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Title:
A stakeholder relationship approach to corporate environmental management

ABSTRACT

Various theoretical distinctions and multi-stakeholder initiatives for stakeholder management and reporting have been established. The benefits of a stakeholder approach in corporate environmental management (CEM) have been proven, but few analytical and applicable principles of categorization have been introduced for identifying stakeholders in environmental issues. Recognition of the potential threats and opportunities of different stakeholder relationships requires a proactive, analytical model. This paper emphasizes the importance of stakeholder relationships, and presents four different attributes for identifying stakeholders; power, legitimacy, urgency and frequency. Four stakeholder categories are identified and illustrated by practical examples drawn from corporate and media reports. Stakeholder management and communication strategies may be implemented more effectively by using information on current stakeholder attributes while recognizing the industry-specific, context-dependent and spatially dependent dynamic nature of these relationships.

Keywords: stakeholder identification and selection, stakeholders, corporate environmental management, Global Reporting Initiative, AA1000
1 INTRODUCTION

Corporations today are seen as connected to complex multi-stakeholder networks in society (Key 1999; Rowley 1997; Steurer 2005). Stakeholders are individuals or groups who have some type of stake in or relationship with a corporation; this can be one of support, influence on or being influenced by the corporation in some way (Carroll 1993; Freeman, 1984; Mitchell, Agle & Wood 1997). The stakeholder concept is related to the resource dependence theory (Pfeffer & Salancik 1987) as well as the institutional theory (Meyer & Rowan 1977), and how its stakeholders perceive a corporation will influence their behavior toward it for better or worse. Stakeholder opinions affect both corporate successes as well as productivity, and through them even whole economies (Davies, Chun, da Silva & Roper 2004; Fombrun & Van Riel 2003; Mitchell, Agle & Wood 1997).

Stakeholders introduce pressure in economic, environmental and social issues. This pressure drives businesses towards levels of sustainable performance beyond legal compliance, which is also the objective of corporate environmental management (CEM). Roome & Clarke (2002) speak of “soft inputs”, referring to inputs from multi-stakeholder networks of the strategic, environmental, technological and operational levels of a corporation. The importance of stakeholders for corporations is widely accepted, including A European Roadmap for Businesses published by CSR Europe (2006), the Global Compact of the United Nations (UN Global Compact 2006), the Business Charter for Sustainable Development by the International Chamber of Commerce (ICC 2006) and Organization of Economic Co-operation Development (OECD 2004). According to Fiksel (2003), the needs of society can be clarified and
prioritized through stakeholder engagement, including a dialogue between corporations, government policy-makers and public interest groups.

The paper contributes to both theory and practice. The purpose is to address the need for an analytical multi-stakeholder approach to CEM through presenting a stakeholder model and illustrating it with four practical examples of corporations Nokia, Neste Oil, Tallink and Botnia. The paper argues that CEM practices could benefit from an analytical stakeholder model in identifying and selecting stakeholders for consideration and engagement. The paper is organized as follows: first two relevant multi-stakeholder codes (AA1000 Stakeholder engagement standard and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines) are introduced. Next, a stakeholder model is proposed and illustrated. The final section concludes by presenting the findings and implications to CEM.

2 MULTISTAKEHOLDER CODES FOR STAKEHOLDER ENGAGEMENT AND REPORTING IN CEM

Despite increasing pressure to better serve stakeholders, there are to date no legal requirements for corporations to involve various stakeholders in their activities and decision-making. However, as a voluntary approach, there are a number of codes available for corporations willing to engage stakeholders in relation to CEM. ISO 14001 standard and EMAS (Environmental Management and Audit Scheme) for environmental management systems place not much emphasis on dialogue with stakeholders, although they do encourage some public consultation and EMAS also emphasizes the involvement of the internal stakeholders, the corporate staff, in the
process of engagement. In this section, two multi-stakeholder codes, the AA1000 Stakeholder Engagement Standard and GRI Sustainability Reporting Guidelines, are reviewed and discussed, as they provide important insights on the introduction of stakeholder thinking into CEM.

