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Relationships between Companies and Non-Governmental
Organizations: Stakeholder Theory Perspective

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RELATIONSHIPS BETWEEN COMPANIES AND NON-GOVERNMENTAL ORGANIZATIONS: STAKEHOLDER THEORY PERSPECTIVE

Objectives of the study

The theoretical objective was to build a model of business–non-governmental organization (NGO) cooperation in corporate responsibility. The empirical objective was to understand the NGO perspective of business-NGO relationships in the case company context. The goal was to find out the views of NGOs on possible collaboration, what their motivations are and what they find to be relevant factors contributing to the successful execution of collaborative methods. In addition, the aim was to define the interest of NGOs to initiate cooperation with the case company operating in sourcing, logistics and retail sectors.

Data sources and research method

The theoretical part consists of corporate responsibility and stakeholder management literature. The empirical study was conducted in two phases. The data was obtained using secondary and primary sources. The data consisted of corporate responsibility reports, semi-structured interviews completed with an email survey. The study used qualitative methods and was exploratory as well as descriptive.

Results

The model views the company-NGO cooperation as a process which is initiated through the needs and motives both parties have. These motives affect the proposed form of cooperation. Initially companies need to explore the options which can either lead to the execution of the cooperation or to end of the negotiations. The cooperation can lead to different kinds of outcomes, benefiting the company, the NGO or another actor in the society. The cooperation needs to be completed with feedback and evaluation for the company to learn from the process and evaluate its appropriateness in meeting the set goals for the overall corporate responsibility strategy.

Study of the European retail companies NGO engagement in CR indicates great activity in the field. The results of the initial study completed the results of the second phase of the empirical study. The NGOs interviewed for the study also show varied past experience and evolving interest to such collaboration. The main motivations are expectations of forerunner companies affecting the industry policies positively as well as gaining visibility and financing for their cause. There is extensive, quickly evolving field of research yet to be studied further.

Keywords

Corporate responsibility, social responsibility, stakeholders, stakeholder management, stakeholder analysis, non-governmental organizations

YRITYSTEN JA JÄRJESTÖJEN VÄLISET SUHTEET SIDOSRYHMÄTEORIAN NÄKÖKULMASTA

Tutkimuksen tavoitteet

Tutkimuksen teoreettisena tavoitteena oli luoda malli yritys-kansalaisjärjestö yhteistyölle. Tutkimuksen empiirisenä tavoitteena oli luoda ymmärrystä niin järjestönäkökulmasta yritys-järjestöyhteistyölle, tutkimuksen toimeksiantoyrityksen ollessa taustalla. Tavoitteena oli selvittää järjestöjen asenteita yhteistyötä kohtaan, heidän motiivejaan ja keskeisiä tekijöitä onnistuneen yhteistyön luomiseksi. Tarkoituksena oli myös selvittää järjestöjen kiinnostusta yhteistyöhön yrityksen kanssa.

Lähdeaineisto ja tutkimusmenetelmät

Teoreettinen osio koostuu yritysvastuu ja sidosryhmäjohtamisen kirjallisuudesta. Empiirinen osio muodostui kahdesta osiosta. Aineisto saatiin ensimmäiseen osaan julkisista lähteistä (internet) ja jälkimmäiseen osioon järjestöiltä suoraan haastattelujen muodossa. Ensimmäisen tutkimusosion tulokset täydentävät jälkimmäinen osion tuloksia ja näin ollen saadaan kattavampi kuva tämänhetkisestä tilanteesta yritys-kansalaisjärjestöyhteistyön saralla. Aineisto muodostui yritysvastuuraporteista ja puoli-strukturoiduista haastatteluista joita täydennettiin sähköpostikyselyllä. Tutkimus on laadultaan sekä kartoittava että kuvaileva.

Tutkimuksen tulokset

Luotu malli tarkastelee yritys-järjestö yhteistyötä prosessina, joka lähtee liikkeelle molempien osapuolten tarpeista ja motiiveista. Nämä motiivit vaikuttavat yhteistyöehdotelmaan joka muodostuu neuvoteltaessa. Aluksi yrityksen tulee tarkastella vaihtoehtoja yhdessä järjestön kanssa mikä voi johtaa joko yhteistyön toteutumiseen tai neuvottelujen päättymiseen. Yhteistyöllä voi olla erilaisia lopputulemia, joko yrityksen, järjestön tai kolmannen osapuolen eduksi. Yhteistyö vaatii palaute- ja arviointijärjestelmän, jonka avulla voidaan arvioida yhteistyön sopivuutta ja vaikutuksia yrityksen vastuustrategian toteutumiseen.

Alustava tutkimus Eurooppalaisten vähittäiskaupan yritysten yhteistyöstä järjestöjen kanssa osoittaa yhteistyön olevan aktiivista. Haastatelluilla järjestöillä puolestaan on vaihtelevia kokemuksia yhteistyöstä, mutta kasvavaa kiinnostusta yhteistyötä kohtaan oli havaittavissa. Suurimpana motivaationa on edelläkävijäyritysten vaikutus koko toimialaan ja lisäksi niin näkyvyyden kuin rahoituksen lisääminen. Tutkimusalue on laaja ja nopeasti muuttuva ja vaatii siksi vielä lisätutkimusta.

Avainsanat

Yritysvastuu, yhteiskuntavastuu, sosiaalinen vastuu, sidosryhmät, sidosryhmäjohtaminen, sidosryhmäanalyysi, kansalaisjärjestöt

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1 INTRODUCTION

This section provides a brief introduction to the study at hand. This is followed by definition of research problem and the research questions. These sections will be followed by the definition of the objectives of the study, discussion on the limitations as well as the main definitions. Finally, the organization of the rest of the report will be outlined.

1.1 Background

Many companies are tackling with corporate responsibility issues and are facing increasing pressure from their stakeholders these days (Ketola, 2003, 45). Contemporary business environment provides often dilemmas for managers to balance between the shareholder and stakeholder demands. In today's business setting, the traditional input-output model of conducting business is hopelessly outdated. All companies are operating in complex networks of multiple stakeholders each demanding different kinds of behaviour from companies. One of such, is the to behave responsibly, considering the economic, social and environmental consequences the company's operations cause to the network where they are acting i.e. to show that they are implementing corporate responsibility strategy in some manner. The non-governmental organizations (NGOs) are setting demands especially in this respect. NGOs come in multitude of types, scopes, activities and focus and are often times representing stakeholders who cannot defend themselves e.g. either due to inability (natural environment) or due to the power positions (individual consumers).

Due to the novelty of this topic, managers are challenged to find solutions on how to respond to these stakeholder demands. Some companies have approached the issue by adapting cooperative approach to tackling the demands set by their stakeholders. As Harrison & Freeman (1999, 479) argue, the approach is largely defined by the pressure from outside the company as well as by the commitment the top management makes. The potential benefits related to engaging stakeholder are the decreased risk and improvement of the planning and implementation of corporate responsibility (CR) strategy. As Goodstein & Wicks (2007, 386; 388) state, companies can consider stakeholder to be mutual partners in striving for responsible business excellence. This

focus on managing stakeholders and engaging them to the CR processes are at the scope of this study.

By conducting this study more information is gained concerning the current situation of the stakeholder engagement in the selected business sector as well as geographic area. At the moment relatively little information can be found on the theme. Retail companies publish their Corporate Responsibility reports under versatile titles and taking different approaches. Retail companies' stakeholder approaches have not been analysed earlier. By gaining this information, stakeholder engagement processes and strategies can be described and understood. Many companies are struggling with the Corporate Responsibility topic and how it should be understood in relation to the overall company strategy. This study focuses in stakeholder engagement and specifically in company—NGO cooperation. When developing corporate responsibility strategies, companies can benefit of understanding the phenomena of company- NGO cooperation.

Although there is increasing interest to study corporate responsibility, yet there has not been study on the cooperation methods with the same industry and geographic focus as this study has. Also, the research conducted in the field of corporate responsibility is often focused on the communication or the definition of corporate responsibility. This study is aiming to bring understanding on more specific development in the area of CR: collaboration with NGOs. As Burchell & Cook (2006, 154) mention there has been little research on how the engagement is perceived by the NGOs that the companies seek to bring into dialogue. This study aims to provide some understanding on this matter. The study focuses on outlining the selected NGOs views concerning cooperation with business and the options for the case company to engage them into their CR practices.

Miles et al., (2006, 203) argue that managers need to be skilled in including the perspectives of stakeholders early in the strategy making process to enhance the effective adoption of CR principles. It has been suggested that the company can benefit greatly by understanding the concerns and preferences of stakeholders. According to Froomean, (1999, 203) understanding of stakeholders actions is a part of good management practise and required for making meaningful decisions and therefore its criticality can be justified.

Although it is impossible to tell about the future development of the business-NGO collaboration, Spar & La Mure, (2003, 94) argue that the NGOs are increasingly aiming to persuade companies and that companies have become more responsive than in the past although great variation is found across industries and individual firms.

In a global context, both companies and NGOs have started to overcome reluctance seen in the past to develop inter-organizational links between these two actors in the society. Globally, the corporations need to assure their operational environment which often is met by growing threats, both in social and environmental context. Also, the NGOs have started to understand that they need the help of large corporations to overcome issues such as poverty, climate change and environmental protection. Although in the past the relationships between these two have been seen to be limited to transactional arrangement at most, there are indicators of emerge of deeper working relationships. (Senge et al. 2006, 421)

1.2 Research Problem

Many companies are trying to find answers to how to cope with stakeholder demands. Many companies find the challenge overwhelming and have chosen not to address the topic until any issues arise. However, it is beneficial to have an on-going relationship with stakeholders.

To deal with stakeholder demands and to develop corporate responsibility strategy companies might find the best way is to develop cooperative relationships with the stakeholders. The research problem of this study deals with the ways companies can plan a meaningful cooperation with stakeholders and with NGOs in particular. The lack of knowledge on the NGO stakeholders limits this planning. Hence, how do the NGOs perceive the option of cooperation with business?

As mentioned earlier, the topic is novel in the research area and only some investigation has been conducted so far. However, it is clear that topics related to corporate responsibility are gaining vast interest among the business students.

Earlier studies have focused on for example whether engaging stakeholders means that the organization is truly more responsible (e.g. Greenwood, 2007), the focus has been on the development of codes of conduct and integration of NGOs in the process. (e.g. Kolk, 2005). Also, the learning process occurring in business-NGO collaboration has been studied (e.g. Senge et al. 2006). The studies have focused on the interest and motivation of the companies to initiate collaboration. But when a relationship is studied, it makes sense to explore the views represented by the potential partner. Therefore, this study provides another point of view for companies engaging with stakeholders. The focus is on how the NGOs view the concept of engaging with business and that information is combined with the existing literature to provide new understanding of business-NGO collaboration.

All in all, there are few studies focusing on business-NGO collaboration, and even fewer concentrating on the views of the NGOs, although many companies are facing challenges in developing their corporate responsibility operations and it can be assumed that developing mutually beneficial relationships with NGOs could provide a solution to the challenge.

Earlier Master's thesis in Helsinki School of Economics cover topics related to communicating and reporting corporate responsibility. There are some Master's thesis work discussing position of stakeholders in corporate responsibility context (e.g. Lammi, 1999; Kourula, 2002 and Junkkari, 2003), but so far cooperation methods have not been studied. Therefore, there is clearly space for a Master's thesis studying corporate responsibility from the stakeholder management perspective focusing on collaborative business-NGOs methods.

1.3 Research Objectives and Question

In the first part of this study the aim is to describe the current situation in the field of company-NGO cooperation in Europe. This is studied specifically in retail sector. The aim of the study is to identify the themes and strategies engaged by the participants in such cooperation. The second objective of the study is to identify methods how the case company can engage in cooperation with selected NGOs. The objective of the study is to discover what kind of strategies would be most beneficial in approaching this issue and how to successfully engage NGOs into meaningful cooperation concerning topics in which the NGOs have expertise.

This study aims to answer the following research questions:

1. *How and why companies and NGOs collaborate to advance corporate responsibility?*

The goal is to increase understanding of the factors playing a crucial role in defining the success or failure of collaboration with NGOs. The advantages and limitations are studied first through literature and then through empirical findings.

2. *What are the drivers and hinderers for collaborative relationship?*

1.4 Limitations and Challenges

In the following section the limitations and challenges of the study are discussed. The sources of the data are explained as well as the focus concerning geographic location as well as organizations concerned. The time the study comprised is looked at. The depth and scope of the subject matter is explained as well as the topics excluded from this research and the reasons behind the exclusion. The reliability of the study is discussed related to the exclusion and finally, the limitations of availability of information will be stated.

The study is based on data obtained from corporate responsibility reports and from interviews conducted with NGO representative. The corporate reports were obtained from public sources and the typical limitations of use of written material can be observed. These will be discussed in

detail in the research method section. The study was conducted during autumn 2007 during which, increased interest on corporate responsibility issues could be observed in the Finnish media. This study focuses on food retail context. It can be argued that with the globalization of the economy, many industries are facing similar challenges and hence, similar solutions can be implemented. Therefore the reliability of the study is not affected due to the exclusion. The availability of information on internal processes from external sources present a limitation to the data concerning the European companies. However, considering that this study is a Master's thesis with time and resources constraints, this limitation is acceptable and is overcome by the inclusion of data from the NGO interviews.

1.5 Defining Key Concepts of the Study

In the following, the important definitions used in this research are given. This is to facilitate the reader to read the report with the same definitions in mind as what the researcher has used when conducting the study.

Corporate Responsibility

Corporate responsibility is "*the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract*".(Jones et al. 2002) Through the concept of Corporate responsibility companies "*integrate social and environmental concerns in business operations and interaction with their stakeholders on a voluntary basis*" (Commission of the European Communities, 2001, 6).

In this thesis the term Corporate Responsibility (CR) is used. It has been selected as it does not delimit any of the three aspects of CR as defined by Elkington: economic, social and environmental. Using term Corporate Social Responsibility (CSR) would be delimiting as it already by definition includes only the social aspect of corporate responsibility.

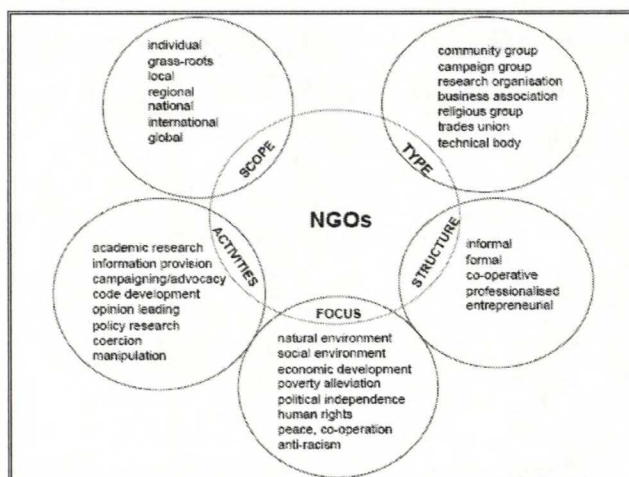
Stakeholders

In this study, the term stakeholder is understood according to the definition created by Freeman (1984) as groups that “can impact the company or can be impacted by the company”. This is distinct to the conventional way of thinking shareholders as the only interest group of the company. Freeman writes that *the stakeholder is an obvious literary device meant to call into question the emphasis on “stockholders”* (in Phillips, 2003, 67)

Non-governmental Organizations (NGOs)

The definition of an NGO is not as straightforward as one might think at first. Under the term non-governmental organization there is vast variety of groups with different scopes, activities, focuses, structures and types. Some are small, locally active groups and some are even globally acting, professional ones. Figure 1 clarifies the vast variety found in the NGO field. It is worth noticing that in the media NGOs are commonly treated as homogenous group, which it is clearly not, as the below Figure X presents. Large internationally acting NGOs have often image of a reliable professional organization with expertise in its field (such as WWF, Greenpeace and Friends of Earth). (McIntosh et al. 2003. 62-67)

Figure 1. NGO characteristics (McIntosh et al. 2003, 67)



In this study, the focus is on environmental and consumer organizations having a professionalised structure. They are operating both in national and international field and active in multitude of fields, among those: research, campaigning and opinion leading.

