of the terms and conditions of transactions. An urgent situation could be created by the failure of a supplier to supply its products or services. As long as suppliers operate according to the laws and regulations, they are considered legitimate stakeholders providing jobs and wealth to the society. As a conclusion, important suppliers of the company possess power and legitimacy in normal circumstances and are thus dominant stakeholders.

6.12.2 *Recommendations*

According to Savage et al (1991) supportive stakeholders should be involved in the important issues and the decisions of the company and power should be decentralised to them. Regarding the relationship between the case company and Lassila & Tikanoja, enabling this would mean deeper involvement of Outokumpu's production representatives in purchasing services meetings. Additionally, the interviewee of GBN Ltd. (2005) indicated that they would have some ideas on how to avoid problems regarding waste segregation. These kinds of initiatives from suppliers should be utilised

for developing the operations for mutual interests. Involving suppliers in important issues also requires good communication and dialogue. For example, Nalco (2005) interviewee indicated that the case company should communicate problems related to Nalco's services in a more efficient way and have more dialogue on the delivery policy. Particularly, they hoped to receive regular information four times per year or immediately when something significant occurred.

In the power, legitimacy and urgency typology, systems should be developed to address the needs of dominant stakeholders (Mitchell et al., 1997). Outokumpu should assess the requirements for such systems according to the type of supplier and develop them accordingly. Several ideas of how to improve these the systems came up in the supplier interviews. For example, the Energy & Environmental Services Ltd. (2005) complained that they are required to send invoices to Prague and hoped that they were able send them to the Outokumpu office in Sheffield. Nalco (2005) interviewee had several suggestions that can be considered when developing systems regarding suppliers. He thinks that issuing entry passes to regular contractors to enter Outokumpu's production facilities would increase the efficiency of the operations by avoiding the filling of permit application forms for each visit. Nalco (2005) interviewee also hoped that Outokumpu would integrate its information systems with its suppliers or provide information to Nalco on Lotus Notes. Additionally, Nalco (2005) had not received payments from Outokumpu on time. It is recommended to review the payment system in order to avoid such problems in the future.

In addition, Lassila & Tikanoja (2005) had suggestions regarding the systems to manage supplier needs. They perceived Outokumpu a bureaucratic organisation, complicating interaction with it. For example, Outokumpu uses the same standard agreement forms for buying services and for purchasing machinery and raw materials (Lassila & Tikanoja, 2005). Additionally, Outokumpu's system of holding scheduled supplier meetings with long-term suppliers may lead to meetings without anything on the agenda (Lassila & Tikanoja, 2005). More thorough auditing of suppliers' environmental and other standards was also hoped for (Lassila & Tikanoja, 2005). Romukeskus Oy (2005) suggested that Outokumpu should start a campaign to increase the awareness of the value of recycled steel, which is defined as waste by the Finnish authorities. This could

increase its recycling by 1-2 % creating environmental and economic benefits for the case company (Romukeskus Oy, 2005).

6.13 Trade Unions

6.13.1 Typologies

According to Savage et al (1991), trade unions are nonsupportive stakeholders that have a high potential for risk and a low potential for cooperation. Their high potential for threat is based mainly on their tendency to arrange strikes, which is particularly common in Finland compared to the United States of America. However, Outokumpu's good corporate responsibility performance and exemplary management of trade union relations have kept the trade union interviewed satisfied with the case company (The Finnish Metalworkers' Union, 2005). Moreover, the trade union is actively trying to support Outokumpu's goals to be competitive in the market (The Finnish Metalworkers' Union, 2005). Thus, their potential for cooperation has significantly increased and can be considered high, making them mixed blessing stakeholders. Smaller trade unions on the other hand may not have as broad a view of the links between competitiveness and employee interests, and may have fewer resources for cooperation. Thus, some smaller trade unions could be classified as nonsupportive stakeholders.