AccountAbility 1000 (AA1000, published by the Institute of Social and Ethical Accountability), is becoming popular among corporations facing different stakeholder pressures. According to AccountAbility (2005), the overall purpose of stakeholder engagement is to contribute to sustainable development from which organizations, their stakeholders and society can benefit by learning, innovating and performing. The standard help corporations to anticipate and manage conflicts, improve decision-making, build consensus amongst diverse views, create stakeholder identification with the outcomes of the corporation’s activities and build trust in the corporation (AccountAbility 2005). The standard proposes five stages in developing corporate accountability: planning, accounting, auditing and reporting, embedding and stakeholder engagement. Stakeholder engagement is entwined with the four previous stages of the process and focuses on improving the accountability and performance of the corporation (AccountAbility 1999).

The design, implementation, assessing, communication and quality assurance of AA1000 is described in the 2005 Exposure Draft on Stakeholder Engagement Standard (AA1000SES, see AccountAbility 2005). The identification of corporation’s stakeholders, or stakeholder mapping, should be guided by 6 criteria of the standard, namely responsibility, influence, proximity, dependency, representation as well as policy and strategic intent (AccountAbility 2005). The materiality principle of AA1000SES (AccountAbility 2005) requires knowing the stakeholders’ and the
corporation’s material concerns. The second principle of AA1000SES, completeness, requires understanding the stakeholder views, needs, and performance expectations and perceptions associated with their material issues. Responsiveness is the third principle of AA1000SES and it relates to responding to the stakeholders’ and the corporation’s material concerns. However, none of the corporations in the case illustrations of this paper are committed to AA1000 standard.

Not only have stakeholders been acknowledged more widely, but corporations have also begun to understand that reporting on environmental issues can enhance the stakeholder relations, trust and credibility of a corporation (Donaldson & Preston 1995; Fombrun & van Riel 2003). The sustainability reporting guidelines (RG Version 3.0, published by the Global Reporting Initiative) is a reporting standard which helps corporations prepare sustainability reports using economic, environmental and social performance indicators. The GRI tries to capture a consensus on reporting practices so as to enable a higher level of comparability, consistency and utility. A basic GRI report consists of a statement of the corporation’s sustainability vision and strategy, a description of key impacts, risks and opportunities, an organizational profile, report parameters, governance, commitments and stakeholder engagement as well as management approach and performance indicators. In a GRI report, stakeholder engagement information should include the following (GRI 2006):

a) list of stakeholder groups engaged by the corporation

b) basis for identification and selection of stakeholders with whom to engage

c) approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group; and
d) key topics and concerns that have been raised through stakeholder engagement and how the corporation has responded to those key topics and concerns, including through its reporting.

As many corporations are following these reporting guidelines by GRI, the empirical part of this paper builds on the analysis of annual reports, environmental reports or corporate responsibility (CR) reports of four case companies. Among the corporations in the case illustrations of this paper, Nokia has “either fully or partially taken into consideration GRI indicators when creating content for reporting materials” (Nokia 2006), whereas Tallink and Neste Oil are not mentioning GRI at all. Botnia’s annual report contains comparisons between Botnia’s report and GRI guidelines. According to sustainability reporting guidelines, the reports should include information also on stakeholder identification and engagement.

3 MAPPING FOUR STAKEHOLDER CATEGORIES

The previous literature on stakeholders and the environment has concentrated on stakeholders from a corporation-centered point of view (Mitchell, Agle & Wood 1997; Donaldson & Preston 1995). Recently, more holistic views have been proposed to explain the stakeholder field, which include other stakeholders’ influence and competitors (Steurer 2005). Since the basic stakeholder mind-map for different groups is often not enough, and as the corporation is not always able to meet the needs of all stakeholders equally, various typologies have been suggested regarding in which order of importance stakeholders should be ranked.
Stakeholders are often dichotomized into primary and secondary or internal and external coalitions (Näsi 1979). Primary stakeholders are those with formal contracts with the corporation, and those without such contracts, less significantly involved, are considered secondary (Carroll 1993; Clarkson 1995). Other categorizations refer to the importance, closeness or type of relation. Further divisions have been made between active and dormant stakeholders (Pizzorno 2004) and the ability to cooperate or threaten (Savage, Campbell, Patman & Nunnelley, 2000 103). The environment (economic, technological, social, political) has also been applied as a criterion for classification (Carroll 1993). In the CEM literature, typologies of ad hoc, ongoing, informative, consultative and decisional stakeholder participation (Oxley Green & Hunton-Clarke 2003) and an institutional framework for stakeholders (Delmas & Toffel 2004) have been suggested.