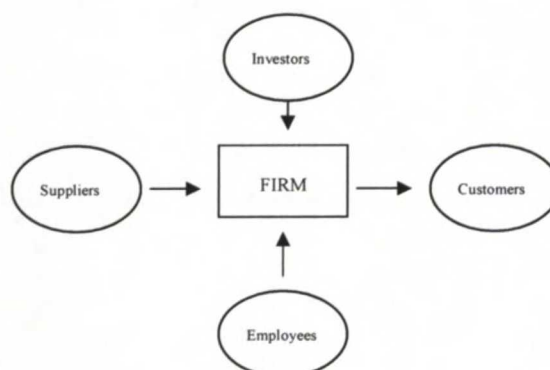
1.6 Stakeholder Theory

This section provides a brief introduction to the stakeholder theory on which this study has been built on. The aim is to identify the key ideas in this still evolving theory. There has been great interest recently among scholars to develop the theory. According to Phillips (2003, 64) with the current rate of increasing interest towards stakeholder concept, it is nearly impossible to provide comprehensive bibliography on the subject. He continues on the notion of the increased popularity of stakeholder idea by pointing out that even in popular language it is common to come across of *stakeholdership* and that it is a central theme in political discourse in UK, for instance.

Organized thinking about the stakeholder concept began with Freeman's seminal book, *Strategic Management: A Stakeholder Approach* (1984). But, as Freeman himself acknowledges, the general idea antedated his book by at least several years, perhaps by centuries. (Jones, 2002, 20)

Traditional models of companies have included only one interest group, the shareholders, at the core of the reason for the company to exist. Also, they have handled the world of managers as only dealing with employees, suppliers and customers (Svendsen, 1998, 47). This is known as the input-output model of the corporation illustrated in Figure 2 below.

Figure 2. Input-Output model of the corporation. (Svendsen, 1998, 47)



Freeman argues that only when managers took into considerations larger base of interest groups, the stakeholders, they could handle the complex reality of business world and successfully handle different situations. According to stakeholder theorists, the traditional models only emphasize shareholders on the expense of other stakeholders and therefore do not provide sufficient support managing contemporary business. The managers have responsibilities to the wider base of stakeholders, on the side of shareholders while operating profitably. Some of them emphasize more either that managers need to pay attention to stakeholders or that they have obligations to stakeholders. (Jones, 2002, 20)



Figure 3. The stakeholder model of corporation.

In figure 3 the Stakeholder model of corporation is illustrated. As later explained in more detail, the stakeholders are commonly further divided into e.g. primary and secondary or normative and derivative stakeholders. There are several other types of classifications found in the literature as well. These will be discussed later on.

The leading idea of the Stakeholder model is, that the company is actually “a network of involving multiple participants and interests, each of which may make contributions and receive rewards as a result of corporate activity”. This view acknowledges the interdependence between the company and stakeholders. It asserts that such relationships can be potentially a source of opportunity and competitive advantage as opposed to being a threat or a drain on company resources. (Svendsen, 1998, 50)

Svendsen argues that the stakeholder theory's management style is buffering, whereas in systems theory the applied management style is collaborative. According to her, the responsibility of corporation in stakeholder model is to respond to stakeholders, whereas in systems theory the responsibility extends to finding ethical, "win-win" opportunities with stakeholders. (Svendsen, 1998, 49)

As Donaldson and Preston (in Carroll & Buchholtz, 2003) argue, the stakeholder theory is descriptive and it has instrumental power as well as normative validity.

Firstly, by the descriptive Donaldson & Preston mean that the theory provides language and concepts to effectively describe the corporation. The company is built on cooperative and competitive interests with both instrumental and intrinsic value. Fuller description or explanation can be reached by understanding organization. The understanding is enhanced by the language and terms used in stakeholder theory.

The instrumental aspect provides connection between the practice of stakeholder management and the following achievement of corporate performance goals. The essential premise is that the effective stakeholder management should lead to the achievement of the traditional goals e.g. profitability, stability and growth.

The normative characteristic of stakeholder theory states that the stakeholders are identified by the company regardless of the company's interest to the stakeholders. The stakeholders are viewed to have intrinsic value, i.e. they have value despite of the interest the company places on the specific group of stakeholders. Often times the normative aspect of stakeholder theory is regarded as providing the theory ethical or moral view since it underlines how stakeholders should be considered. According to Donaldson & Preston (1995, 87), the normative aspect of stakeholder theory is the core for the ultimate justification of it.

The stakeholder theory is managerial, since it recommends attitudes, structures and practices that constitute stakeholder management. The recommended type of management requires simultaneous attention to the legitimate interests of all appropriate stakeholders when creating structures and policies for the organization. (Carroll & Buchholtz, 2003, 76-77) The concept of Managerial Maxim states that the managers should create and maintain mutually trusting and cooperative relationships with stakeholders as they are morally desirable as it will provide

competitive advantage over those companies whose managers do not nurture such relationships. (Jones & Wicks, 1999, 218)

One of the misinterpretations of Stakeholder Theory, as Philipps (2003, 26) states, is the focus on distribution of financial outputs. As Philipps continues, actually, information is an essential good that is distributed, not financial or other material outputs. Full information contributes to the decision making process among the stakeholders. The perception of fairness is created largely by the transparency between the organization and the stakeholder. According to Philipps (2003), the focus on distributing information receives little emphasis in discussions on the stakeholder theory.

Another key point is the misunderstanding that according to stakeholder theory all stakeholders must be treated equally. This is not the case. The benefits need to actually be distributed according to relative contribution to the organization. The stakeholders should not be valued all the same but can be divided according to the importance to the organization. Organization has direct moral obligation to the normative stakeholders. These are such as financiers, employees, customers, suppliers and local communities. The derivative stakeholders are the ones that can harm or benefit the company, but to whom the organization has no direct moral obligation as stakeholders. These could be competitors, activists and the media. It needs to be noted that the company is not managed to the benefit of the derivative stakeholders but managers are obliged to account for them in their decision making to extend they can influence the organization or the normative stakeholders. (Philipps, 2003, 28-29) It is clear too, that when considering the receiver of the benefits, it makes vast difference who is the receiver of the benefit when evaluating their right to receive the beneficial treatment. The "ideal utilitarian" theory would support the duty of producing good, but fails to recognise the highly personal character of such duty (Carson, 1993, 175).

An important factor in defining the stakeholder prioritising depends on the reasons and goals for stakeholder management. Philipps (2003) argues that if the goal for stakeholder management is to decrease conflict among stakeholders and to find better harmony, it is best to apply equality as

basis for distribution. In case of aiming for traditional business goals, the input of equity would be the most appropriate decisive factor. (Philipps, 2003, 30)

1.7 Setting for the empirical study

The analysis of both the European Retail companies' corporate responsibility reports and the interviews of NGOs operating in Finland were conducted keeping in mind the setting provided by the corporation to which the study was carried out for. This study was conducted for a large Finnish network consisting of retail and service organizations. The organization has grown organically to be one of the biggest players in the Finnish market. There are approx. 34,000 employees of which majority in Finland. In 2006, the net sales of the group were approx. 9,7 million euros after having gone up by 13,4 %. The group has almost 40 % share of daily consumable market in Finland. The group's sourcing and logistic company played an important role in providing focus for the study. The responsibility of the subsidiary is to monitor market and supply both locally and globally as well as to develop the cost-efficient sourcing of processed foodstuffs, daily non-food products, frozen foods, fruit and vegetables and processed fresh products. The company emphasizes quality, reliability, punctuality, price and the environmental and social responsibility of the products.

The case company provided interesting setting to conduct the study of NGO engagement in corporate responsibility. The position of market leader and the use of global sourcing set the company into a key role in developing the Finnish food and daily consumable market's approach to responsibility issues also in a larger setting. The company is also comparable to some other European players due to its competitive size. The group is actively developing and integrating its corporate responsibility approach into its core business functions. The interest to participate in this study also implicates the company's concern for developing new ways to improve corporate responsibility policies and integrate key stakeholders to the process as well as swiftly reply to the new demands set by the contemporary business environment.

1.8 Structure of the Thesis

This section describes the structure of the thesis. The first chapter has presented the background to the stakeholder engagement research and discussed the key definitions of this study. Also, the research objectives have been outlined as well as the theoretical framework which forms the basis for conducting the empirical study.

Chapter 2 discusses the stakeholder engagement literature from the point of view of corporate responsibility. First the drivers and resistance for considering corporate responsibility in business is discussed. It is followed by presentation of stakeholder management literature: the reasoning for considering stakeholders as well as how different methods of classifying and analysing stakeholders. Finally, literature discussing engaging stakeholders in corporate responsibility is viewed. And finally, model is presented for understanding the different phases of business-NGO cooperation.

The rest of the chapter presents the empirical study. Chapter 3 discusses the method of research along with the reliability and validity of the study. Chapter 4 presents the findings of the study. First, the findings of the initial study is presented, the European Retail Sectors approach to cooperation with NGOs. Followed by that, the interview study's results are presented. The experiences on collaboration and future prospects are presented from the NGO point of view. This is followed by the themes for retail sector to consider as well as the perception on drivers and constraints seen to be affecting the collaboration options. The rest of the report constitutes of the discussion, summary and conclusions with managerial implications and suggestions for further research.

2 LITERATURE REVIEW

This section explores the stakeholder engagement literature from the point of view of corporate responsibility. First, the impact of stakeholders in general is discussed followed by outlining the impact NGOs have in particular. The approaches NGOs have pursued will be presented. After this, in the second part of literature review, literature on Stakeholder Management Strategies will be viewed, focusing on what has been written about stakeholder engagement in corporate responsibility.

2.1 Corporate responsibility

The concept and definition of CR is not new issue, it has been evolving since the 1950's (Carroll, 1999, 268). However, today the field of corporate responsibility is developing faster than ever before. Quick changes in operations and in attitudes and interests of employees and managers as well as the public are also seen in theoretical research. The pace of change is so fast, that empirical material can age even during the research (Mamic, 2005). The study concerning codes of conduct was completed after 2000: the material did not exist 10 years ago and also changed during the time of conducting the research. These facts reflect the novelty and the dynamism in the field.

2.1.1 Drivers for pursuing CR actions

One of the important drivers for companies to include CR in their strategy are their stakeholders. Bell DeTienne et al. (2005, 362) argue that the motive for promoting ethical conduct is unethical if it is done solely on the basis for higher earnings. The ethical value of money is lower than the value of right conduct. They continue that the need to communicate ethical behavior needs to be motivated with stakeholder expectations or for example promoting transparency, not with pure need for higher revenue. However, Ketola (2005, 45) asserts that companies take only actions which are profitable, otherwise such actions would not even be considered. She continues that often times social responsibility actions do not start from within the company, but it is initiated by stakeholder pressure. Stakeholders have needs which are not met by any other actor. (Ketola,

2005, 60) However, they both promote the importance of stakeholders in the CR process as initiators. It is argued that the motivation for initiating CR actions can come from within the company and the enforcement of legislation or pressure from stakeholders is not waited for (e.g. Confederation of Finnish Industries EK, 2001). Interesting point is presented by Greenwood (2007, 317) as she describes how several companies are confusing the act of publishing responsibility reports as an act of responsibility in itself. It should be noted that this however is not the case but they are potentially two distinct acts.

Maloni & Brown (2006, 36) have concluded that the motivations for CR in companies are varied, some are seeking leadership and some are acting on threats of transaction costs, brand, competitive positioning or motivation from marketing, publicity and innovation point of view. Some think it is cost of doing business, some think it is self-beneficial. Waddock et al. (2002, 132) argue that there is public pressure pushing for responsibility management, inspiration, integration and improvement/innovation. The current developments provide fruitful soil for CR to grow, including changes in such areas as the globalization, regulation and increase of interest towards sustainable development. Even some investment companies have initiated interest on CR among companies. On the other hand, ratings and rankings which have emerged over the past decade have increased companies' interest to have responsibility program. According to Waddock & Bodwell (2004, 29) the benefits of applying responsible business practices can be both in productivity as well as in quality. They continue that good management and responsible management have been found to be practically the same. They argue that the responsibility vision should be incorporated to the company strategies and management systems.

The motivation for CR can also be embedded in the selected legal form, this most clearly stated in cooperatives. The values of cooperative business are guiding the companies into responsible thinking in their operations. One of the principles listed by International Cooperative Alliance (ICA) is the concern for the community. The existence of cooperative companies is based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. (www.ica.coop, accessed 14.11.2007) However, in contemporary society, many companies are aiming for higher profitability and it can be expected to be a guiding principle for at least large cooperatives, too. Finnish consumers see cooperative companies as responsible ones in general.

The underlying reason for establishing cooperatives initially was to fight the inequalities of the market. (Koivuporras, 2005, 65-66) However, as Koivuporras (2005, 69) points out, the contemporary cooperatives have distant relation to the initial values and principles of cooperatives.

The globalisation has created new context of operations for companies everywhere and to Finnish companies, too. The firms are exposed to different kinds of cultural and value dispositions (Lindfeldt, 2004, 190). The increase in use of ethics codes can be followed back to the exposition to value plurality due to global operations. Lindfeldt continues that the growing size of companies and the networks in which they operate has created distance where traditional trust does no longer exist and therefore e.g. ethics codes are needed. Lindfeldt concludes that globalisation, enormous business networks and growing size of firms provide basis for the increasing amount of ethics codes and focus on ethic issues in companies. As more power is accumulated in the hands of few, the amount of codes of conduct does not imply more ethical behaviour as per se. (Lindfeldt, 2004, 190-192).

As companies have been seen to be culpable to the deteriorating of the social conditions in many places, they need to improve the conditions themselves to survive and prosper in the future. Self imposing higher standards, companies can avoid further legal restrictions to their operations. Some examples of areas of effective self-regulation are fair workplace, safe products and engaging in fair advertising. The final argument for proactive approach to CR is the cost savings achieved by the anticipation and initiation of CR practices. It is wiser to avoid pollution by prevention than by correction later on. (Carroll & Buchholtz, 2003, 43-44) Carroll (2004, 118) recommends companies to integrate responsibility issues to the company's strategic decision making. Maloni & Brown (2006, 45) support this view with recommendation that companies should have comprehensive strategy for CR.