In the typology of Mitchell et al (1997), the claims of trade unions are often considered legitimate. This is because the claims are usually based on legitimate needs of the company personnel. Trade unions also possess the power attribute based on strikes. Additionally, the nature of strikes is urgent to managers because it can put the company's operations on hold immediately. This makes trade unions definitive stakeholders.

6.13.2 Recommendations

Mixed blessing stakeholders should be collaborated with (Savage et al., 1991). The closer the collaboration, the more difficult it is for the stakeholder to take action against the company (Savage et al., 1991). Outokumpu managing well its collaboration with The Finnish Metalworkers' Union, has led to a good relationship that they currently

have. It is recommended that the case company maintain the good management of the trade union relationship in the future. The following points should also be assessed for further improving the collaboration. The Finnish Metalworkers' Union (2005) hoped that Outokumpu's shop stewards could participate in the strategic planning and decision-making process of the case company. Additionally, Outokumpu should utilise the willingness of the union to support the competitiveness of the company structurally to the maximum benefit. The benefits of collaboration in this regard should not be wasted.

Definitive stakeholders' claims should be considered top-priority both proactively and reactively (Mitchell, 2003). This is because if Outokumpu violated some of the most important claims of trade unions, it could lead to dissatisfaction and strikes creating problems for the business. The major requirements of The Finnish Metalworkers' Union (2005) include maintaining a certain level of personnel benefits and working conditions as well as keeping the production facilities and headquarters in Finland.

7 Reliability of the Results

7.1 Interviewed Organisations

Selecting stakeholders, organisations and individuals for interviews is a critical part of the project in respect to the reliability of the results. This is because Outokumpu has tens of stakeholder groups and all of them consist of numerous individual stakeholder organisations leading to hundreds of stakeholder organisations, while the project resources allowed only 20-30 interviews. The most reliable results would have been achieved by interviewing different stakeholder organisations within one stakeholder group, e.g. interviewing only representatives of local communities.

As Outokumpu preferred a wider scope, 12 stakeholder groups were included in the project scope. Each of them was allocated with 1-6 interviews or an Internet questionnaire (see Table 2). This means that there are stakeholder organisations within a stakeholder group, which were not interviewed, and which would have had different views compared to the organisations interviewed. Thus, the interview results and recommendations may be biased towards the individual views represented by those organisations interviewed. The biasness is especially strong in those stakeholder groups that were allocated one or two interviews, i.e. authorities, analysts, financiers, NGOs and trade unions. To reduce the biasness, only significant organisations from the stakeholder groups were selected for interviews. This could also lead to systematically excluding the views that might be characteristic for small or less significant organisations within a stakeholder group.

The geographical distribution of the interviews also reduces the reliability of the results. More than half of the interviews were conducted in Finnish organisations in Finland, while only three of 27 interviews were conducted in Swedish organisations (see Table 2). This is partly because the project was conducted in Finland and interviews in Sweden required more resources than the interviews in Finland. The geographical bias may lead to missing some significant views shared by the stakeholders in the United Kingdom and Sweden. The geographical bias must be taken into account when considering the recommendations based on the interviews. Additionally, five out of six local community interviews were conducted in the United Kingdom. However, the

interviews with the representatives of the media and the authorities helped understand the local community situation in Finland and Sweden.

7.2 Selecting Interviewees

Finding the most suitable person to be interviewed within the chosen organisation also affects the reliability of the results. If the views of the person interviewed do not represent the views of the stakeholder organisation, the reliability of the results is weakened. This might also be the case, if the responsibilities of the person interviewed in the organisation do not have anything to do with Outokumpu, or if the person interviewed is not in a position to represent the views of the organisation. Also, in big stakeholder organisations people in different departments might not know about the work in other departments. This means that to get a comprehensive view of the opinions in each organisation, several interviews should have been conducted in bigger organisations, such as the Swedish Environmental Protection Agency.