The aim of building categories has generally been to enable corporations to focus on their most influential stakeholders. This is understandable, given the limitations of corporate resources. However, there are arguments against ranking stakeholders in this way. The importance of stakeholder groups changes, for example, with the organizational life cycle (Jawahar & McLaughlin 2001). The attention stakeholders require varies as their importance to the corporation grows or diminishes over time. Secondary or dormant stakeholders can undergo a change of status and quickly become primary and active. Ranking stakeholders can create an artificial and false sense of importance and therefore all stakeholders by virtue of their holding potential stake in the corporation should be considered primary (Fombrun & van Riel 2003). Moreover, Oxley Green & Hunton-Clarke (2003) noted that stakeholder participation in
corporations seems to focus on the resolution of specific conflicts or issues on an ad hoc, rather than ongoing basis.

Mitchell, Agle & Wood (1997, 865-875) have developed a classification which distinguishes further between stakeholders. They apply the attributes of power, legitimacy and urgency. Further development has also introduced the attribute of frequency (Luoma-aho 2005). Power is the ability to bring about desired outcomes, to force others to behave as one wishes, whereas legitimacy refers to the degree to which the actions of an entity are generalized as desirable, proper, or appropriate (Suchman 1995). Urgency is simply the degree to which stakeholder demands require instant action from the corporation. Frequency is defined as the number of contacts, mediated or not, between the corporation and its stakeholders, such as formal and informal meetings, phone-calls, emails or other interpersonal contact. These attributes may exist independently, but can also co-exist. To give an example, legitimacy and power together create authority. Mitchell et al. argue that the more attributes there are, the more definitive the stakeholders become. The four attributes overlap, and distinguishing between them is not always necessary or possible, but they present a clear analytical framework for theorizing stakeholder engagement in relation to CEM. These attributes are illustrated in figure 1. FIGURE 1 ABOUT HERE.

Previous typologies (Mitchell et al. 1997; Pajunen 2004) have concentrated on the cumulative number of different attributes or ties as an indicator of the importance of a given stakeholder, which has the effect of preordaining the importance of stakeholders. The present model, however, takes a proactive point of view as it emphasizes that all the corporation’s stakeholders are equally important. It provides four different categories from which the stakeholders vital for CEM spring. It does not prioritize any one group,
but rather portrays the possible sectors whence stakeholders that matter for CEM could arise. These categories are power, legitimacy, urgency and frequency. All these are considered to matter equally to the corporation, and are examined and exemplified more closely in the next sections.

4 STAKEHOLDER IDENTIFICATION AND SELECTION IN CEM

In this section, four practical examples of four stakeholder types, based on power, legitimacy, urgency and frequency, are presented in the context of CEM. Stakeholder classification in this particular context of CEM is new and challenging, as previous attempts have failed to detect the sensitivity and sometimes even weak signals of the different environmentally related stakeholders. Corporate world and the media reports have mostly concentrated on the class of urgent stakeholders and their claims, and often analyzed corporations polluting nature. Urgent stakeholders represent only one stakeholder group, yet to gain a comprehensive perspective of the whole corporate field, different stakeholder groups need to be identified.

Stakeholder selection, on the other hand, requires a more dynamic analysis which takes into consideration possible changes over time. For stakeholder selection in CEM, it is important to analyze the identified stakeholders not only on the basis of their main attributes (power, legitimacy, urgency and frequency), but also on the basis of their relationship with the corporation: corporate actions taken as well as changes in the relationship over time. The following four short case studies are examined utilizing this relationship approach, each according to one of the four different stakeholder
categories. Some of the case corporations have been more successful in managing their new stakeholder groups than others, but for all proactivity plays an important role.