2.1.2 Resistance to CR

Many academics address the issue of resistance to CR by companies. The classical economic argument has been that the social issues are not issue for business to resolve but other actors in society. This argument is lead by the economist Milton Friedman. His statement is based on the argument that the legislative framework should provide sufficient basis for ethical business to occur and that companies have no further responsibility towards the society. Other reasoning against CR actions are the lack of capabilities by the managers, the resistance to hand more power to companies than what they already have, the higher cost for business of absorbing costs due to changes in production (i.e. the environmentally and socially sustainable production is seen to be more expensive) this leading to decreased competency in the global market. (Carroll & Buchholtz, 2003, 42-43) It has been also argued that the involvement of companies into issues of society might even make problems worse and include risks, although there are risks in leaving corporations out from the societal issues, too (Margolis & Walsh, 2003, 296). Oestreich (2002, 220) continues, that even when the business addresses ethical questions, it is not enough to please the opponents of global capitalism.

Very relevant and to the point comparison is made by comparing the current state of corporate responsibility actions and auditing to initiation of financial auditing (DeTienne et al., 2005). When financial statements and audit were made compulsory, many were against them because of higher costs. However, these days the concept of such is perceived as normal process and necessary for a reliable accounting to occur. The cost of financial auditing is considered to be usual cost of conducting business.

Waddock & Bodwell (2004, 26) compare the rise of CR, and more specifically the stakeholder management aspect of it, to the quality movement. Stakeholder relationship management has increased in corporate operations. They argue that it is similar to the increase in use of quality management in the 1980s. Managers were initially skeptic, but then started to learn that it is beneficial for the company. The use of quality standards was increased by the demand from the European companies requiring their suppliers to provide proof of quality systems used in their manufacturing. Waddock & Bodwell argue that the responsibility is in fact managed already, as was the quality before the quality movement. But the difference lies in using explicit

responsibility management systems as it provides the company with tools for the management, quite as the in the quality management. In a similar way as in the first wave of quality movement, the opponents of responsibility movement use arguments against it. The motives against quality were e.g. incomplete information and misguided beliefs, need for managers to learn new systems, the concept prevalent at the time that quality was unimportant and that the quality management costs would be high. The same resistance is prevalent now concerning responsibility issues. They defend the systemic approach needed for both quality management as well as for responsibility management, and say that it is to be considered as it is, a long term process of improvement. (Waddock & Bodwell, 2004, 26-27; 32)

The opponents of CR have been using the same argumentation against the need of it as in the past have been used against accounting and quality management, both widely accepted and necessary today.

2.1.3 CR in Retail Sector

In retail sector many themes have developed to be relevant concerning CR. According to Maloni & Brown (2006, 38), food supply chain is growing interest in CR issues because of the labour intensive nature of food chains. Also, themes such as animal treatment, humane slaughter, over fishing and use of antibiotic are gaining interest. In addition, animal welfare, production processes and technology as general trends are becoming more topical. Some other themes in food and retail sectors highlighted by Waddock et al. (2002, 136) are human rights issues, ecological issues: global warming, equal opportunity and GM food. These topics are screened publicly and therefore companies are internally looking into those. Food industry is at risk along with industries such as pharmaceuticals, chemicals and oil (ibid.).

Maloni & Brown (2006, 44) see food companies as prime targets for protests. This is believed to be because of the following factors: the company size, brand recognition, location of premises, and likelihood of succumbing to protests. Also reasons such as brand recognition and lean supply chain practices are mentioned as factors contributing to food sector being target of "attacks". Food companies might not be interested in addressing CR issues as they feel they do not have the financial means or staff for doing so. But they still need to address the topic since attack towards

them would be a great risk. As Waddock et al. (2002, 132) state, companies are facing increasing pressure to work both responsibly as well as profitably. According to Piacentini et al (2000, 466) this pressure comes for retail companies from the customers in form of assurance of customer satisfaction. They continue, that the CR approach adapted by companies to be a reflection of the business strategy.

Waddock & Bodwell (2004, 26) argue that companies actively included in responsibility management have been companies with long supply chains. Such companies are the ones who have brand names they need to protect. Such companies are seen to be paying increasingly attention to responsibility issues. Brand owners are recognizing that there are several stakeholder groups requiring and pressing for ethical behaviour and companies need to respond to these demands. Bell DeTienne & Lewis (2005) support this view by providing an example of Nike's case where civil activist groups found the companies CR reports to be misleading. This led the company in serious challenges and even to court in the USA.

As earlier explained, the CR management has been compared to initial steps of quality management. However, the topic is not quite as clear-cut. The challenge lies in defining what responsibility is. In comparison to quality management, responsibility management is very difficult to define and to conduct. Quality can be managed from the point of view of the customer. Responsibility management is not that straightforward. There is a wide range of stakeholders having varying goals. In the following chapter the stakeholders and different ways of classifying them are looked at.

2.2 STAKEHOLDER MANAGEMENT

In the following section Stakeholder Management literature will be viewed. Further Stakeholder Engagement literature will be elaborated and in particular dialogue and alliances with NGOs will be presented.

2.2.1 Reasons for stakeholder management

The changes in the stakeholder scene have created more challenging managerial tasks in today's business. The stakeholder management has increased in importance as managers have come to realize the amount of stakeholders whose interests need to be somewhat satisfied for the firm to meet its objectives. There has been increasing amount of demands from legitimate stakeholders and increasing power in their hands to get their voice heard in decision making processes. The challenge for management lies in finding ways to satisfy the primary stakeholders' needs as well as at the same time assure that the other stakeholders are treated ethically and have their demands satisfied, too. Also, the company needs to be profitable at the same time. This is the "win-win" situation. Although it is not always reached, it is however a good goal for the management to pursue when aiming for long-term benefits. In order to gain essential information for stakeholder management, Carroll & Buchholtz (2003, 78) outline the following questions:

- 1) Who are our stakeholders?
- 2) What are our stakeholders' stakes?
- 3) What opportunities and challenges do they present to the firm?
- 4) What responsibilities (economic, legal, ethical and philanthropic) does the firm have to its stakeholders?
- 5) What strategies or actions should the firm take to best handle stakeholder challenges and opportunities?

Harrison & St. John (1996, 43) argued for the benefits of the proactive stakeholder management. They stated that it creates and preserves organizational flexibility. Such flexibility impacts the company's ability to respond to environmental change and also reduces the impact of the change

and costs of responding to it. They continue that the successful responses are linked to the organizations ability to understand and to influence the forces. In that the stakeholders provide lenses for viewing and interpreting the trends in the operating environment. (Harrison & St. John, 1996, 43)

Carroll & Buchholtz (2003, 86) provide some criticism and limitation presented on the stakeholder management approach. One topic addressed is the complexity and time-consuming aspect of identifying, assessing and responding to stakeholder claims. In addition, it is challenging to evaluate the stakeholder claims. The complexity of decision making processes is increased by the need to consider stakeholder claims. Also, it is difficult to decide in certain cases which stakeholder claim should be prioritised. However, Carroll & Buchholtz (2003, 86) continue that the stakeholder management approach best reflects the contemporary business environment in all its complexity.

2.2.2 Classifying Stakeholders

In the following the different types of stakeholder classification are viewed. Several authors have presented different classifications of stakeholders, these varying greatly. The recognition of stakeholder salience is at the core of stakeholder theory as well as management. In this section, first, the different divisions of stakeholders are discussed. Followed by that, the characteristics of stakeholder salience are discussed.

It can be said that stakeholders have always been interested in companies' operations Rohweder (2004, 194-195). Until the 70's, the interest has been focused on *economical* aspect. From then on other dimensions have come along: the *environmental* and *social* aspects as Elkington (1997, 70-94) presents in his Triple Bottom Line concept. The information technology has facilitated the flow of information among different stakeholders and hence the awareness of responsibility issues has increased rapidly in the 21st century. The needs and interests of stakeholders groups set special requirements for stakeholder management. The company's targets for CR need to be aligned both with the stakeholders' goals as well as with the expectations of the society in

general. Hence, companies should define which stakeholders are important to its operations and how to rate the importance. (Rohweder, 2004, 194)

Stakeholders are commonly divided into primary and secondary stakeholders. Primary stakeholders consist of groups such as owners, employees, customers and suppliers. They have direct relationship to the company. Usually the relationship is based on formal contract. (Donaldson & Dunfee, 1999, 238-239) Waddock et al. (2002, 136) argue that the secondary stakeholders are commonly seen to be influencing companies by pressuring them, among them NGOs. According to the same, the most essential part in creating real responsibility management is to have positive stakeholder relationships. The secondary stakeholders are such stakeholder groups as the NGOs, activists, communities and governments.

Lovio's (2004, 57-59) categorization is more detailed. He divides stakeholders into business related groups and business environment related groups. He bases this division on different relations the stakeholders have with the company. Using this categorization the stakeholders can be divided into seven subgroups.

Starting from business related stakeholders, there are three main groups included in the category. Firstly, there is group of internal stakeholders consisting of owners, directors and staff. These stakeholders have different interests but common to all are financial input and more or less immediate participation to company's decision making. Secondly, there is supply chain stakeholders formed by outside financial stakeholders, which have impact to the life cycle of the product. These are such as suppliers, retailers, consumers and recyclers and disposing organizations. These groups also participate financially and on on-going basis to the company's operations. They, however, do not participate to decision making. Thirdly, there are other supply stakeholders, which are groups that have usually short term relationship with the company. Financing or consulting services could be examples of those.

Moving on to business environment stakeholders, there are the following groups: the economic stakeholders who are competitors, industry associations, labour organizations and consumer organizations. These stakeholders do not have economic relation to the company but can yet impact company's operations through product and supply policies. Often times also companies in the forefront of CR policies work as provokes of new policies in the whole

industry. Political stakeholders are formed by governmental and political organizations. Authorities have connection to economical issues mainly through taxation, but the relationship is mostly based on developing regulatory issues. Authorities have however recently been actively involved in creating incentives for voluntary CR in companies. Societal stakeholders include local residents, society NGOs and researchers. Many organizations have changed their attitude toward NGOs and now want to actively engage into active communication with such stakeholders. Examples of such NGOs are Amnesty International, FinnWatch, Greenpeace, Friends of the Earth, WWF. Lovio limits the concept the NGOs to be only environmental ones (i.e. ENGOs), hence, excluding other types of NGOs with other goal than environmental improvement.

Finally, media is an “overarching stakeholder” as it is both an individual stakeholder group and path for other stakeholders to get their message through and impact rest of the society. Other stakeholders’ views on companies can be impacted by media. (Lovio, 2004, 57-59)

Maignan et al. (2002, 642) divides stakeholders to four main stakeholder groups: regulatory stakeholders: e.g. local and national governments, professional organisations and competitors: community stakeholders: environmental and human rights groups, consumers’ advocates, and other activists: media stakeholders and lastly, organizational stakeholders: customers, employees, shareholders and suppliers.

Person, groups, neighborhoods, organizations, institutions, societies and sometimes environment have been generally thought to be legitimate stakeholders. Many scholars have tried to define stakeholders more precisely but have had little success in doing so. Earliest definitions of stakeholders are from 1963, as Stanford Institute of Technology presented it. Generally, the center of attention has been on legitimating the stakeholders, but Mitchell et al. argue that narrow focus and wider spectrum should be considered. However, the common aspect of defining stakeholders has been the focus on necessity for the company, fact of ceasing to exist unless this stakeholder group would not support them. (Mitchell et al. 1997, 855-858) Stakeholders are not restricted to groups which have juridical or contractual liaisons to the company. Stakeholders have justified expectations to the company and the company exists in relation to the stakeholder groups. (Kuvaja and Kujala 2002, 83)

Kuvaja and Kujala (2002, 135) present a list of questions which help companies to identify possible stakeholders. Companies need to take new perspective and try to find new, possibly, formerly unnoticed groups to improve their corporate responsibility aspects. The company can consider the following questions: Which stakeholder groups' expectations and views are formerly unknown to us? Which groups can cause surprises or even reputation risks? Which groups have other companies within our industry considered as important? Which groups are active in our sector? Or, which groups are active in geographic regions relevant to us? Which groups are important influencers in our main market area?

2.2.3 Stakeholder Salience

Although Freeman defined legitimacy in managerial sense as *that it is legitimate to spend time and resources on stakeholders, regardless of the appropriateness of their demand*, (Freeman, 1984, 45 in Phillips, 2003, 120) there has been wide discussion on stakeholder legitimacy definition in the literature. In this section Mitchell's model is presented. Also, Savage et al.'s typology of stakeholder threat and collaboration potential and suggested stakeholder strategies for each stakeholder group are viewed.

The motivations and benefits of considering stakeholders in business are several. As Lovio (2004, 54-55) presents it, there are commonly three ways of justifying the need to stakeholder management. These are theories based on ethics, efficiency or descriptive approach. Also, company might consider that it has responsibilities towards the stakeholders as it is seen morally right to operate as well as an obligation (Rohweder, 2004, 200). According to Maignan et al. (2002, 642) management of CR is more feasible when only relevant groups in society are considered i.e. the stakeholders.

The following aspects are related to the efficiency approach of stakeholder management: early movers can gain competitive advantage in the field: recruit talented people, keep customers, attract social investors, improve community relations by being neighbors of choice and improve productivity (Waddock & al. 2004, 33). Better relationships to stakeholders provide better

performance in the long term (Waddock et al. 2004; Rohweder, 2004, 200). Reputation and risk management are impacted by stakeholder management, too. The company sees the importance of cooperation with stakeholders through lenses of reputation or risk management.

Descriptive approach starts with the notion that company does not operate in a vacuum (Lovio, 2004, 55, ed. Heiskanen) and this concept lends support to the view that it is a universal fact that companies need to consider other parties in the society. However, Waddock & Bodwell (2004, 34) argue that even though the benefits of stakeholder management have been accepted, the opposite events have not been proved to occur when responsibility is badly managed. Yet they insist that the relationship of stakeholder management and improved efficiency exists however. It is argued that explicit systems for managing responsibility may create better stakeholder relationships and in the end, better competitive advantage.

The company needs to make a decision on how to manage relationships it has with stakeholders. Motives for taking care of stakeholder relationships can be for instance image and risk management related. The company wants to communicate with its stakeholders and there is a need to understand their motives because of its usefulness to the company. When company has CR motivation to take care of its stakeholders relationships, the company sees that it has some responsibilities towards its stakeholders. In such a case, the company considers stakeholders in its decision making process and it is seen as a duty and morally correct. On the other hand, company can aim to impact its stakeholders operations by improving CR policies and aim to bring added value to its stakeholders. (Rohweder, 2004, 200)

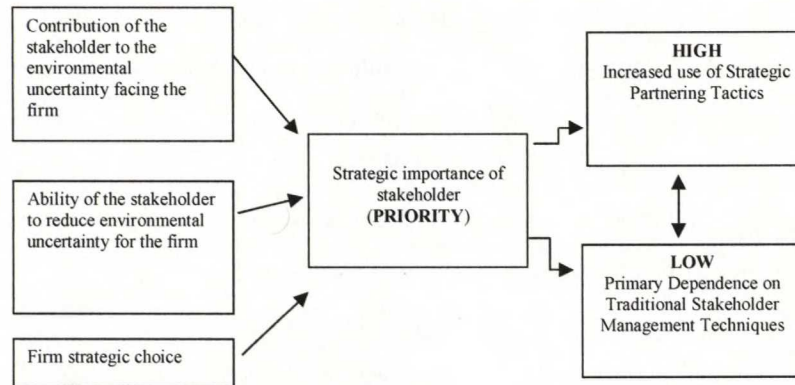
Stakeholders have gained importance recently due to several reasons. The increase of affordable and accessible means of communication, such as the internet, has improved stakeholders possibilities to act. Also because of the internet, communication is very quick. If relevant stakeholders are not engaged in the company's activities, especially the activist groups find ways to express their negative views on the company. Therefore, it has been argued, that relevant stakeholders need to be constructively engaged in the process. Otherwise, the company might be facing diminishing reputation. (Waddock & Bodwell, 2004, 28)

The aim of the stakeholder identification is to enable managers to understand the different claims of stakeholder groups and to see which actually have legitimate claims and which do not. This is not necessarily related to the ability to have an impact on the company or not. The managers might have several focus of interest towards their stakeholder groups, either from "old fashioned" PR aspect or the current CR aspect, requiring at least an understanding of who are the possible groups and with what claims. (Mitchell et al., 1997, 859) In this study at hand the focus is on non-governmental organizations and understanding of the stakeholders' motivations is essential.