To increase the reliability regarding the selected persons for interviews, Outokumpu's knowledge regarding individuals in various stakeholder organisations was utilised. Additionally, when the organisations were contacted initially, the purpose of this study was explained to them and their help asked to find a suitable person to be interviewed. In those cases where Outokumpu knew a suitable person to be interviewed, the opinion of the stakeholder organisation was also asked regarding the suitability of the person to reduce the risk of getting biased information from the case company. The factors of individual opinions and the interviewees' role in the organisation were also discussed during the interviews to increase reliability. In case of Greenpeace, the most suitable individual for the interview was on sick leave and could not be interviewed. The representative of Greenpeace interviewed was not in a position to represent the views of Greenpeace Finland regarding Outokumpu, reducing the reliability of the results.

7.3 Interviews

Several factors in conducting the interviews may reduce the reliability of the results. There may be confidential information relevant to the interview questions (see Appendix 1) that the interviewees cannot disclose. Although the names of the

interviewees are not published in this report, the interviewees may feel that their anonymity is not strong enough for them to express their views in full. It might also be the case that the interviewees have some goals related to personal or organisational interests, affecting the reliability of their answers. Such an interviewee could be, for example, a customer who wants to reduce prices paid for the case company or get some additional services for the same price. Therefore, he/she might answer the questions in a more unsatisfied tone than he/she would otherwise do.

As some of the interview questions are related to corporate responsibility (see Appendix 1), different ways of understanding the term could lead to different answers. The same applies for the terms of environmental, social and economic aspects. Different interviewees understand particularly the economic aspect very differently. Some of them understand that the term means the profitability of companies while some interviewees understand it as good business practices. To increase the reliability of the results, these concepts were introduced briefly to the interviewees when they were brought up during the discussion. However, leading the interviewee to specific corporate responsibility issues was avoided when introducing the concepts.

The time constraint posed on the interviews might also have prevented the interviewees to answer as comprehensively as they would have without the time constraint. However, in most cases the time constraint did not seem to have a major effect on the answers. In addition, the way the interviewer perceives the topics discussed during interviews may also have an effect on further questions he makes to the interviewees, as well as on the manner in which he reports the results of the interview.

7.4 Internet Questionnaires

In order to get reliable results regarding the personnel and students, an adequate number of responses to the internet questionnaire are needed from each geographical area. 34 respondents answered the questionnaire for students while only 11 respondents answered the questionnaire for personnel. The students' questionnaire was sent to different educational institutions used by the case company in Finland to recruit new employees from. However, 30 out of 34 student respondents represented the same educational institution, TKK. Thus, the number of responses can be considered

sufficient to get results pertaining to TKK but not to any other educational institution in Finland or in any other country. Eight out of eleven personnel respondents were from Finland while three were from Sweden and the United Kingdom. This means that the number of respondents from any area where Outokumpu's personnel is located, is very low. Because of this, the personnel questionnaire results may be highly biased towards the individual opinions of respondents and towards the point of view of Finnish employees.

In addition, how the respondents understood the internet questionnaire questions, may also affect the reliability of the results. This has to be taken into account when examining the information derived from the internet questionnaires, because additional explanations or specifying questions cannot be discussed with the respondent, unlike with the interviews. Some respondents also replied very briefly or did not reply at all, although they might have had some views to express. This might be due to lack of time and interest in the questionnaire, or not being sure what a particular question means.

7.5 Analysis and Recommendations

Classifying stakeholders in the typologies is crucial for the recommendations. As Mitchell et al (1997) noted, possessing the attributes is not an on or off choice but a continuum. This makes it especially challenging to classify the stakeholders that are perceived to be in the middle of possessing and not possessing one or several attributes. When these kinds of cases are designated to either possessing or not possessing an attribute in a stakeholder model, relevant information is lost. This means that the recommendations may not be as reliable as they could be if the stakeholder models could take the continuum of attributes into account.