4.1 FOUR EXAMPLES OF CORPORATION-STAKEHOLDER RELATIONSHIPS

Power: Nokia and the European Commission

Multiple environmental impacts are associated with mobile phones and other electronic and electrical products. The share of mobile communications equipment of all electronic scrap in Europe is about 1 % (Nokia 2006). The European Commission (EC) has been a powerful actor in decreasing the environmental load of these products through legislative approaches and voluntary tools. A Commission Communication on Integrated Product Policy (IPP) was adopted in 2003 (European Commission 2004). The IPP aims at reducing the environmental impacts of products at various stages of their life cycles. The IPP was followed by the directive on waste electrical and electronic equipment (WEEE), which was to be ratified by Member States by 2006 (European Commission 2004). According to WEEE, the producers are responsible for taking back and recycling electronic and electrical equipment. The WEEE directive and the complementary directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) aim to reduce the environmental impacts of WEEE throughout the life cycle of the product by encouraging the end-of-life management of the product, eco-design, life-cycle thinking and extended producer responsibility (Savage et al. 2006).

Nokia is one of the largest manufacturers of mobile devices in the information technology industry and is responsible for a large proportion of the environmental
impacts related to mobile phones. Nokia has been listed on the Dow Jones
Sustainability Index (DJSI) since 2000 and on the FTSE4Good social responsibility
investment index since 2001 and the company subscribed to the Global Compact in

From Nokia’s point of view, the EC can be seen as a stakeholder with power.
Stakeholders who only have power are often dangerous, as they may use it to force the
corporation to act according to their will. With respect to CEM, the WEEE directive sets
the minimum standard for Nokia’s take-back policies and recycling practices and as a
big producer of electronic and electrical equipments, Nokia was heavily influenced by
the directive. However, Nokia went further in the direction of legitimacy and frequency
in its relationship with the EC. Nokia was one of the founders of the Electronics
Coalition, an organization that came into being in 1998 to work on the proposed EU
directives on WEEE and RoHS (Nokia 2003). In addition, Nokia proposed a pilot
project to the Commission which would bring the industry and environmental
organizations together to develop new ideas and commit to action in environmental
issues, and in June 2004 Nokia’s mobile phones were chosen as one of two product
pilots aimed at exploring methods and instruments for the implementation of the IPP
(Nokia 2005). Under the leadership of Nokia a range of corporations voluntarily
committed themselves to cutting the energy consumption mobile phones, reducing
hazardous materials content, and increasing consumer awareness of recycling.

With respect to stakeholder relations, the EC was considered as an important
stakeholder already in Nokia’s 2002 Environmental report (Nokia 2003). In Nokia’s CR
Report 2006 (Nokia 2007), the EC is mentioned in the contexts of responsible product
use (EC Public Consultation on Child Safety and Mobile Phone Services), relations with
governments (IPP), industry-wide relationships (EU CSR Alliance) and meeting external criteria (EC Code of Conduct on Energy Efficiency of External Power Supplies).

In the IPP pilot project, Nokia was able to demonstrate its environmental achievements, and the EC brought up Nokia’s name in the context of the IPP, strengthening its environmental image. Nokia’s environmental work with progressive policies in both its chemical policy as well as in the disposal of electronic waste has also been acknowledged by Greenpeace, which ranks Nokia number one in “Guide to Greener Electronics” among 14 top manufacturers of PCs and mobile phones (Greenpeace 2006). This example of Nokia shows that a proactive strategy with a powerful stakeholder (legislator) can benefit the corporation, as legitimacy and frequency are also considered as attributes of the stakeholder.

**Legitimacy: Neste Oil and farmers**

Energy production and consumption is the largest single source of greenhouse gas emissions and climate change has an impact on people’s lives globally. A global shift is under way from non-renewable (fossil) fuels to renewable fuels, such as solar power, wind power, water power, biofuels and geothermal energy. For example, it is the aim of the European Union that 21% of all the electricity consumed by the member states will be provided from renewable energy sources by the year 2010 (European Commission 2005a), and some individual countries are aiming at even higher renewable energy rates. In addition, the EU decided in 2003 that at least 5.75% of all petrol and diesel should be biofuels by 2010 (European Commission 2006). As reducing the effects of climate change...
change very much depends on the actions of the energy corporations, traditional oil companies are also focusing more on renewable energy sources, such as biofuels.