On the other hand, companies' CR strategies are not affected by only external stakeholders but also internal such as the management, employees and investors. The reasons for internal groups to act and improve company's CR are for example demonstrate commitment to a standard or value, disclose wrong-doing and change company practices. Oftentimes corporate managers are in a key role in initiating improvement of CR policies in a company. (Maignan et al., 2002, 642)

In general, as Harrison & St. John (1996, 51) emphasize, the importance of the stakeholders to a company is dependent on the strategic choices the company makes. If the company emphasises corporate responsibility in its strategy, the relevant stakeholders gain importance (e.g. NGOs). Harrison & St. John have developed figure 4 for understanding the strategic importance of the stakeholder in question and which approach to use in managing the stakeholder.

Figure 4. Strategic importance of stakeholder. (Harrison & St. John, 1996, 51)



2.2.4 Mitchell's model of stakeholder salience

Mitchell et al. define stakeholder salience according to three factors: legitimacy, urgency and power. Mitchell et al. (1997, 863-866) argue that their model gives fuller picture on the stakeholder relationship as it focuses on these three factors. They claim their model to be unique in the sense that no other model addresses the issue of power and legitimacy simultaneously and none either address the topic of urgency. Mitchell et al. (1997, 859) argue that one needs to consider the latent stakeholders (those with only one of the three attributes), too, in order to make an effective stakeholder analysis, because that way the companies can try to avoid problems and maybe even enhance effectiveness. The notion of legitimacy is sometimes confused being linked with power, although legitimate stakeholders not necessarily have power and vice versa. They created this model since they argued that other attributes than power are needed to define "who and what really counts" to a company.

In the following the distinct elements of the model are explained:

Legitimacy: Suchman (1995) has created generally acceptable definition of legitimacy as follows: *"legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions"* (Mitchell, 1997, 866)

Urgency is according to Mitchell et al. (1997, 867) dependable on two factors. Firstly, it is dependable on time sensitivity on behalf of the stakeholder concerning the handling of the matter by the management. Secondly, it is dependable on criticality, the general importance of the matter. These two aspects have been handled by risk management literature for decades as well as in issues management.

Power: Etzioni (1964) has presented precise categorization for power, namely,

- coercive power (physical resources: violence, restraint),
- utilitarian power, (material or financial resources) and
- normative power (symbolic resources: campaigns, protests, and negative publicity or “hate websites” when large and well-know companies are in question.)

Power is a variable in a sense that one can have power as well as loose it. (Mitchell, 1997, 865-866; Maignan et al. 2002, 644-645) Power per se does not imply that the group would use it or that the group would have high salience for the managers. The power will be utilized only if the legitimacy and urgency so allow. (Mitchell et al., 1997, 868-869)

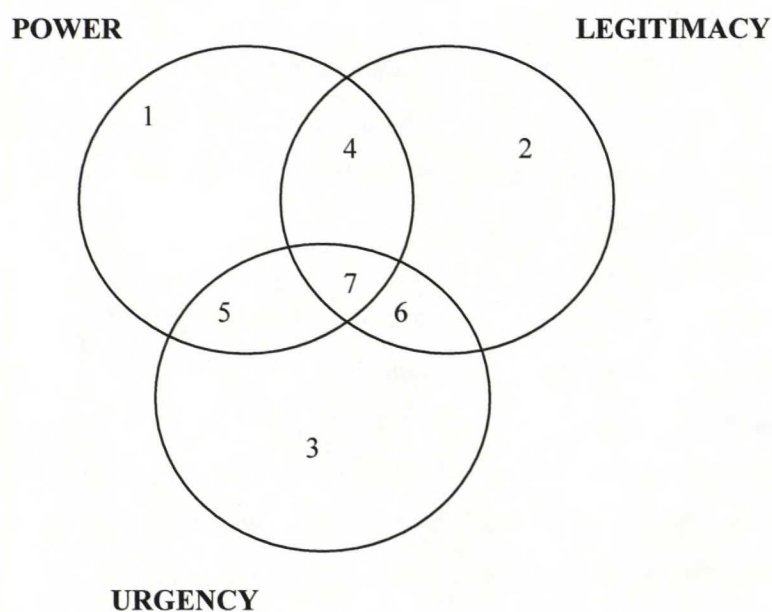
Maignan et al. (2002, 645) argue that the stakeholders can be seen to collaborate and gain more power by the collaboration. In past it has been seen for example in a case of Ikea that pressure put on the company by many stakeholders forced the company to reconsider its CR policies. Swedish national television showed a documentary on IKEA’s manufacturing claiming some products to be manufactured by child labour in questionable circumstances. This raised a public polemic and made the company to start creating strategies on CR. The Ikea case also illustrates the power media has over other stakeholders as Lovio (2004, 59) in his stakeholder model states. Media is an overarching stakeholder with power to gain other stakeholders’ attention to a particular theme.

Mitchell et al. (1997) point out that the stakeholder salience is dependent on the following three notions: 1. stakeholder attributes are variable, not steady state. 2. Stakeholder attributes are socially constructed, not objective, reality. 3. Consciousness and willful exercise may or may not be present. The stakeholder-manager relationship is not a static but rather a dynamic one. (Mitchell et al. 1997, 870) The demands of stakeholders are met more likely when the claims are observed as legitimate by the society, require immediate action and are advance by powerful stakeholder groups (Maloni & Brown, 2006, 45). Moir (2001) comments that according to

Mitchell's stakeholder identification and salience theory, it can be concluded that in practice, companies would pay attention to stakeholders who have power, are legitimate and have a great urgency concerning their matter. On the other hand, he continues that companies would pay attention to themes which they have problems in. If they have employee retention problems, they would pay attention to employee issues and consumer market companies would pay attention to issues related to reputation for instance.

Mitchell et al. (1997) has developed the following typology for analysing the stakeholder salience for companies (figure 5):

Figure 5. Stakeholder Typology (Mitchell, 1997, 874)



Latent stakeholders have only 1 attribute they could use (power, legitimacy and urgency).

These are divided into three according to the attribute they possess. They are seen to have low salience to managers. The assumption of managers is most likely that the stakeholders with only one attribute, i.e. with power, legitimacy or urgency, are not even considered relevant in stakeholder salience analysis.

1. Dormant stakeholders

Dormant stakeholders have power, but it is because of legitimate relationship or urgent claim. Power can be used in several ways: coercive (e.g. loaded gun), utilitarian (e.g. money to spend) or symbolic (ability to gain attention of media).

Managers should pay attention to these of stakeholders, because when they acquire another attribute (legitimacy or urgency) they become more salient to the company. Mitchell et al. (1997) argue that yet difficult, it is possible oftentimes predict which stakeholders will gain another attribute of salience.

According to Frooman (1999, 203) power is the one defining attribute in company-stakeholder relationship. The balance of it determines which type of strategy the stakeholder will use in order to get from the company what they want.

2. Discretionary stakeholders

Discretionary stakeholders have legitimacy, but no power nor urgency. They are the most likely receivers of corporate philanthropy. (Carroll, 1991 in Mitchell et al. 1997, 875). These stakeholders put no pressure on the company to engage in active relationship, however, managers can choose to do so.

3. Demanding stakeholders

Demanding stakeholders have an urgent claim to the company. They have neither power nor legitimacy and can be irritating but not dangerous. The urgency is insufficient to project a stakeholder claim beyond latency. An example of this could be a lone picketer in front of the headquarters, whose claims the management would most likely not consider. However, Jones et al. (2007, 153) claim that urgency actually is a secondary attribute which only provides “extra push” for salient issues to be even more salient.

Expectant stakeholders have either two attributes of power, legitimacy and urgency. The combination of any two attributes raises the importance of the stakeholder in the eyes of management. This leads to increase in firm responsiveness to the stakeholder's interest. Therefore, the engagement between management and the expectant stakeholders is likely to be higher and have moderate salience.

4. Dominant stakeholders

These stakeholders have power and legitimacy and therefore they have assured influence in the company. They have ability to act on the claims they have to the company, but however, may not ever actually do so. Despite of that, Mitchell et al. argue that the managers will consider the opinions of these stakeholders. Typically these stakeholders have an established platform where to express their concerns and which acknowledges the importance of the relationship to the firm.

5. Dangerous stakeholders

These stakeholders are characterized by urgency and power, but they lack legitimacy. These stakeholders are possibly literally dangerous. They may use coercive means to advance their claims. Examples can be environmentalists protecting trees, terrorists using bombings etc. to gain attention to their claims. These actions are outside the scope of legitimacy and are dangerous to the relationship with the company and to the people involved in these incidents.

6. Dependent stakeholders

These stakeholders do not have power but they have urgent and legitimate claims as dependent stakeholder. The power in this relationship is not reciprocal and therefore commonly the position is governed through other stakeholders or through the management values in the company. In some cases local residents can be dependent stakeholders. Also, animals and ecosystems can be considered as dependent stakeholders, however, often through the power exercised by other stakeholders groups with power (e.g. legislative authorities).

7. Definitive stakeholders

These stakeholders have all there attributes supporting their position as stakeholders and therefore, they have high salience to the management. Any stakeholder can become definitive stakeholders when they obtain the missing attribute. The most common transfer is most likely the movement of a dominant stakeholder (no. 4) to the definitive stakeholder class. This can be done by e. gaining powerful ally or by acquiring legitimacy.

2.2.5 Savage's model for stakeholder analysis

Savage et al. (1991), too, present a model for analysing stakeholders. The analysis is based on diagnosing the stakeholder's

- 1) Potential to threaten the organization and
- 2) Potential to cooperate with it.

Savage's framework not only considers the opportunity for the stakeholder to threaten but also the potential for cooperation. The cooperation aspect is relevant, since it can provide the company new possibilities to join forces with the stakeholders which potentially leads to better management and decrease of business risk. (Savage et al., 1991, 62-63)

It needs to be remembered that the relevant stakeholder group always depends on the particular issue at hand. The issue specificity proposes that the stakeholder diagnosis is an ongoing activity. There needs to be ongoing assessment of the stakeholder environment to fully correspond to the demands set by the key stakeholders in any particular time. The analysis needs to be extended to such stakeholders that can influence the organization's decisions alone or in coalition with other stakeholders (stakeholder power in Mitchell et al. 1997). In addition to the above mentioned stakeholder potential to threaten or to cooperate, also the capacity, opportunity and willingness to do so need to be evaluated. (Savage et al., 1991, 62-63)

When analysing the opportunity for stakeholder to be a threat for the company, the power and the relevance on the particular issue are key aspects. This is in line with earlier presented Mitchell et al.'s (1997) model, too. Important factors are also the opportunity and willingness to act on the issue.

The potential to cooperate with the key stakeholder is often forgotten and the threats presented by the stakeholder are many times emphasized. However, Savage et al. (1991) consider the opportunity to cooperate to be equally important. It can lead to better management of business environment because it provides the management an opportunity to expand the spectrum of applied strategies beyond merely using defensive or offensive strategies.

The stakeholder's willingness to cooperate with the organization needs to be regarded. It is easier to cooperate with stakeholders who are dependent on the company or when they are interdependent and perceive a common threat from the business environment.

Savage et. al. (1991, 64) have created set of variables to define factors affecting stakeholder's potential for threat and cooperation (table 1). There is a list of characteristics influencing the stakeholder potential for threat or cooperation with indication on how the factors may affect each type of potential. The factors refer to the power, action orientation and coalition orientation. The final impact of each factor is defined by the history of the company's relations with the stakeholder and by the network of stakeholders influencing the company. Savage et al. believe that by analysing these factors, managers can fine tune stakeholder analysis.

Table 1. Factors Affecting Stakeholder's Potentials for Threat and Cooperation (Savage et al., 1991, 64)

	In creases or decreases stakeholder's potential for threat ?	Increases or decreases stakeholder's potential for cooperation ?
Stakeholder controls key resources (needed by the organization)	Increases	Increases
Stakeholder does not control key resources	Decreases	Either
Stakeholder more powerful than organization	Increases	Either
Stakeholder as powerful as organization	Either	Either
Stakeholder less powerful than organization	Decreases	Increases
Stakeholder likely to take action	Decreases	Increases
Stakeholder likely to take non-supportive 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 organization	Decreases	Increases
Stakeholder unlikely to form any coalition	Decreases	Decreases

Savage et al. have presented the following typology for different kinds of stakeholders (table 2). The typology divides stakeholders into four types. The typology can be seen in the below matrix and it is explained in continuation.

		Stakeholder's potential for threat to organization	
		High	low
Stakeholder's Potential for Cooperation With Organization	high	Stakeholder type 4 MIXED BLESSING Strategy: COLLABORATE	Stakeholder type 1 SUPPORTIVE Strategy: INVOLVE
	low	Stakeholder type 3 NON SUPPORTIVE Strategy: DEFEND	Stakeholder type 2 MARGINAL Strategy: MONITOR

Table 2. The Diagnostic typology of Organizational Stakeholders (Savage et al. 1999, 65)

The type 1 category consists of the Supportive stakeholders. This is the “ideal” stakeholder supporting the organizations goals and actions. This type of stakeholder is low on potential threat but high on potential for cooperation. Managers and staff are usually Supportive stakeholders, but also e.g. suppliers and NGOs may fall into this category. The strategy applied with these stakeholders should be involving them in the relevant issues. This way, the company can encourage best cooperative potential. Savage et al. suggest that stakeholder’s in these group need to be taken into consideration as they are often ignored and so is their potential for cooperation. Suggested methods are e.g. to implement participative management techniques and to increase the decision-making participation of these stakeholders. (Savage et al 1991, 65)

The type 2 stakeholders are the Marginal ones. They are neither threatening, nor cooperative. They may have a stake in the organization and its decision, but are not generally concerned about most issues. These can be such as consumer interest groups or professional associations for employees. There is a great potential for these groups to be shifting to another category when certain relevant issues would arise. Such event would increase either their threat or cooperation. The best strategy is to monitor these stakeholders. The interests of these

stakeholders' are commonly specific and by understanding this, managers can allocate resources efficiently. By recognizing the salient themes for stakeholders in these groups, the management can focus on gaining these groups' support or minimize their opposition in each specific case. (Savage et al 1991, 66)

The type 3 stakeholders are non-supportive. These stakeholders are high on potential threat and low on potential cooperation. Such stakeholders can be for instance competing organizations or sometimes the media. The way to manage these stakeholders are to defend against the non-supportive stakeholders. The aim is to reduce the dependence that forms the basis for the stakeholders' interest in the company. Voluntary actions in key issues, prior to legislative regulation is an exemplary way to execute this strategy. Savage et al. (1991) emphasize that even though this strategy might be necessarily, the managers should always aim to change the position of non-supportive, key stakeholders. (Savage et al 1991, 66-67)

The type 4 stakeholders are Mixed Blessing stakeholders. These stakeholders have high potential to both threaten or to cooperate with the organization. Typically stakeholders in this category are clients and employees in short supply. The strategy to apply with these stakeholders is to collaborate. If the cooperation is maximized, the potentially threatening stakeholders find it difficult to execute this option. Options include commonly joint ventures and other collaborative efforts. Effective collaboration can define the long-term relationship between the company and the stakeholder. If these Mixed blessing stakeholders are not managed properly, they may well end up being non-supportive stakeholders. (Savage et al 1991, 67)

The overarching strategy in this stakeholder management approach is to shift from less favourable relationships to more favourable ones using the above mention strategies (Savage et al 1991, 61). It is essential to keep in mind, that the stakeholder status can change across time and issue as Phillips (131, 2003) states, too. Therefore, managers can and should actively seek to influence those stakeholders in the most unfavourable position to the company.