The characteristics of managers affect the kind of attention they give to stakeholders (Mitchell et al., 1997). Similarly, it can be assumed that the characteristics of the author affect the recommendations given based on the interviews. For example, the characteristics of the author can influence his judgement when classifying stakeholders into typologies. If this effect is significant enough, it can affect the type given to a stakeholder group. This directly affects the recommended approach to be taken and the

defined salience for the stakeholder. Efforts have been made to minimise this effect by trying to be aware of the background and attitudes regarding each stakeholder and issue.

Furthermore, the lack of knowledge of the author regarding the relationship and history of the interaction between the case company and its stakeholders, may affect analysing the empirical results. The lack of knowledge is minimized by involving the representatives of Outokumpu in the project, interviewing them regarding the project and studying information available on Outokumpu.

The analysis models are oriented in a slightly different way than the goals of this project. The stakeholder typologies used in this project attempt to analyse the stakeholder management situation in a certain context. However, the aim of this project is also to give recommendations over the long term rather than concerning only the present situation. Therefore, the analysis and recommendations include discussion on the dynamics to cover possible changes in the context.

8 Conclusions and Discussion

8.1 Stakeholder Theory

Stakeholder theory can be divided into three main types: descriptive, instrumental and normative (Donaldson & Preston, 1995). The objectives of this thesis work are based on the instrumental stakeholder theory because the managerial recommendations aim at maximising the value of owners of the case company's. Thus, this study calls primarily for the advancement of instrumental stakeholder theory in order to get more knowledge for finding recommendations for actual market-based business challenges. The descriptive stakeholder theory could also contribute in this context by helping to understand the phenomena related to stakeholder management.

However, to the extent to which the recommendations of normative stakeholder theory do not increase shareholder value, the normative stakeholder theory does not contribute in achieving the goals of this study. Although the normative stakeholder theory may not contribute to finding specific business recommendations, it could be useful if managers as a profession wanted to develop the ethical code of practise. However, as with the professions of psychologists and doctors, this would require the commitment of most managers, which may turn out to be rather challenging. Because of different goals, both instrumental and normative stakeholder theories could develop side by side without contradictions.

Different ways to categorise stakeholders have been presented in stakeholder theory. These include market and non-market stakeholders (cf. Stevens et al., 2005) as well as primary and secondary stakeholders (cf. Savage et al., 1991). Furthermore, it has been proposed that market stakeholders have a greater significance for managers than non-market stakeholders do (Agle et al., 1999; Stevens et al., 2005).

Depending on whether trade unions are classified as market or non-market stakeholders, the analysis of this study supports the importance of market stakeholders over non-market stakeholders within the geographical scope (see Figure 8). Including trade unions, all market stakeholders analysed in this report, were assessed more salient than non-market stakeholders. Additionally, the salience defined for stakeholder groups of

the case company indicate that primary stakeholders have higher salience compared to secondary stakeholders. Further studies should be conducted in order to investigate the connection. An exception to both of these findings is that small owners were found to be less salient than many non-market and secondary stakeholders. The results do not suggest any correlation between internal and external stakeholders and stakeholder salience.

8.2 Stakeholder Typologies

This study tested the threat cooperation typology by Savage et al (1991) and power, legitimacy, and urgency model by Mitchell et al (1997). These two models were found suitable for developing general strategies for managing Outokumpu's stakeholders. However, some challenges occurred in classifying stakeholders into the discrete stakeholder types. Some stakeholders seemed to be on the borderline of two stakeholder types. The supporting tool (see Appendix 2) by Savage et al (1991) was found useful in this regard. A similar type of a tool would be needed for the power, legitimacy, and urgency model.

The discreteness of these typologies leads to the loss of information. Instead of a model suggesting two optional recommendations per stakeholder attribute, the model could link the degree of an attribute to the degree of the corresponding recommendation. For example in the threat cooperation typology, the degree of potential for cooperation could be connected to the degree of involvement recommended.