Many biofuels are pure agricultural or forestry products. Hence, farmers may appear also as legitimate stakeholders of energy corporations, as they make decisions whether to cultivate food or energy and whether to sell biomass to energy or other companies. Biofuels include solid biomass from forests and fields, liquid bio-fuels such as bio-diesel and ethanol, and biogas. Biodiesel is produced from turnip rape, oilseed rape, palm oil, soy oil and animal fats, whereas ethanol is produced from barley, corn, feed wheat, sugar beet, sugar cane, potatoes and crop residues. The raw-materials of biogas include animal waste such as cow manure and plant biomass. In addition, forests are considered an extensive biofuel reserve in the forms of pellets, wood chips and forest residues.

Neste Oil is an oil refining and retailing company, in which biodiesel is nowadays one of the four business divisions. The biodiesel division focuses on producing and marketing renewables-based diesel and Neste Oil is currently committed to investing billions of euros in oil refining and biodiesel over the next 10 years (Neste, 2007). The new strategy document issued by Neste Oil states that the company aims to be the leading producer of biodiesel globally, using a range of cost-effective raw material inputs (Neste 2007). In practice, these raw material inputs are produced by farmers and forest-owners globally.

Neste Oil does not publish an environmental report or CR report, but its annual report deals also with environmental and social issues. Table 1 shows the number of instances of biodiesel-related keywords in Neste Oil reports. TABLE 1 ABOUT HERE:
As the table shows, increased attention is given to biodiesel, vegetable oil and animal fat. Farmers are mentioned only once in the whole report, in the context of the most important end-users. This indicates that farmers are seen by Neste Oil only as conventional clients with no other significant roles, such as suppliers of raw materials. Agriculture is also mentioned only once, in the context of biofuels. According to the 2006 report, biofuels are seen as important in providing local agriculture with valuable new opportunities, in helping moderate climate change and as offering a useful way of reducing Finland’s dependence on imported crude oil. Notwithstanding, also in biodiesel production, Neste Oil has been dependent on palm oil imported from Asia. Moreover, the transportation from the other side of the world of the raw material for biodiesel increases greenhouse gas emissions. Palm oil and soy are mentioned only once in 2006 report. It is also mentioned (once) that biodiesel production can be “extended to an even larger variety of biomass, such as wood, peat, or even waste”. However, forests or forestry are not mentioned even once in the Neste Oil report. On the other hand, Neste Oil announced in March 2007 that the corporation was starting a joint venture with the wood processing company StoraEnso on producing biodiesel from forest residues (Helsingin Sanomat 2007). StoraEnso’s role in the cooperation is to provide biomass (forest residuals) for Finland’s first factory that will turn wood into biofuel.

Currently farmers do not possess power in relation to energy corporations, nor do they have urgent claims or frequent contacts. They are, however, a legitimate stakeholder group. Some legitimate stakeholders are often overlooked in CEM, as they rarely voice their concerns. However, farmers may play a more important role in the future energy networks. Typically farmers have focused on food production, but as the demand for biofuels increases and the prices change, the situation might change. The
shift from fossil fuels to biofuels provides new business opportunities and alternative sources of income for the farmers globally (European Commission 2005b). Ethical issues may be involved, such as when making decisions on whether to use fields for energy or food production. Many Finnish farmers are also forest owners, which gives them more power in deciding on the supply of wood and forest residuals.

The Finnish industry buys over 80 per cent of its domestic raw timber from private forest owners (Finnish Forest Industries 2007). Typically, farmers have had contracts with the wood processing corporations, not with the energy corporations. Neste Oil, for example, is only indirectly connected to private forest owners through the joint venture with StoraEnso, which has close relationships with forest owners.

In the long run, corporations may also find the local supply of biofuel as a crucial factor in their success. Rapid changes in the price of oil or energy crises may make farmers urgent stakeholders for energy corporations as well. Innovative energy corporations might start to consider farmers first as frequent stakeholders by exchanging ideas regularly and by developing sustainable biofuel supply chain together with mutual benefits. Frequent contacts might further enhance commitment and trust between farmers and the energy corporations, which could improve the conditions for potential co-operation.