The benefit of the model by Savage et al. (1991) in comparison to the model by Mitchell et al. (1997) is that it provides a solution for management as to what strategy to apply to each type of stakeholder groups. It also provides a method to analyse in a structured manner the impact the respective group would have on the company.

2.2.5 NGOs as Stakeholders

In the following the focus is on NGOs as stakeholders in corporate responsibility. It has been widely approved fact among scholars that the importance of NGOs has increased in the past decade. According to McIntosh et al (2003, 67) this has been due to the following factors: emerge of civil society, "the death of deference", stakeholder empowerment as well as the globalisation. However, NGOs are not a new phenomena, as Kaldor (2005, 122) points out, but have been recognized already in the end of the 19th century as relevant stakeholders in the society's. Even in 1874 there were 32 registered international NGOs. However, it was not until 1970 that so called new NGOs started to grow in quantity and power.

Civil society is organizations and associations comprising a community which has as aim to construct relationships between social institutions and people. The reason for their existence has been seen to be the general deception of people concerning public sector and governments and therefore the NGOs have found a place in the society occupying the place left empty by the aforementioned. Contributing factors to the increase of NGO power have been found to be also the expansion of technology and ease of communication, deregulation, declining transport costs and hence ease of mobility, freer movement of capital and the liberalization of markets in general. Also, NGOs are found to be more interesting as well as efficient in attracting media attention. They have ability to focus on issues, gain attention and act quickly when there are topics that need to be addressed. They are also good at networking and gaining more power in that way (Argenti, 2004, 94).

The impact of new technologies has been particularly important in the development of NGOs and specifically in the development of small, local NGOs. Development of technology has facilitated the flow of information to every corner of the world. It has also allowed people to create databases and share information widely. (McIntosh, 2002, 80; Argenti, 2004, 92) Local issues have been able to attract attention of global audience. The economic globalisation has brought possibilities for NGOs to operate globally, too. However, it has also created more work for them to balance the inequalities brought by the globalisation. (McIntosh et al. 2003, 67-71)

Contributing factor to the NGOs increase in importance is that NGOs are commonly viewed by public to be trustworthy and only lose that position when cooperating with companies with suspicious goals. (Argenti, 2004, 92) Also, NGOs have gained expertise in their own area of

specialization and can therefore argue reliably against statements made by experts hired by companies (Kaldor, 2005, 126).

The prevalent NGOs standing out in the public are commonly the Northern NGOs which are close to the local governments and the financing sources. They commonly provide some sort of services (such as the Red Cross) and are promoting solidarity and often times are organized in a professional and hierarchic manner. Kaldor argues that the dominance of such NGOs is partly because of the financial support by the local governments to that type of NGOs. Such organizations have been critiqued by mainly African and Latin American NGOs in the grounds that their dependence on financing has driven such NGOs values and causes to be distorted. (Kaldor, 2005, 129-130) Clearly, the dominant NGOs have been critiqued also during the past years' emerge of business-NGO collaboration. Kaldor argues that companies cannot save their image with such cooperation when they operate in business which cannot be defended, such are the oil industry. (Kaldor, 2005, 131) The competence on the business collaboration has also been critiqued to harm the NGO networking which should be part of the NGO character. (Kaldor, 2005, 132)

In the light of Stakeholder theory, the legitimacy of NGOs can be defended. Even if the managers do not consider NGOs to be legitimate on their own, they often do have concerns of issues relevant to normative stakeholder groups, thus, making them derivatively legitimate stakeholders. The organization has stakeholder obligations to normative stakeholder groups. As NGOs are promoting these causes (such as consumer rights and protection of environment), the organization has to consider the NGO in question as its derivative stakeholder. This leads the organization to consider conducting discourse with the NGO due to the stakeholder obligation to the local community and to the individuals in it. (Philipps, 2003, 152-154)

2.3 Engaging Stakeholders in Corporate Responsibility

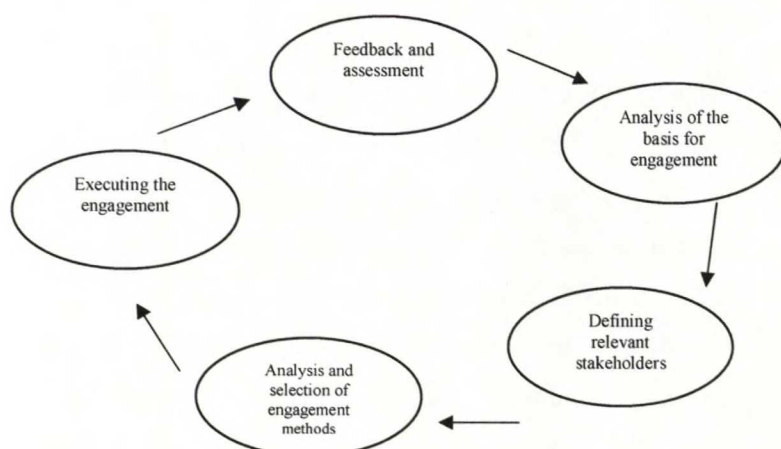
There are several forms of stakeholder engagement. In the following the different options presented in literature are discussed.

According to Greenwood (2007, 317-318) the definition of stakeholder engagement is "practices that the organization undertakes to involve stakeholders in a positive manner in organizational activities". It can be argued that not only acts of responsibility require such actions but also many other areas of the operations require it. It is not restricted to "responsible companies" or to activities of "responsibility" within any given company. By providing only information on CR practices, companies are doing just a little more than just PR. Instead, they should be addressing concerns stakeholders are raising. (Burchell & Cook, 2006, 155) Roberts (2003, 264) agrees with this view as he mentions the corporate codes and reports to be genuine vehicles of corporate responsibility action only when they are supplement and support to a dialogue across the corporate boundary, hence making the engagement the core of the true corporate responsibility.

To start with, company needs to analyze the need for engaging stakeholders and what are the underlying reasons for engagement. To find out the motives, the company needs to clarify the meaning of CR in the strategy. In this phase, also the required resources need to be defined. (Rohweder, 2004, 205-206)

Niskala & Tarna (2003, in Rohweder, 2004, 205) have presented process model for stakeholder engagement (figure 6). The process starts from analyzing the starting point for the engagement. The second phase is defining the relevant stakeholders as well as analyzing the options for engagement method. This is followed by selecting engagement method and finally, feedback and assessing the quality of engagement process.

Figure 6. Process model for stakeholder engagement (Rohweder 2004, 205)



Rohweder (2004) points out that the feedback process is important as it provides the stakeholders with a way of finding out how their views and comments have been taken into consideration in the decision making process. To analyze the quality is important for the company itself. Waddock et al. (2002, 143) also mention feedback as essential in stakeholder dialogue. Companies need to provide stakeholders with appropriate feedback option. The feedback in turn will be used actively in the performance improvement, to learn from past mistakes. In the early years of this decade, Shell used to have an open discussion forum in the internet; Tell Shell. Later on, however the forum has been closed and the company is currently working on a new version of the site. However, as Greenwood (2007, 318) points out, the process is influenced by the power positions represented by the participants. They are not equal in practice and the engagement is conducted in the conditions of the more powerful, usually the company.

Rohweder (2004, 206-207) presents comprehensive model. In her model there are different levels of stakeholder relationships. The stakeholder relationships start form level of informing. However, it cannot be said that it is engagement as stakeholders have no option of stating their opinions on the matter. Going on to the second phase of stakeholder dialogue, the company engages the stakeholders in dialogue and have an option of recognizing stakeholder wants and

needs and have possibility to respond to those. Company can show to its stakeholders the way it operates which can be crucial in case of any confrontational events.

The crucial point in Rohweder's model is that there has been already open discussion prior to any conflicts (Rohweder, 2004, 206; also, EK, 2001, 28). Therefore, in case of such, the communication is easier to keep open and ongoing in order to handle any issues in an effective and timely manner. On the other hand, companies can truly engage stakeholders to the goals of the company. This is relevant to the company because it can both use the expertise of the stakeholders as well as influence the stakeholders' views. Result of this can be cooperative approach or even strategic partnership with aim to create new innovations in product development or in operation processes. A typical example of such is NGO-company cooperation where image, product or service is marketed in such a way that is beneficial for both parties. (Rohweder, 2004, 206-207) Differing from Rohweder's model for stakeholder engagement, Kujala and Kuvala (2002, 130) present stakeholder dialogue as a goal to reach in itself, without the company engaging itself in any deeper relationship.

Zadek (2001, 193-194) presents an example of cooperation with stakeholders. Ahold created a project with other stakeholders to improve the urban planning. The project was in cooperation with a bank, McDonald's and local government with the aim to create investment friendly environment to less well-off areas. In their project they created a plan for the selected area to increase the investment possibilities.

Maignan et al. (2002, 642-645) classify stakeholder engagement strategies into Reactive, Defensive, Accommodative and Proactive. These stakeholder strategies are most likely to evolve over time due to different stakeholder pressures. It is worth noticing that a company can have different strategies concerning distinct stakeholder issues. Company might be quite proactive concerning green buying but ignore minority purchasing. There is historical evidence that companies have not been operating in a consistent manner in CR e.g. they have been deeply engaged in some parts of responsible purchasing and ignorant of others. However, organizational values guide operational values and are crucial in defining the strategy the company uses.

In discussions with stakeholders, companies are pleased to present the company's values, but also try to defend themselves against accusations, which different stakeholders might present. Ketola (2005, 86-96) states that companies use strategies of defence when being accused of acting unethically. These strategies vary between denying, explaining, justifying and agreeing. The strategies are depending on assimilating or rejecting responsibility and the occurred damage.

As a solution for challenges in stakeholder relations Ketola (2005, 95) presents understanding of defence mechanisms of both organisations and individuals. By understanding those, common language could be developed to communicate between company and stakeholders. This language could help to take into consideration the different positions and would make the process of cooperation faster. (Ketola, 2005, 95)

Companies often use defensive language to when they are accused of unethical acts. This leads to negative tone in reports, press releases etc. When companies understand the negative tone, they can benefit from transforming their communication into positive. Ketola states that when companies admit possibly having committed unethical action, they gain empathy from their stakeholders and can find it easier to develop solutions to the situation in cooperation with them. (Ketola, 2005, 108)

Monni & Lehtipuu (2007, 118-123) present model for synergic cooperation. It is based on win-win thinking, stakeholder dialogue and finding solutions benefiting all stakeholders. This requires cooperation and analysis of the business environment from multiple viewpoints. Corporate responsibility is seen as accepting multitude of needs and at the same time people are expected to consider the environment as a whole. In synergic company, people are seen as learning and developing individuals. The approach is oriented towards innovation and finding new solutions: when multitudes of stakeholders are consulted, the possibilities in finding new ways of resolving the issue at hand are more likely to occur. This approach requires devotion to it, but improves the holistic understanding of the environment. In order to be successful in fast changing and complex world, it is necessary to consider stakeholders' views in decision making and to look for win-win solutions. As the focus of the synergic approach lays in considering stakeholders stances, the company needs to take few actions in order to address corporate responsibility issues separately

since they already are engaging in such actions. The approach includes consideration for future generations and therefore cannot operate with minimum input for corporate responsibility.

In practice company has hardly ever resources to be able to solve all arising challenges. Therefore, the company focuses in creating and maintaining reliable and expert network. The company uses active dialogue and aims for innovative solutions. The corporate responsibility is embedded in the company's operations and does not require any additional resources. The relations to local communities and NGOs have impact on the reputation of the company and facilitate planning in a manner that the stakeholders have positive stance towards the company. However, Monni & Lehtipuu (2007) remind that there is no approach that would guarantee success for the company, but that success depends on business know-how and knowing the core business better than the competitors. (Monni & Lehtipuu, 2007, 121)

The value of engaging in any type of interorganizational relationship is difficult to calculate as the benefits and potential costs of such relationship are challenging to evaluate financially. Therefore, the value of interorganizational relationships need to be based on the strategic value for the company, not on economic value. (Barringer & Harrison, 2000, 369)

Carroll & Buchholtz (2003, 84) provide the following questions for consideration of managers assessing strategies and actions to take when dealing with its stakeholders. There are multitude of courses of action available and one or several best ones need to be selected:

- 1) Do we deal directly or indirectly with stakeholders?
- 2) Do we take the offence or the defence in dealing with stakeholders?
- 3) Do we accommodate, negotiate, manipulate or resist stakeholder overtures?
- 4) Do we employ a combination of the above strategies or pursue a singular course of action?

The 4P's of stakeholder partnerships are listed by Andriof (2001, 222) in defining the key issues in cooperation. These "4Ps" consist of the purpose of the partnership, the power relationships between the various partners, the pact between the partners and the process of partnership development.

It has been defined that there are three phases overarching the whole CR scene over time in companies and more specifically in company-NGO cooperation. Egels-Zandén & Wahlqist

(2007, 175-185) call these the *pre-partnership*, *partnership* and *post-partnership* eras. Initially companies were reluctant to go into cooperative engagement methods with NGOs and wanted to define the concept of CR by themselves. Over time, the era of *partnerships* started as it became clear that they needed the legitimization from these stakeholders and the reasonable solution would be to engage with those who both provide the legitimization as well as are the critics of the company. These writers argue that the time of post-partnerships has already begun, at least in some companies and some industries. The post-partnerships are characterized by paradox of marginalization of stakeholders whose approval the companies involved would truly need, but are not able to gain due to the very same: marginalization. The relevant stakeholders (NGOs in this study) are not willing to bow to the wishes of the companies, but want to be heard as an equal partner. An example of this is the retail business initiated BSCI project aiming to provide method to verify the suppliers' compliance to the local legal requirements of workers' rights and work condition. The problem lies in that the definition of the whole model is provided by the businesses themselves. NGOs have critical differing opinions and would want those to be heard in the course of defining the concept. Currently, however, business has only allowed NGOs to be in the Advisory Council which the NGOs have not been able to accept. However, if the NGOs were able to make company representatives change their minds, the whole project would then return to "*partnership*" level, instead of the "*post-partnership*" which the companies are aiming for currently according to Egels-Zandén & Wahlqist (2007, 175-185)

2.3.1 Drivers for engagement

In the following the drivers for collaboration for both companies and NGOs are presented. The past research has focused on the argumentation for a company to engage in corporate responsibility performance rather than on how to execute it. The challenge has been in corporate-NGO engagement in that both have failed to understand the logic by which the other works. (Argenti, 2004, 107-108) It is essential that company perceives its role as a citizen of the community where it operates. Könnölä (2001, 87-88) argues that companies need to consider NGOs within the community since it can demonstrate its active participation in the development of the society by doing so. He refers to projects where the organization can provide its expertise in executing projects. The NGO can then reciprocally provide its own expertise to the company within its own field of specialisation.