Both typologies describe stakeholder management relating to a specific moment in time. To fulfil the objectives of this study, a typology is needed to address the question of long-term salience in addition to defining momentary salience. This is needed, for example, to focus on the development of long-term strategic stakeholder management capacity that Savage et al (1991) stressed.

Mitchell et al (1997) called for the critical evaluation of their choices of attributes (power, legitimacy, and urgency). In response to this, the model does not capture the effect of threat and cooperation to the managerial approach. Because of this, both stakeholder models were used in analysing Outokumpu's stakeholders. If the framework

of Mitchell et al (1997) could address threat and cooperation and its managerial implications, one typology would be sufficient. A combined stakeholder typology would make corresponding studies more efficient and increase the explanatory power of the combined typology.

The three attributes in the typology of Mitchell et al (1997) may not be orthogonal with each other. For example, urgency may be partly overlapping with coercive power, which is of urgent nature. This would mean that, for example, dormant and dangerous stakeholders are partly overlapping types.

8.3 Stakeholder Networks

The two typologies provide valuable understanding on how to manage the relations between the company and a specific stakeholder. However, the primary approach to analyse and plan the management of each stakeholder individually may not lead to the best possible stakeholder management. This is because one on one stakeholder management may undermine the networking nature that many stakeholders and corporate responsibility issues follow. This is especially relevant for the case company operating in a strongly international industry subject to political interests regarding mining activities.

Most of the stakeholders' interests are focused on issues rather than companies. Partly due to this, a major part of stakeholder communications occur around specific corporate responsibility issues rather than being regular communication between the company and its stakeholder. Similarly, a major part of cooperation and joint problem solving occurs in stakeholder groups with shared interest in a specific issue. The challenge for companies is that potential issues and stakeholders activated by them are often hard to predict. When an issue occurs, successful stakeholder management with timely decision-making and communications is difficult without sufficient preparation to the specific issue.

Considering the issue-related nature of stakeholder management, the one to one relationships (see Figure 10) approach by managers may lead to several challenges. One of these is that the one to one approach does not focus managerial attention in predicting

potential issues and stakeholder reactions around the issues. This could lead many companies finding themselves unprepared in conflicts with surprising stakeholders regarding unexpected issues. Furthermore, the lack of preparation increases the probability of incorrect reactions and the lack of timely communications by the company when an issue occurs. The one to one focus may also undermine the importance of geographical aspect of stakeholder management. This could lead to the lack of attention to cultural characteristics and to local stakeholders in critical regions relevant for potential issues.