Urgency: Tallink and passengers

The Baltic Sea is boardered by nine nations: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Russia and Sweden. Many ferries and boats travel frequently between the main coastal cities of these countries. Consequently, the ferry operators are responsible for environmental impacts caused by air emissions, waste water and fixed
waste. Waste water includes phosphorous and nitrogen, which cause eutrophication in the Baltic Sea. Estonian Tallink Grupp AS is one of the ferry operators in the Baltic Sea. Tallink is a market leader in passenger traffic on the Tallinn-Helsinki route, with a market share of about 43%, and in 2004 Tallink carried 2.5 million passengers between Tallinn and Helsinki (Tallink Group AS Annual Report 2005). Moreover, approximately 97 percent of Finns visiting Estonia arrive by ferry.

In November 2005, the leading Finnish daily Helsingin Sanomat reported that two Tallink ships were dumping their wastewater in international waters in the middle of the Gulf of Finland, in the Baltic Sea. Tallink’s practice was not against international regulations, but other ferry corporations in the area were pumping waste water (both grey and blackwater) into the municipal sewage system in the port (Helsingin Sanomat 2005). For example, another ferry operator, Silja Line, began applying a totally closed waste water system already in 1997 (Silja Line 2005). After the news in Helsingin Sanomat, there was a strong reaction among Finns against Tallink’s practices. There were campaigns on the Internet and on mobile phones, which recommended passengers to boycott Tallink. The corporation was also criticized in many newspaper editorials and columns. The boycott campaign and the negative publicity intensified to the point, that Tallink soon announced it would stop dumping wastewater in the sea.

Tallink does not publish a separate environmental report, but its annual report includes short sections (one page) on environmental and social issues. It should be noted, that in the annual reports of 2005-2006, 2004-2005 and 2003-2004 the waste water issue was not mentioned at all. In the 2002-2003 report Tallink stated that:
“Tallink has introduced sustainable technologies for waste handling, which are in line with the principles of the Estonian Environmental Strategy and in compliance with EU directives, aiming at reducing waste generation, maximizing the re-use of packaging and waste recovery. Waste is sorted aboard Tallink’s passenger vessels, with separate collection of waste paper, cardboard and glass. We are engaged in increasing the environmental awareness of our staff and we have plans to gradually expand the range of waste that gets sorted.”

So far “plans to gradually expand the range of waste that gets sorted” have not been further elaborated in Tallink’s subsequent annual reports. The above-mentioned extract also illustrates Tallink’s focus on legal compliance and lack of focus on customer expectations. Tallink also forgot that environmental awareness in Finland is much higher than in Estonia. In the 2003-2004 report Tallink stated that:

“The company’s activities are truly sustainable. The technology used is economical and its negative impact on the environment is minimal.”

In 2004-2005 report, the above-mentioned statement does not appear. The latter claim is clearly misleading, as Tallink was not using a totally closed waste water system.

Urgent stakeholders are often overrepresented in the CEM literature, as the traditional thinking in environmental management circles is associated with environmental crises and urgent claims by wronged stakeholder, nature and its spokespeople. In the case of Tallink, urgency was exhibited by the passengers, who became urgent stakeholders after the media attention on waste water. Tallink
underestimated the environmental awareness of its passengers and their potential for urgent action. The waste water case was a learning lesson for Tallink in appropriate corporate environmental management.

Frequent discussions with passengers on the environmental impacts of the ferries could also enhance the legitimacy of the corporation among its stakeholders. It should be noted that Tallink acquired Silja, including six vessels operating on routes between Finland and Sweden, in July 2006. Silja has received, for example, environment awards from the Port of Helsinki and Port of Stockholm and its Sustainability Reports and environmental manager have also been commented (Silja Line 2007). Through the acquisition of Silja, Tallink may have an opportunity to adopt Silja’s CEM approaches.