Harrison & St. John (1996, 49; 52) raise organizational flexibility as a major benefit of stakeholder engagement. With flexibility the company can reduce environmental change and the costs of responding to it. Engaging stakeholders allow companies to connect with them and to aim for a common goal. In traditional stakeholder management techniques the aim is to satisfy stakeholder demands. The company needs to have understanding and ability to influence the forces in the operating environment. The view is defended by presenting as an example approach to customers. Traditionally, companies would keep their customer within a distant, outside the company. The information of the customer preferences would be flowing back into the company in form of e.g. customer surveys and customer complaints. By taking a new approach to the issue and for example including customers directly to product development and improvement programmes, the company gains important information and is able to adapt the process accordingly. By using such *bridging techniques*, companies can be responsive to its stakeholders and create interdependence between its stakeholders. Stakeholders are a good provider of understanding and predicting important trends in the operating environment.

The benefits of dialogue with stakeholders, according to Kuvaja & Kujala (2002, 86), are securing the company's operational preconditions, creating product and operational innovations, image control as well as anticipating image risks and improving management and employee

interaction skills. Seeking legitimation, getting hold of stakeholders' expertise, developing operations as well as risk management are the four motives presented.

Elkington presents wider spectrum of motives for companies to engage in dialogue (or other form of cooperation) with stakeholders. He lists drivers for NGO engagement to be the markets, NGO credibility, need for external challenge, cross-fertilization of thinking, greater efficiencies in resource allocation, desire to decrease negative public confrontations and desire to engage stakeholders (Elkington & Fennell in Bendell, 2000, 152).

Greenwood (2007, 318) describes the drivers for stakeholder engagement to be versatile. She mentions that the motives can vary depending on the theoretical orientation. It can be claimed that company uses stakeholder engagement for various purposes which can exist within one company depending on the circumstances. It can be used e.g. for compiling contributions, manage risk, to use managerial control or for social construction. It has been also found that companies with orientation to collaboration with stakeholders, usually are better in learning, adapting strategies, creativeness and in keeping away aggressive attacks by NGOs (Argenti, 2004, 96). This same view is shared by Hendry (2006, 81) as he states that firms maintaining proactive, benevolent approach towards NGO stakeholders are selected more often to be allies or partners in interorganizational relationships, whereas other type of approach might cause the company to be target of potentially costly confrontational campaign.

Dialogue has been defended as it has been seen as a form of finding win-win solutions, method of exploration of shared and differing interests, values, needs and fears. It puts focus on the process, not on the issues and it has been argued to strengthen and build relationships between different organizations. In addition, stakeholder dialogue has been seen to be a way to include marginalized people into the development process and in the long run facilitates change in the processes. (Zadek, 2001, 194-195) Moir (2001) adds that dialogue is beneficial since the company has a possibility to learn about themselves, their limitations and possibilities.

The below table 3 presents the drivers of business-NGO alliances presented by SustainAbility (in Elkington, 1997, 230).

Table 3. Drivers of Company-NGO cooperation (Elkington, 1997, 230)

Company Perspective	NGO Perspective
<ul style="list-style-type: none"> • Markets are pushing • NGOs are credible with public • Need for external challenge • Cross-fertilization of thinking • Greater efficiency in resource allocation • Desire to head off negative public confrontations, protect image and reputation • Desire to engage stakeholders 	<ul style="list-style-type: none"> • Markets are interesting • Disenchanted with government as provider of solutions • Need for more resources e.g. funding, technical, management expertise • Business is credible with government • Cross-fertilization of thinking • Access to, e.g. supply chains • Greater leverage

2.3.2 Constraints for engagement

In this section constraints for stakeholder engagement are discussed. Several limiting factors can be identified. According to Rohweder (2004, 209) companies might find stakeholder cooperation as a risk to its existence and therefore can have undefined approach to stakeholder analysis and engagement. Also, committing itself to CR may make company more vulnerable to outside attacks by stakeholders. (Maignan et al., 2002, 645)

Margolish & Walsh (2003, 296) argue that there is no guarantee that the action taken by company towards improving societal situation would actually improve the conditions. Quite contrary, it might even make the situation worse and make the company act less effectively. This creates a risk for the company to take upon projects in corporate responsibility field. Another risk lays in being accused for “green washing” and promoting only self-beneficial goals especially when no measurable outcomes can be identified (Argenti, 2004, 108).

Elkington & Fennell (2000, 152) list the following brakes on partnerships: concern over confidentiality, difficulty of addressing the wide agenda of sustainability-focused groups, inability to deal with quickly changing tendencies of NGOs, desire to protect “weakest link in chain”, short term financial concerns, concern over fragmenting of NGO movement and the corresponding decrease in business value of alliances. In the table 4 the Brakes on cooperation are presented, both business-led as well as NGO-led initiatives.

Table 4. Brakes on Partnerships (Elkington & Fennell, 1998, 51)

Brakes on business-led cooperation	Brakes on NGO-led cooperation
<ul style="list-style-type: none"> • Concerns over confidentiality of information shared with NGO • Difficulties of addressing broadening agenda of sustainability-focused groups • Inability to deal with “schizophrenic” tendencies of NGOs • Desire to protect weakest link in chain • Short-term financial concerns • Concerns over splintering of NGO movement and corresponding reduction in business value of alliances 	<ul style="list-style-type: none"> • Belief that company is only seeking PU benefits, rather than real improvement in CR policies • Perceptions of inconsistency in company environmental behaviour • Conflicts of membership and fundraising base • Decisions to devote energies to protecting environmental regulatory structure

Many companies lack the resources to develop strategies, gather information and implement strategies on operational issues. Others lack the top management engagement. Activities require investments e.g. training and monitoring and may demand the reliance on e.g. more expensive suppliers. (Maignan et al., 2002, 644)

2.3.3 Types of corporate-NGO relationships

This section starts off on the distinct types of roles NGOs are considered to have from business point of view. It is evident that the role of an NGO can vary greatly depending on the type of relationship developed between the company and the NGOs. For a company it is important to recognize these variations in order to be able to design its responses accordingly.

NGOs come in variety of forms and with very differing motivations and resources. Therefore, it is important for companies to define the motivation and goals in order to understand truly where they are heading. (McIntosh et al. 2003, 36)

Elkington & Fennel (1998, 56) have developed typology of NGOs to describe the characteristics of each type of NGO. The typology is presented in table 5. On one side the NGO is defined by its role in continuum of Integrator – Polarizer and on the other axis by its role in the continuum of Discriminator – Non-discriminator of companies.

NGO Characteristics	Polariser:	Integrator:
	<ul style="list-style-type: none"> • Business unfriendly; • Avoids alliances with companies; • Prefers confrontation to collaboration. 	<ul style="list-style-type: none"> • Business friendly; • Seeks productive relationships with companies; • Prefers collaboration to confrontation.
Discriminator: <ul style="list-style-type: none"> • Scrutinises company performance; • Takes relative environmental progress into account in target and partner selection. 	Orca <ul style="list-style-type: none"> • Intelligent and strategic; • Can adapt behaviour but prefers to use fear; • Appears fierce; • Associates with its own kind. 	Dolphin <ul style="list-style-type: none"> • intelligent and creative; • adapts behaviour but strategic in approach; • can fend off sharks; • can be loner or intensely social.
Non-discriminator: <ul style="list-style-type: none"> • Ignores company performance; • Tends to view all companies as fair game. 	Shark <ul style="list-style-type: none"> • Relatively low intelligence • Tactical but indiscriminating in terms of targets; • Associates with own kind; • Swims and attacks in packs. 	Sea Lion <ul style="list-style-type: none"> • moderate intelligence; • tactical & friendly; • menu item for sharks and orcas; • safety in numbers, stay in shallow waters.

Table 5. NGO Typology (Elkington et al. 1998, 56)

McIntosh et al. (2003, 38) criticize Elkington's typology by arguing that it has too corporate centric approach as well as it perhaps is too simplistic way of describing the current NGO field. However, they also mention that the classification is more analytical way of viewing NGOs than what is commonly presented in the media.

McIntosh et al. present (2003, 74-79) the following types of NGO engagement. NGOs engaging in confrontational role are the most stereotypical one. Companies can find it extremely harmful as well as challenging to face NGOs attacking them. By the quick spread of information in the internet, the NGOs have gained power when it comes to confrontational approach. Therefore, it can be argued, the corporations have found to be forced to admit the power of the NGOs possess.

An effective way for NGOs to gain access to corporate decision making has been to purchase stock of the company which allows legal access to the shareholder meeting and permits the NGO to address the meeting and raise topics to the agenda they want to promote. An example of this is NGOs pressuring Starbucks to start selling fair trade coffee. (see e.g. Argenti, 2004)

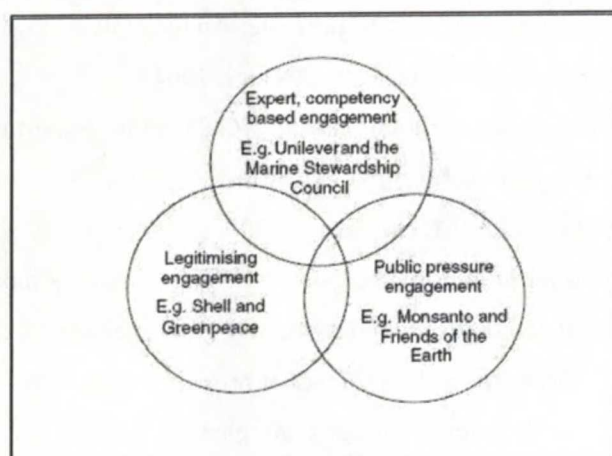
The following level of relationship between the corporations and NGOs is the supporting type. Commonly these are understood to cover mainly financial aid in projects or events seen beneficial by the company in question e.g. sponsorship. (McIntosh et al., 2003, 74-79)

The role of NGOs as endorser is increasing in importance. NGOs are engaging ever more access to development of codes of conduct and standards. When more and more manufacturers are outsourcing their manufacturing to distant locations, codes of conduct provide means to try to assure the level of the human rights applied in the manufacturing. Examples are such as social accounting standard SA8000, focusing on workers' rights, and Council on Economic Priorities (CEP) developing social auditing initiatives. (McIntosh et al., 2003, 74-79)

Moving to more developed ways of cooperation, companies and NGOs can engage in formal communications and dialogue. Examples of such strategic dialogues are for instance dialogue between UK company Wessex Water and NGO Forum for the Future in order to develop a sustainable building in the UK. Also Shell noticed the importance of more open dialogue with its stakeholders as it was faced several times by difficulties. The company engaged in negotiations with NGOs providing long term strategic role to them. (McIntosh et al., 2003, 74-79)

Zadek (2001, 81) has created the following NGO approach classification. The roles NGOs have in relation to corporate world have been found to vary from expert role, to legitimising and to public pressure roles. Figure 7 illustrates the varying positions NGOs can take. The important detail to remember is that the NGOs can be occupying different approaches over time, but also even simultaneously have different approaches when distinct issues are discussed.

Figure 7. NGO approaches to changing the world. (McIntosh et al. 2003, 74)



The most extensive typology for NGO-company relationship is presented by Elkington & Fennell (2000, 154). They have identified nine different types of relationships, activities included in those, the activities company engages in and the main target audience in the activities. Table 6 clarifies these different relationships.

Table 6. Types of company-NGO relationship (Elkington and Fennell, 2000, 154)

Type	Activities	Company participation level	Target audience
Challenge	Media campaigns, boycotts	Reactive response	Customers, shareholders
Sparring partner	Periodic exchanges; "healthy conflict"	Reactive or proactive response; formal or informal communication mechanism	NGOs; regulators
Support	Charitable giving; sponsorship; gifts in kind; secondments	Primarily financial contribution to support project	Customers; public
Product Endorsement	Endorsement by NGO; eco-labelling	Initial audit/assessment of operations/practices; ongoing information exchange/verification	Customers; NGOs
Company endorsement	Ratings; certification	Initial audit of operations; practices, reporting; ongoing information exchange/verification	Shareholders; NGOs
Site or project dialogue	Environmental mediation; EIAs	Formal communication process; joint agenda-development	Communities; NGOs
Strategy Dialogue	Discussions over business issues	Joint agenda-development; research; formal communication process and results dissemination	NGOs; regulators
Project joint venture	Formal partnership for duration of project	Project planning and development; financial support	Communities; NGOs
Strategic joint venture	Formal partnership or public alliance	Full business participation; jointly developed principles or strategy	NGOs; public

Rondinelli & London (2002, 204) present another typology of corporate-NGO environmental collaboration. Their typology concentrates on also identifying the primary tangible benefit flow. Looking at table 7, it is clear to see which types of cooperation methods are most beneficial for the company involved; namely, NGO certification of corporate business practices, Environmental Awareness and education collaboration and environmental management alliances. However, this typology only concentrates on environmental issues and expects the benefits to be attainable to the participants only, not to e.g. the natural environment.

Table 7. Types of corporate-NGO environmental collaboration (Rondinelli & London, 2002)

Types of corporate-NGO relationship	Examples of collaboration	Primary tangible benefit flow
1. Corporate contributions and gifts to NGOs	<ul style="list-style-type: none"> Hewlett-Packard's donation of GIS and mapping equipment to 150 US conservation groups 	NGO stakeholder
2. Corporate support for employee participation in NGO activities	<ul style="list-style-type: none"> AT&T's corporate programme to pay employees for a day dedicated to volunteering with NGO or community organization 	NGO stakeholder
3. Corporate-NGO marketing affiliations	<ul style="list-style-type: none"> Milton Bradley licence for Sierra Club name on jigsaw puzzles 	NGO stakeholder
4. Targeted project support	<ul style="list-style-type: none"> Johnson & Johnson support for The Nature Conservancy project on biodiversity protection in Latin America 	NGO stakeholder
5. NGO certification of corporate business practices	<ul style="list-style-type: none"> Unilever and WWF establishment of the Marine Stewardship Council Forest Stewardship Council's certification of wood products corporations' timber purchasing practices 	Corporate partner
6. Environmental awareness and education collaborations	<ul style="list-style-type: none"> Business for Social Responsibility's "Business and the Environment" programme 	Corporate partner
7. Environmental management alliances	<ul style="list-style-type: none"> Norm Thompson Outfitters project with the Alliance for Environmental Innovation to reduce energy and resource use SC Johnson and The Alliance for Environmental Innovation joint task force on assessing environmental impacts of new products 	Corporate partner

Key issues in creating successful partnership with NGO, according to Fowler and Heap (2000, 147), are agreeing on a well-defined but flexible plan setting common ground for the partnership,

allocating sufficiently resources, assuring of the professional level of NGO staff, assuring of the company's capability to deal with NGOs i.e. the personalities of the key people involved in the process and finally, mutual understanding of operational logic.