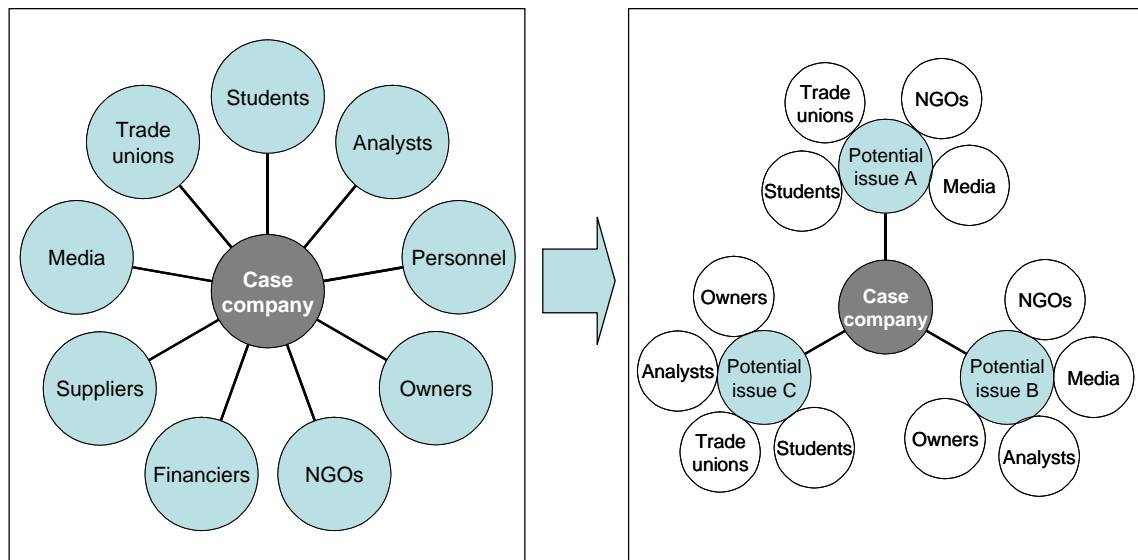


Figure 10 One to one and issue centric approach to stakeholder management

By seeing stakeholder management primarily from an issue centric point of view (see Figure 10), managers would be more aligned to identifying potential issues before they occur. This would enable focusing managerial attention on predicting which stakeholders are likely to engage in each issue. Furthermore, the approach would enable managers to prepare for the issues by investigating what are the underlying values, goals and probable behaviours of the identified stakeholders towards the company if a potential issue occurred. This would enable the initial planning of actions and communications for each issue and thus increase the probability of successful stakeholder management when an issue occurs. Additionally, identifying the potential issues beforehand would highlight the critical regions where the prior understanding of

cultural characteristics is needed to support the right kind of stakeholder management on the local level.

For example if a local organisation raised accusations of unacceptable working conditions regarding the case company's mining operations, an issue specific stakeholder management plan would be valuable. Managers would directly have an understanding of characteristics and communication relationship with the local stakeholder raising the issue. This could avoid the issue from being spread to the international level. If the issue was raised to the international level, an issue-specific communication plan within the case company would increase the probability of an instant public response that could be included in international reports regarding the issue. Additionally, knowing which stakeholders are most relevant to the topic and understanding their approach would prepare the company to different possible development paths of the issue. Knowing the interested stakeholders, would also enable timely joint efforts and shared innovation to resolve the situation.

8.4 Industry Specific Discussion

A type of instrumental stakeholder theory called for is a theory for understanding and predicting stakeholder preferences. Comparing the characteristics of stakeholder preferences, trends and dynamics between different industries could help in this. The empirical evidence of this report suggests that the environmental aspect of corporate responsibility would be the most important aspect for the stakeholders of a manufacturing company. This may be due to heavy pollution related to the manufacturing industry in particular. However, the social or economic aspect could be more important in case of some other industries.

Similarly, industry specific understanding should be acquired in order to identify the top priority corporate responsibility issues for managers. The empirical evidence of this report indicates that air pollution and employment are the most important corporate responsibility issues for Outokumpu's stakeholders. Further studies should be conducted in order to determine if the issues found important in this study apply to the manufacturing sector in general. While evaluating the industry specific characteristics of stakeholder management, it should be kept in mind that the results can be used only

as suggestive for managing corporate responsibility at the corporate level. This is because several generalisations are made regarding stakeholders, corporate responsibility aspects, companies and industries.

Further effort should also be given in order to fully answer the following research problem. What kind of an approach Outokumpu should take towards its stakeholders in order to maximise its shareholder value? More empiria is needed in order to get a generalisable understanding of each stakeholder group and to provide more specific recommendations on managing them. Furthermore, defining the most salient stakeholders should be taken from stakeholder group level to individual stakeholder organisation level. Additionally, stakeholders and geographical areas beyond the scope of this project should be addressed in order for the case company to be able to develop a holistic stakeholder strategy.

8.5 Benefits of Corporate Responsibility and Stakeholder Management

The empirical results of this study (see Chapter 5) indicated several stakeholder management related business benefits for companies with high corporate responsibility performance. High performance is indicated to lead to the faster approval of environmental permit applications by the authorities, to the loyalty of employees and to increased visibility. The trade union interviewed also indicated active structural support for the competitiveness of high corporate responsibility performance companies and active criticism against companies with low corporate responsibility performance. Additionally, some suppliers indicated that their cooperation with the case company is based on its high corporate responsibility performance or that they do not cooperate with low corporate responsibility performance companies. In addition, the financier interviewed indicated that low corporate responsibility performance affects their relationship with the case company.