Frequency: Botnia and local community

Metsä-Botnia (simply referred to as Botnia) is the second largest pulp manufacturer in Europe. Botnia is jointly owned by the Metsäliitto Group (53 %) and by UPM-Kymmene Corporation (47 %). UPM was selected as an index component for the European Dow Jones STOXX Sustainability Index for 2007 and it was a component also in DJSI World in 2003-2006. Both Metsäliitto and UPM-Kymmene are participants in the Global Compact. In 2003 Botnia started studying the possibility of building a mill to produce eucalyptus pulp in Uruguay, while the actual decision to start the project in Fray Bentos was made in 2005, after an obligatory environmental impact assessment (EIA), socio-economic study and five public forums (Botnia 2007b). Also regular negotiations with Uruguayan, Argentinean and Finnish authorities were conducted (Botnia, 2007). In addition, Botnia invited NGOs to discuss their concerns, but the invitation was turned down in the press (Botnia 2007b). Fray Bentos is located on the
border of Uruguay and Argentina by the River Uruguay and the pulp mill is the biggest industrial investment in the history of Uruguay.

The problems started when the local people on the other side of the river (Argentinians) were still worried about the environmental impacts of the pulp mill and many of them felt that their livelihoods (tourism, agriculture and fishing) would be threatened because of pollutants in the river and bad odour from the mill. A civic movement called Asamblea Ciudadana Ambiental de Gualeguaychú, which was supported by many local people, began to resist the Botnia project. In 2006, a petition with the signatures of 40,000 residents of Argentine town of Gualeguaychú, calling for the cancellation of the project, was brought to Finland (Helsingin Sanomat 2006).

The worries of the local people soon reached the Argentinian government and this lead to a conflict between the governments of Uruguay and Argentina, and a temporary suspension of the construction site. In June 2006 the International Court of Justice in Hague (United Nations) ruled that there were no grounds for order the pulp mill project to be suspended (Botnia 2007a). One of the investors in the pulp mill, the World Bank, required Botnia to conduct an additional EIA related to the environmental impacts of the pulp mill, but this EIA too supported the project. In November 2007, Botnia announced its willingness to treat the domestic sewage from the city of Fray Bentos in the effluent treatment plant of the pulp mill in Fray Bentos (Botnia 2007a). However, frequent demonstrations, protests and traffic blockades introduced by the local people have continued, as The Hague court didn’t forbid them despite Uruguay’s request. In April 2007, there was a demonstration of approximately 100,000 Argentinean people against the Botnia project. Also, the dispute between the governments of Argentina and Uruguay over the mill’s environmental impacts has continued. The Spanish corporation
ENCE, which was also planning to construct a pulp mill in Uruguay, decided to withdraw from the country because of the strong resistance to the plants.

Botnia does not publish a separate environmental or corporate responsibility report, but its annual report includes also environmental and social issues. However, UPM-Kymmene and Metsäliitto publish both annual reports and CR reports. Table 2 shows how many times keywords related to Botnia project are mentioned in the reports of these companies. TABLE 2 ABOUT HERE.

Uruguay and Fray Bentos has gained increased attention in the reports of Botnia. The Argentine town of Gualeguaychú has not been mentioned at all in any of the above-mentioned reports. Thus the analysis of the annual reports shows that Botnia considered Argentinians noteworthy stakeholders only after the conflict had taken a serious turn.

Urgent stakeholders are those who are exposed to the corporation often and repeatedly and as such are often visible, of though not always powerful. Frequent stakeholders often form different NIMBY coalitions (Not-In-My-Back-Yard; see Freudenburg & Pastor 1992; Cvetkovich & Earle 1992), as they are constantly exposed to the issue, for example in their immediate neighborhood. For Botnia, in Uruguay it was relatively easy to justify the project among the local residents by referring to the economic benefits that would be accrue (jobs etc.). From the economic point of view, Fray Bentos is an appropriate place for a pulp mill, as the infrastructure, employees and raw material (eucalyptus) are readily available. From the environmental point of view, the EIA conducted by Botnia showed that the environmental impacts of the pulp mill can be controlled precisely. Since the pulp mill is located on the border of the two countries and the main economic and social benefits will be reaped by Uruguay only, but the negative environmental impacts will be shared equally by Uruguay and
Argentina. Power was exhibited by the local Argentinians indirectly, as two
governments became involved in the conflict. Metsä-Botnia also underestimated
specific historical, cultural and political factors in the relationship of Uruguay and
Argentina.