Plante and Bendell (2000, 190) argue that the relationships in order to be successful and beneficial to the company, needs to occur on on-going basis. They state that the mere knowing of where the company is located in the "map of responsibility issues" is not sufficient for gaining the best outcome of collaboration with NGO. The key is to be in constant contact with the informants (NGOs) and tie the approach to the company's philosophy tying it to the ideas and information of the partner NGO. Only by constantly and on-going basis talking to NGOs, can the company be able to understand the changing environment and society where it operates.

Waddell (2000) has presented the following functions for NGOs in business strategies (table 8). He argues that the modern relationships between companies and NGOs are not based on philanthropy. He continues that the goal for such relationships is to address the core corporate business goals and the relationships are developed with core business functions in mind: marketing, product development, strategy and planning and product delivery. Intersectoral relationships have particular complexity in them, as the organizations have such a differing goals, cultures and perceptions on world. An example of such is "goal", which commonly in business world means quantifiable outcome, where as for an NGO it may mean something with a less precise meaning. (Waddell, 2000, 193-194, ed. Bendell)

Table 8: NGO functions in business strategies (Waddell, 2000, 194, ed. Bendell)

Corporate Goal	NGO function
Risk Management and reduction	<ul style="list-style-type: none"> • Providing stakeholder views as early warning of possible problems • Integrating business and community goals • Creating and enforcing popularly supported standards, codes, etc.
Cost Reduction and productivity gains	<ul style="list-style-type: none"> • Negotiating community benefits and role • Supporting transparent processes • Educating publics • Leveraging non-tax status • Accessing altruistic energy
New Product development	<ul style="list-style-type: none"> • Providing knowledge about communities and their resources • Lobbying for regulatory change • Providing knowledge about technical issues • Providing linkages to non-commercial creativity
New Market Development	<ul style="list-style-type: none"> • Aggregating small and poor markets to profitable size • Extending a trusting public image • Creating demand through new business development • Providing delivery support • Educating communities about new approaches
Human resource development	<ul style="list-style-type: none"> • Teaching and training about specific communities • Providing inspirational outlets for employees and boosting morale • Monitoring standards
Production chain organising	<ul style="list-style-type: none"> • Organizing all the chain players for total quality improvement strategies
Building barriers to entry	<ul style="list-style-type: none"> • Building distinctive image • Linking to a distinctive market
Creativity and change	<ul style="list-style-type: none"> • Providing alternative viewpoints to reveal unrecognised assumptions and develop new integrative strategies

Dialogue

In this chapter, dialogue as an engagement form is discussed since it is often times the initiating act of stakeholder engagement.

When company engages in CR policies, it at the same time is responsible to its stakeholders. Although stakeholder engagement and especially stakeholder dialogue is seen as another commitment company should make, it is also an opportunity for learning and for preventive work (Kujala & Kuvala, 2002, 84-85; Lawrence 2002 in Burchell & Cook, 2006, 199). With help of dialogue company can enable its stakeholder to see company's point of view and the possibilities it has in its operations. On the other hand, the stakeholders try to bring their

viewpoint to be heard and to gain supporters inside the company. In a successful dialogue, both company and stakeholder group start to understand each others point of views and motives which secures the company's position and diminishes the need of stakeholders to publicly criticize the company. The dialogue can also create a long term liaison which commits the two parties to each others goals. (Kujala & Kuvala, 2002, 84-85) Another benefit business can obtain from collaboration with NGO is its potential to provide "early-mover" advantage to the company (Stafford et al., 2000, 133).

Crane & Livesey (2003, in Burchell & Cook, 2006, 155) argue that as the communication process in itself is a two way process and therefore it is justified that companies take into consideration stakeholders arguments. Some companies have indeed proceeded from this state of "informing" to an interaction state where stakeholders are actively integrated into company's responsibility activities, i.e. into stakeholder dialogue.

Stakeholder dialogue is not a new way for a company to communicate with its interest groups. All companies are familiar with having an open discussion with customers, subcontractors, officials etc. However, the groups to be included in the dialogue are new. This increases the amount of distinct groups that the company needs to consider in its decision making processes, if it so wishes. The most important factor in successful dialogue is the attitude the company has towards it. Appreciating the stakeholders and their expertise is crucial. (Kujala & Kuvaja, 2002, 86-88) Stakeholder dialogue is essential for knowledge generation and exchange, establishment and maintenance of trust and understanding (Zadek, 2001, 192).

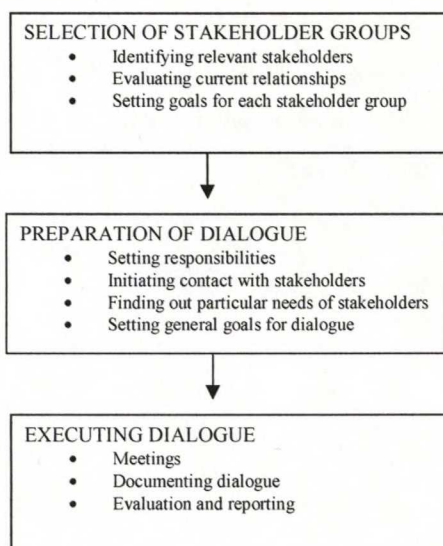
It has been argued that Finland lies in an exceptional position globally in the corporate-NGO setting. Traditionally in Finland any individual member of society has known personally someone working in a large international corporation. Hence, the companies have been seen as regular workplaces where common people work. However, when considering the topic globally, in many nations many groups of people have no contact with MNCs and therefore individuals have perceived large companies as mostly enemies. (Laitinen, 1999, 138) This might explain to some extent also the more intense power of NGOs globally compared to Finland. This should be kept in mind when Finnish companies are expanding globally and start to operate in foreign

cultures, be it subcontracting or purchasing or any other form of international operation, as it might provide challenges unseen before. However, also in Finland already in the 1990's (Laitinen, 1999, 139-141) companies were recognising the opportunities stakeholder dialogue might provide by increasing awareness of other approaches represented by various NGOs.

Dialogue, as a form of stakeholder engagement usually arises either organically or by structured means. Zadek (2001, 194) argues that themes discussed in structured dialogues are usually the ones which have arisen in organic ones. This is combined with the goal of the company to be seen as willing and able to listen and to create reasonable, legitimate and feasible solutions.

Kujala and Kuvaja (2002, p.130-157) present a framework for initiation of stakeholder dialogue. The decision to conduct dialogue with an NGO needs to be embedded in the strategic level management and the top management needs to be committed to it. It is important that the people working with the dialogue process will be granted the support and resources needed for it to be successful. The process for stakeholder dialogue presented by Kuvaja and Kujala (2002, 133) proceeds as seen in Figure 8.

Figure 8. Dialogue process by Kujala & Kuvaja (2003, 133)



The company needs to focus on the results of the dialogue: what information has been acquired from the stakeholders and how this information will be taken into consideration in strategic level decision making?

2.3.5 Ethical topics in Food Retailing Sector

Lovio (2004, 60, ed. Heiskanen) presents some topics related to trade in food sector where NGOs can be active. These are such as environmental policy and strategy, environmental certificates, impact on environment by logistics, environmental products and their position related to other similar products. Topics relevant to environmental organizations are more global, concerning the environmental issues and possible latent environmental risks in short and in long term.

There are many additional themes relevant to responsibility in the food sector. Some common themes are local food, ecological production, Fair Trade, MNC in food sector, distribution of vegetable and animal based diet. (Särs, 2003) There are wide spreading consequences of food trade on the well-being of people all over the world. Laaksonen (2003, 19, ed. Särs) states that in export oriented producer markets the power lies in the hands of MNCs, land owners and the power elite of the country. This leaves often large portion of the nation without protection. This is just an example of the complex issue of global food production currently. The impact global trading of food leaves on the producing countries can be measured by for instance with Ecological footprint¹ (Hakanen, 2004, 85-89).

¹ Ecological footprint is a tool used to determine how much land and water is needed to produce the amount of consumables and the waste it creates (Global Footprint Network, accessed 24.10.2007).

2.4 Model for company-NGO collaboration

The following model has been developed based on the earlier presented literature in order to understand the development of company-NGO collaboration and the factors impacting it.

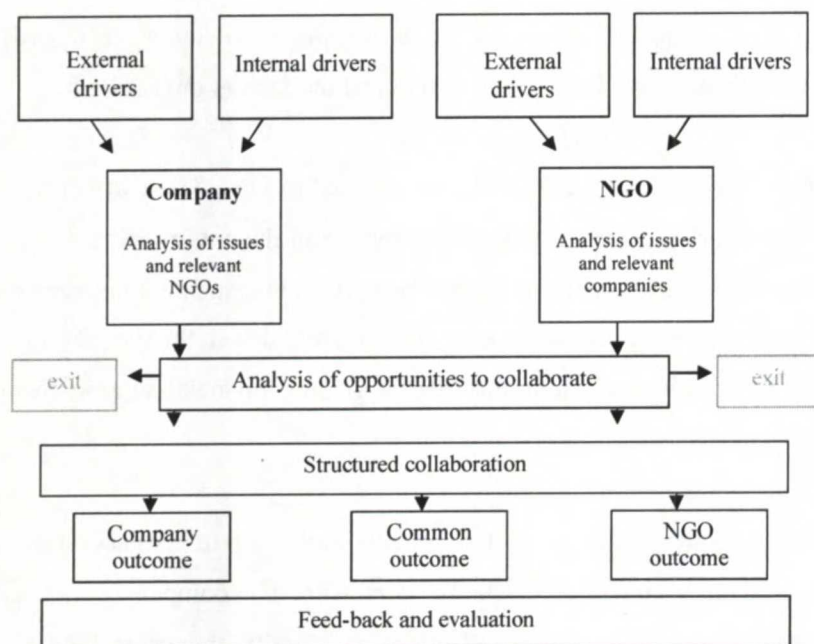
The process initiates with the influence of the internal and external drivers. These affect both the company and the NGO. The external drivers are often pressure from the environment e.g. public pressure or pressure from customers. Internal drivers can be such as management engagement in CR issues, better image or expected e.g. financial gain. The internal driver for the NGO can be e.g. promoting their cause efficiently through companies, or gaining financial support from the company.

There needs to exist internal process to evaluate the benefits and risks for collaboration both within the company, as well as within the NGO. To start with, the company can use e.g. Mitchell's stakeholder analysis model or Savage's model to identify the critical NGOs. In addition to establish the external process, the company needs clarify the internal process of the engagement: e.g. is the top management supporting collaboration and who has the responsibility managing the collaboration. After the process is clarified internally, only then can the company and NGO start to have initial discussions with each other to define the possibilities for collaboration. At any point in time, the participants can leave the negotiation table, e.g. if no consensus can be reached or the negotiating is taking up too much resources with little benefits to provide to the participants. In this phase the collaboration is agreed upon and the desired outcome is defined. If the collaboration is seen to provide value for both the company as well as the NGO, the structured cooperation starts.

The outcomes can be beneficial for the company (information gaining, decreasing risks, improving product or process etc.) or they can be beneficial for the NGO (gaining financing which facilitates execution of own program, minimizing environmental affect of the company's manufacturing process or disseminating information to the business world). Or, finally, the outcome can be beneficial for the society or natural environment in large.

After the cooperation process, feed-back needs to be collected, analysed and evaluated in order to develop and improve the engagement process continually.

Figure 9. Model for Company-NGO collaboration.



3 METHOD OF RESEARCH

This chapter introduces the used method. First, the method is described and justified. Second, the method of analysis is clarified. Third, the data collection is reviewed. Fourth, the methods of data analysis are explained. And finally, this sections ends with discussion on the validity and reliability of the study.

3.1 The research method – qualitative

This study is based on qualitative research method. This method was selected because the aim of the study is to create new information concerning the issue at hand and qualitative method is better suited for this purpose than quantitative. As Tuomi et al. (2006) mention, the initial research question define already the method to some extend. In order to study area where there is little information initially, the best approach is qualitative research. However, it is important to notice that already when creating the research questions, the values of the researcher are impacting the way the research problem is defined. The research problem defines largely the method and strategy applied in the study. (Tuomi 2002, 69-70) It is important to consider the different options as how to analyse the empirical material before conducting the interviews or analysis of written documents as Kvale recommends (in Tuomi, 2002, 71) The selection of qualitative method is supported by Eskola and Suoranta (1998, 13) when they mention that in qualitative surveys the aim is to provide a description of the topic. This study is descriptive and exploratory.

3.2 Material

In the following, the selection of data used for this study is evaluated. In general, the most common ways to collect empirical evidence are based on interviews, surveys, contemplating and written documents. When conducting this study, both written documentation as well as interviews were used. Firstly, Corporate Responsibility reports were analysed in order to gain information on the European retail sectors' practices concerning cooperation with NGOs. This analysis was followed by interviews. As it will be later on discussed, it can be beneficial to

combine for instance several forms of material, methods, theories or to use several researchers, i.e. to use triangulation of some form.

3.2.1 Written material

Written sources should not be forgotten in any research (Koskinen et al 2005, 131-132). They provide reliable source of information, especially when looking into the past. Written documentation is also a manner to get into the core of complex issues. Many processes in business world are so complex that no-one can know them without any written documentation. Especially when the case is such (and several people are needed to know the issue thoroughly) Koskinen et al. (2005) recommend starting the investigation from written documentation. Reading and filing written documentation is also an easy way to start a research. In addition, they provide accessible and affordable way of getting hold of information. Getting hold of information on global companies would require a large budget and great amount of time. This resource restriction can be nowadays easily overcome by using documentation available at the companies' websites, also in this study.

Some drawbacks associated with the use of written documentation are for instance the amount of written documentation available nowadays which is often overwhelming. Getting hold of certain documentation can be challenging especially when companies are keeping documentation confidential because of their own interests or organisational culture. Looking for written documentation is not necessarily easy and the material is not developed for the needs of the researcher. The most important challenge researcher faces when using written documentation as a source, and the most valid one in this research, is the fact that not everything is documented and available publicly. Written documentation is biased in many ways. The published and publicly available written documentation consists often times of the "most important" and of the highly polished written texts, the image available does not necessarily reflect the true picture. Therefore, when possible, written documentation should be backed up with information from private and classified sources. (Koskinen et. al., 2005, 142)

In this study the empirical evidence in form of written documentation are the aforementioned CR reports of the selected European retail companies. The use of these documents can be supported by the expected reliability of these reports as well as ease of access

to the documents as companies provide them on their websites. Both time and financial restrictions create limitations to this study and also therefore the use of CR reports is supported. Even though the reports are not created on the same basis in each company even within the same industry (retail), they are however considered as most reliable information on CR available outside the company. As the amount of reports was limited due to the selected industry as well as geographic scope (Europe) it is more feasible to obtain better understanding of the empirical evidence (Eskola, 1998, 119). The reports were downloaded from the companies' websites in pdf form and saved for an easy reference later on during the process of the research. Many companies provide information on their websites in full and even exceed the information provided in the pdf form CR reports. However, as there are no reasonable means to save the information companies provide in their website, only pdf form reports were selected for the analysis.