Corporate responsibility performance is also reflected on the relationship with media organisations and affects the way the media writes about the company. High corporate responsibility performance also leads to positive attitudes and gives credibility to the company among local communities. In case of the NGOs interviewed, low corporate

responsibility performance can lead to media visible campaigns against the company and weaken the corporate reputation, while high corporate responsibility performance can result in positive visibility. The corporate responsibility performance of a company is also found to affect the interest students have for the company as an employer.

Some owners see the implications of corporate responsibility performance on the reduced risk level leading to reduced profit expectations. This could affect their share of the ownership. However, a major corporate responsibility violation without a sufficient action of improvement, would lead to selling off the shares of the company. A link between corporate responsibility performance and ownership can also be found through the inclusion or exclusion of the company in various sustainability indices such as the Dow Jones Sustainability Index. The inclusion may allow some financial institutions to increase their ownership in the company through their sustainability funds.

8.6 Financial Impact and Demand of Corporate Responsibility Performance

McWilliams & Siegel (2000) suggested that corporate responsibility has a neutral impact on financial performance. They explained the empirical findings of a positive impact with a failure to eliminate the effect of R&D on financial performance. However, they did not consider that corporate responsibility is a way of doing business (Waddock & Graves, 1997a) and thus separating it fully from a function like R&D, excludes a part of corporate responsibility management. Some or even the entire R&D of a company might be part of its corporate responsibility management. Because of this reason R&D cannot be totally eliminated from the statistical analysis. For example, a company in the automotive industry who has higher corporate responsibility performance compared to its competitors, may invest more in R&D in order to develop low emission, high security car models. Its competitors on the other hand may focus less on environmental and social goals compared to their R&D investments and have lower R&D expenditures. Thus, I propose that eliminating the impact of corporate responsibility based effect on R&D investments from correlation calculations would lead to false results.

Furthermore, McWilliams & Siegel (2000) propose that consumers demand high corporate responsibility performance. The interview results of this study support this by indicating a demand for certain level of corporate responsibility performance from corporate customers. The environmental certificates and policies of the customers interviewed set a certain level of corporate responsibility performance to be fulfilled by their suppliers, including Outokumpu.

8.7 Quantitative Methods for Corporate Responsibility

McWilliams & Siegel (2001) suggested that the correct corporate responsibility performance could be calculated by using the cost-benefit analysis. To find solutions to the research problem of this study would have benefited significantly from such calculation methods. Considering the lack of such methods, this study supports McWilliams & Siegel's (2001) call for academic literature aiming at creating calculation methods for corporate responsibility performance. As the cost side of the method is similar to traditional methods, the call applies more specifically to quantifying the benefits of corporate responsibility.

Godfrey (2005) partly responded to the call by suggesting a formula for calculating the optimal corporate philanthropy investments. His formula is based on calculating the theoretical cost of insurance policy for relation-based intangible assets of the company. However, his formula assumes that corporate philanthropy is able provide an insurance-like protection for the full amount of these assets without investigating the share of assets that can be insured this way. Furthermore, his theory ignores evaluating the amount of corporate philanthropy investment needed in order to create insurance-like protection for a specific amount of assets at a specific risk reduction level. He rather assumes that the amount is same as the maximum amount that managers would be willing to pay for such a protection.

8.8 Corporate Responsibility Terminology

This study used the terms corporate responsibility and corporate responsibility performance as having the same meaning as what is often referred to as corporate social responsibility and corporate social performance. This is partly because the case

company (Outokumpu, 2006b) and many other companies (cf. Nokia, 2006) use the term corporate responsibility. Additionally, the word “social” may mislead some readers to think that corporate social responsibility refers to social responsibility excluding the environmental aspect.