5 CONCLUSIONS

5.1 FINDINGS

This paper suggested four categories according to which stakeholders for CEM could be
identified, and illustrated them by reference to four practical examples. It is argued here
that not only are many stakeholder groups often ignored, but also that stakeholders are
not stable but change over time and emerge in different contexts. These contexts range
from time and issue agenda to trends and even geographical characteristics.

The case examples showed CEM-related stakeholder groups identified in terms of
four attributes in different contexts and levels of engagement: the case of Neste Oil
concerned global environmental impacts (greenhouse gas emissions and climate
change), whereas the case of Nokia was mainly restricted to the European context (EU
directive) through re-take and recycling schemes for mobile phones. Examples of
Tallink and Botnia presented regional, yet multinational cases, in which an Estonian
corporation and a Finnish corporation faced resistance abroad (Tallink in Finland by the
Finns and Botnia in Uruguay by the Argentineans). The regional examples were
associated with the local environmental impacts in the Baltic Sea and in the Rio
Uruguay. Nokia’s example illustrated the positive impacts of a successful stakeholder
engagement, whereas the examples of Tallink and Botnia showed some of the negative impacts of a failure to engage stakeholders. Energy corporations, such as Neste Oil, are currently in transition from non-renewable energy sources to renewable energy sources and there is a clear need for them to reconsider their stakeholder maps. The success of the energy corporations in the new energy markets will depend greatly on their stakeholder relationships, especially with potential raw-material suppliers, such as farmers and forest-owners.

The paper contributes to a broader understanding of stakeholders in the context of CEM. Four different stakeholders groups were identified on the basis of their main attributes: power (EC), legitimacy (farmers), urgency (sea passengers) and frequency (local residents). Obviously these attributes overlap, and these stakeholders may be identified with other attributes as well, but in order to keep the stakeholder model simple enough, the model focused on these four attributes by Mitchell et al. (1997) and Luoma-aho (2005). It was shown in the case studies that when urgency appears in the stakeholder relationship, corporations may find that they have few options in to manage the relationship. An A priori stakeholder analysis gives corporations more room for manoeuvre than a post hoc analysis. Identification of the stakeholders needs to be flexible enough, as the positions and the relative importance of the stakeholders changes rapidly over time. Next, the managerial implications are discussed.

5.2 MANAGERIAL IMPLICATIONS

All stakeholder analyses related to CEM should start with the identification and assessment of the actual environmental impacts of product, plant, industry, activity or
project. On the other hand, stakeholders with power, legitimacy, urgency and frequency have different expectations on environmental issues. This requires effective communication strategies based on the identification and selection of stakeholders. These issues are in accordance with AA1000SES principles. In addition, stakeholder identification and selection procedures in corporations must be transparent, so that they can be reported according to the GRI Sustainability Reporting Guidelines.

Figure 2 provides a starting place for managers to start mapping stakeholders for CEM. As noted before, the different stakeholder groups overlap and may even change over time, and hence figure 2 is intended only as a useful starting point for stakeholder analysis by managers. In addition, different stakeholder attributes, such as power, may appear indirectly via other stakeholders involved or latently because of rapidly changing business environment. FIGURE 2 ABOUT HERE.

This paper serves as an introduction to the practice of engaging stakeholders, and consequently has its limitations. Future studies should address the questions of how this engagement should take place, and what the best approaches to different stakeholder groups would be. Further, studies should focus on specific proactive communication strategies for different groups of stakeholders.
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http://www.tallink.com/NR/r dolyres/2AF5B67D-432C-4233-B191-2B3B58E1A9BD/0/YB_05.pdf [30 April 2007]


UN Global Compact. 2006. *The Ten Principles*.

Figure 1. The four vital attributes for categorizing CEM stakeholders.
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<th>biodiesel</th>
<th>biofuel</th>
<th>animal fat</th>
<th>vegetable oil</th>
<th>farmers</th>
<th>agriculture</th>
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Table 1. Number of instances of biodiesel-related keywords in 2005 and 2006 Neste Oil annual reports.
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Table 2. Number of instances of keywords related to Botnia’s Uruguay project in the reports of Botnia, UPM-Kymmene and Metsäliitto.
Figure 2. Practical examples of the four CEM stakeholder categories.