The result of this study that the environmental aspect is the most important aspect of corporate responsibility for the interviewed stakeholders speaks against the strong emphasis of the social aspect incorporated in the umbrella term of environmental and social responsibility. However, the term corporate responsibility favoured by many companies may also mislead people to think that the term refers only to the formally mandatory responsibilities of companies. Some of the optional terms for discussing corporate responsibility and corporate responsibility performance without the misleading characteristics mentioned, could be corporate ethics and corporate ethical performance.

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Interview with **Pohjolan Sanomat** (media), Kemi, 21.4.2005

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Interview with **Ruukki** (customers), Helsinki, 9.3.2005

Interview with **Sheffield City Council** (local community), Sheffield, date not recorded

Interview with **Starckjohannsteel** (customers), Helsinki, 23.3.2005

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Interview with **The Swedish Environmental Protection Agency** (authorities), Stockholm, 15.4.2005

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Interview with **Tinsley Tree Project** (local community), the UK, date not recorded

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Appendix 1, General interview structure

Expectations

1. What are your expectations from Outokumpu as a company?
2. In what issues is Outokumpu not fulfilling your expectations?
3. In your view, what could Outokumpu do better?
4. Are you specially satisfied with some things related to Outokumpu? Which things?

Information

5. What kind of information about Outokumpu have you received?
6. What kind of information do you want to get about Outokumpu?
7. In what form and how frequently do you want to get information about Outokumpu? (Internet, annual reports, environmental/ corporate responsibility reports, discussions with Outokumpu employees, etc.)
8. Do you get enough information about Outokumpu?
9. If not, so how could Outokumpu develop its communications?

Dialogue

10. Through which channels are you in contact with Outokumpu?
11. Is Outokumpu listening sufficiently to your views?
12. Would you like to have more dialogue with Outokumpu?
13. If yes, so on what topics and through what kind of contact channel?
14. Who is your contact person in dialogue between your organisation and Outokumpu?

Corporate Responsibility

15. How important is it for you, how Outokumpu takes care of the effects of its operations on:
 - a. the environment,
 - b. peoples' well-being and

c. the society's economic state.

- 5 very important
- 4 somewhat important
- 3 not important and not irrelevant
- 2 somewhat irrelevant
- 1 totally irrelevant

16. Why are these things relevant for you?

17. How much does Outokumpu's level of corporate responsibility affect the relations between you and Outokumpu?

18. In your view, what issues of corporate responsibility are relevant for Outokumpu?

19. In your view, how well has Outokumpu managed its corporate responsibility?
Why?

- 5 totally according to our expectations
- 4 somewhat according to our expectations
- 3 not according to our expectations and not against them
- 2 somewhat against our expectations
- 1 totally against our expectations

20. In what issues, should Outokumpu manage its corporate responsibility better?

21. Are you specially satisfied with Outokumpu on some issues related to corporate responsibility? Which issues?

22. In your view, which issues related to Outokumpu's corporate responsibility, could become more important in the future?

Appendix 2, Factors affecting stakeholder's potential for threat and cooperation

Factor	Increases or Decreases Stakeholders Potential for Threat?	Increases or Decreases Stakeholder's Potential for Cooperation?
Stakeholder controls key resources (needed by organisation)	Increases	Increases
Stakeholders does not control key resources	Decreases	Either
Stakeholder more powerful than organisation	Increases	Either
Stakeholder as powerful as organisation	Either	Either
Stakeholder less powerful than organisation	Decreases	Increases
Stakeholder likely to take action (supportive of the organisation)	Decreases	Increases
Stakeholder likely to take nonsupportive action	Increases	Decreases
Stakeholder unlikely to take any action	Decreases	Decreases
Stakeholder likely to form coalition with other stakeholders	Increases	Either
Stakeholder likely to form coalition with organisation	Decreases	Increases
Stakeholder unlikely to form any coalition	Decreases	Decreases

Source: Savage et al (1991)