The CR reports are drafted and proofread several times by the companies. The information companies provide in their reports are monitored internally and it can be expected that only information beneficial to the company in question has made its way to the final version of the report. Hence, the picture the CR reports provide of the companies cooperation with NGOs biased. However, the CR reports are the only relevant documents available for the researcher concerning the topic and therefore selected as a source for the analysis.

The CR reports were obtained from the corporate websites. These reports were then read and the items related to corporate NGO cooperation were written down to a file. It was clear that the provided reports were of very varying quality. Some were very detailed and others seemed to offer merely a glimpse of the company's operations. Despite the varying level of detail these in these reports, they were all considered as important information providers on how the company in question had been active in the CR field in general and in the NGO-company cooperation field in specific. The information obtained in phase 1 of the study from the CR reports completes the information obtained from the interviews conducted in phase 2. The interviews as material as explained in the following chapter.

3.2.2 Interviews

In qualitative research the use of interviews is rather straightforward. (Tuomi 2002, 74) When there is need to find out what are the thoughts of selected people on certain issue or why the

person takes certain actions in relation to a theme, the most convenient way to find out their motives is to ask directly from them, i.e. conduct an interview. The major benefit of interview as a research method is its flexibility. The interviewer plays an important role in the interview and can impact with his/her personality greatly to the result of the interview. Also, he can repeat questions and obtain additional information on issues that seem relevant during the interview. The fact that the interview is conducted by discussion, gives the interviewee better possibility of expressing himself in the way he meant to and both parties of the interview can control the way what is said is understood. Regarding flexibility, the interview also is flexible in the order issues are discussed. When something interesting appears during the discussion which is linked to another theme, the interviewer can reorganize the themes and allow the informer to tell his view as he wishes. The aim of an interview is generally to obtain as much as information as possible on a certain theme. This fact is enhanced by offering beforehand the themes of the interview or the exact questions to the person being interviewed. Also, often when the time of the interview is already agreed upon, the interviewees hardly ever cancel their participation. This differs highly for example from questioners.

Often practical reasons justify interview as a method. As Koskinen et al. (2005, 106) highlight, interview is often times the only means to obtain certain information. It also adds to using other methods, such as using documentation as a resource. This so called triangulation is beneficial to the study and its validity, as discussed in detail later on in this chapter.

Semi-structured interview is based on the framework of the theme. Open ended questions are asked and it depends on the interviewer if the same questions are asked in the same order from all the people interviewed. Great variation can be found among semi-structured interviews. They can vary from strictly structured to almost an open interview. It is worth noticing that when creating the questions or themes for the interview, it needs to be noted that the way the terminology is understood has a huge impact on the expected results of the interviews (Tuomi et al. 2002, 76-79)

The major drawbacks of interview as a research method are the time and money needed to obtain the data (Tuomi, 2002, 76). It is highly time-consuming to conduct the interviews as well then to analyse them. Also, travelling to the interviews and possible recording equipment create a financial burden on this method. In this case, both the time available as well as the limited

resources (only one researcher) to conduct the study set limits for the amount of interviews. However, it is not considered as a major limitation as the amount of interviews required is relatively low since the aim is to create new information from a limited amount of informants using qualitative method. As mentioned earlier, qualitative method requires less data in order to be valid as compared to quantitative one.

Interviews provide indirect information. In an interview information is obtained on how the person being interviewed observes the situation and does not provide objective description of the issue which Koskinen et al. (2005, 106) see as one of the disadvantages of interview. However, this argument can be applied to written documents as well as they produced by people and will be influenced by the writer or someone editing the text later on. Related to this, as Miles and Huberman (1994, 268) mention, the data from some interviewed people is better. Some people are simply better at giving interviews and have more information concerning the issue you are interested in. However, one cannot know prior to the interview who will be a good interviewee, so the researcher will be facing the possibility of interviewing a “wrong” kind of a person. All in all, there is no particular method for obtaining the final truth on any phenomena, but rather perceptions of the people involved in them (Tuomi et al., 2006, 75).

The NGOs were selected for the study using discretionary sample. They were selected according to the observed suitability to the case company's activities. The NGO's operate locally in the same geographic area and are publicly known to have relevant topics in their agenda and be otherwise suitable for more detailed study concerning cooperation with companies. The NGOs filled the expectations set for them in this respect. The sample was suitable for this study as the aim is to explore potential cooperation partners for a particular company.

The key informant interview is used in this study. It is based on interviewing people who are selected because of their specific personal experience on the issue. The key informant interview is especially beneficial when there is need to define characteristics of an issue by asking people seen to be experts in the particular field. Also, key informant interview is good method when there is need to get new information on the issue (Jankowics 2005, 278-279). This is precisely the aim of this study, to gain information on the cooperation methods of retail companies and NGOs as well as on NGOs views on company-NGO cooperation. As the study's main focus is to find ways how NGOs could cooperate with retail companies and to find ways the

case company can best benefit of possible cooperation, it is most sensible to ask directly from the NGO representatives their opinions and points of view to the issue as Tuomi indicates (2006, 75).

The questions for the semi-structured interview were formulated from the analysis of the written documents, i.e. the CR reports. Prior to the interview the interviewees were provided with the themes of the interview. This was done in order to enhance the quality of information received during the interviews as well as in order to facilitate interviewing.

In this study, the interviews were based on the following: The interviews were conducted with the selected organisations during November-December 2007. The persons interviewed were holding positions of the general secretary, operational manager or marketing manager. These people were selected as they were able to provide the point of view of the whole organization and to give reliable answers concerning the organizations future strategy. Also, these people had the authority to give trustworthy answers concerning the interest to collaborate with the case company. Interviews were conducted in the organizations own premises and recorded.

Tuomi et al (2002, 87) mention that the quantity of material is not necessarily the main issue when discussing the validity of qualitative thesis studies. This is due to the fact that qualitative research aims to describe a phenomena or event, understand certain action or to give theoretically valid interpretation to a phenomenon. The aim of qualitative study is not to reach statistical generalization. The most important issue is that the people interviewed for the study are the right people. They need to have relevant knowledge or experience on the subject. Therefore, the selection of the interviewees needs to be carefully conducted and suitable for the study at hand. In this study the above mentioned was reached successfully.

3.3 Method of analysis

In this study the method of content analysis was selected. The method is used as Tuomi et al. (2006, 93;110-111) present it (modified from Timo Laine's work as well as Miles & Huberman 1984). This is a basic method of analysis which can be used for all qualitative research (Tuomi et al. (2006, 93).

This survey consisted of two phases: the aim was to find the patterns currently prevalent in the sector in Europe and on the other hand, to collect the perceptions of the selected NGOs have on the development of such collaboration currently and in the near future. With the results of these two related issues, recommendations for the NGO cooperation for the case company are to be developed. As in the latter part, the aim is to find homogeneity within the group of NGOs, it is justified that the required amount of interviews is rather small (Tuomi, 92, 2006). Also, the overall group of NGOs relevant to the case company can be expected to be rather small, and therefore there is no need for findings to be supported by statistical analysis. Also, the aim is to describe the common aspects of European retail companies' cooperation with NGOs, i.e. to find homogeneity in the empirical evidence.

The content analysis on the existing written documentation was based on the model described by Tuomi (2006, 94-95). It was initially described by researcher Timo Laine from the University of Jyväskylä. This guide was found to be straightforward and practical in this research. Therefore the method was selected and the written documentation was analysed using it. In the following the steps are presented.

1. First, the CR reports of the companies were selected as suitable empirical evidence for the purpose of the study. They were selected as they are documents available publicly and it can be expected that these reports include information relevant to the study.
2. The reports were read through and the sections discussing NGOs were selected and themes, organizations, methods of cooperation were written down to an excel sheet (reduction of the material). This process was repeated for each of the selected companies. Rest of the reports were left out of the analysis.
3. The data collected was then classified and sorted in themes which are consecutively organized in groups belonging to the same subcategory (forming clusters of the material).
4. The report was drafted and written.

The interviews were analysed using Miles & Huberman's and Tuomi et al.'s (2006, 110-115) suggestion for a process of conducting content analysis for data in interviews.

3.4 Triangulation

Triangulation is often presented as beneficial in literature. However, as Eskola and Suoranta (1998) comment, there is no need to aim for triangulation for its own sake. In this research triangulation comes naturally and it is beneficial when aiming to conduct a survey in order to create a “map” for the theme. Triangulation means the combination of several different methodologies, empirical materials, researchers or theories in the research (Eskola & Suoranta, 1998, 69). The reason for triangulation is related to the validity of the research. It is also way to provide confirmation or completeness to the study. It is meant to provide different points of view due to the different methods, empirical material, researchers or theories. It is argued that the reality of the world and different methods only provide one point of view each (Tuomi, 2006, 141). Hence, several methods need to be combined in order to provide comprehensive results. However, it is also argued that triangulation should not be used for its own sake but only when it truly provides added value for the study (Eskola, 1998, 71). In this study triangulation can be justified, namely, cross-method triangulation as well as cross-strategy triangulation as explained in the following.

Triangulation is used to proof the support of the findings, and at least proof that there is no clear contradiction (Miles and Huberman, 1994, 267). In this study method triangulation is used (combining written documents with interviews). Other types of triangulation are: data source (persons, times, places), data type (qualitative text, recordings, quantitative), researcher (several investigators) and theory triangulation. Miles and Huberman (1994, 267) argue that triangulation is inevitable, even when one does not aim for it, one is bound to reach it. As you are moving on in your study and checking different sources for the same data, you are going to be heading to triangulation.

In this study the empirical material used are both written material (the CR reports of the selected companies) and theme interviews conducted with NGO representatives. Here, the written reports provided the initial means to recognise the themes and methods used by the companies. After that, the interviews provided more in-depth way to analyse how the NGOs would like to the field to develop as well as they give the point of view of the other counterpart in the possible

cooperation. At the same time, two different research strategies are used: the methodologies used here provide another category of triangulation. In this study, analyses of documents as well as of interviews are conducted. Therefore, it can be concluded that the triangulation is justified and is not forced. Rather, it comes naturally as part of the research. It is also beneficial as by analysing the written documentation initially, the main themes, methods and approaches can be recognised and analysed, followed by the analysis of the interviews which provide more depth to the study.

3.5 Saturation

Saturation is not as relevant factor in qualitative research as it is in quantitative. This yields from the fact that in quantitative research, the goal is to find statistical support for the findings. In qualitative study, the goal is to describe and define a phenomenon which does not require statistical support. As what comes to the written material in this study, the amount of CR reports analysed is sufficient considering the available resources for the study. The aim of this study is to find similarities among the European retail companies in their ways of cooperation with NGOs and to describe the current state of the cooperation field. It is argued that the amount of needed empirical evidence is less than when searching for heterogeneity in the empirical evidence. Actually, when searching for heterogeneity there is no point of saturation as one cannot determine beforehand if all the distinctive factors have been identified. (Tuomi 2002, 89-91)

3.6 Reliability and Validity

As Eskola & Suoranta (1998) underline, in qualitative research the evaluation of the quality is simplified to concern the reliability of the research process. In qualitative research the researcher as a person with his/her beliefs and assumptions have great impact on the interpretation of the material and this impact cannot be ruled out when evaluating the results. One cannot conduct the research or write the report on the results without any personal impact. It cannot be denied that the researcher himself/herself, in fact, is the most central instrument of the whole research. (Eskola & Suoranta, 1998, 211).

Eskola & Suoranta (1998, 215) present Mäkelä's (1990) definitions of the internal and external validity which refer to the significance of the material, the coverage of the material and the sufficient level of analysis where the interpretations should not be based on random selections from the material. It is also essential that the reader can evaluate and reproduce the study (however, it can be criticized that this goal seems irrelevant and one can hardly in reality repeat a study only by reading the final report, however good it might be). It needs to be made easy for the reader to follow through the thinking process of the researcher.

Miles and Huberman (1994) also refer to the same when discussing the internal and external validity. They capture the internal validity as the truth value. With this they mean the overall sensibility of the findings as whether or not they are credible and provide an authentic portrait of the topic. The external validity is depicted as the transferability of the results to another context (Eskola 1998, 278-279). As a tool how to provide the reader with easier understanding of the researcher's thinking process, Mäkelä (1990) suggests offering excerpts of the research material in the final report where applicable (Eskola et al. 1998, 220). This advice has been applied in this report.

4 EMPIRICAL FINDINGS AND ANALYSIS

This section presents the findings and analysis of the study. After this, the main characteristics of the selected European retail companies are discussed and the way they are engaging in cooperation with NGO. The CR reports were used as source of data due to the economic restrictions set by the fact that this study is Master's thesis and restrictions apply. Also, considering that the response rate to any email survey can be expected to be low, the possibility of conducting one was left out. There were certain limitations to the sources used to obtain data. These restrictions were outlined in the earlier chapter and mainly are related to the common characteristics of the written documentation as Koskelainen et al. (2005, 132) present it. The reason to conduct this preliminary study was to outline the themes and NGOs the retailers have engaged in their corporate responsibility in Europe. The preliminary study gave direction and focus to the interviews conducted with the NGOs in the second phase.

4.1 European Retailers cooperating with NGOs

The biggest European retail companies were selected for the study. These companies were selected for the analysis as they are representative selection of European Retail companies and provide a cross-section of the current players in the European retail sector. The selection of companies was limited by the availability of CR information from the company's website as well as by the option to obtain the information in a language which the author was able to understand.

The retail companies included in this preliminary study are all employers of several thousands of people each. Many operate in several businesses, commonly retailing, travel and financing, some even in manufacturing. They operate in Europe, but the biggest players are also operating globally (e.g. Carrefour and Tesco).

The data for the analysis is extracted from the CR reports of the selected companies. The companies commonly publish annual reports on their actions in the field of corporate responsibility and are publicly available in the company websites. There is no standard form

required legally in reporting CR issues, as there is in financial reporting. Commonly, they consist of analysis of the three “pillars” of CR: social, ecological as well as economical (as applicable in responsibility). There is, however, great variation in the quality of information provided in the reports.

Sometimes the interpretation of the CR reports was challenging as the definitions used by the companies varied greatly. Such words as “issues of concern” were used which did not provide too precise description. On the other hand, the companies are reluctant to provide full disclosure of their actions concerning stakeholder cooperation with NGOs. It is common that the process of stakeholder engagement is not transparent to the public and, in many cases, not even to the participants. (Steinert, 2004)

As mentioned earlier, the reports were of varying kind, but yet, provided an extensive overview on the current state of the company-NGO cooperation field in the European food retail business. Many reports address the relevant themes and mention by name the NGOs cooperating with the company. However, there were several which did not identify with which NGO they were cooperating. It can be assumed that many NGOs do not want the company to mention the cooperation in their communication. This is can be due to the sensitivity of the issues at hand, the fear of the NGO to be thought to be “green washing” or failed cooperation and therefore impeding company to openly provide information concerning the cooperation.

4.1.1 Themes

The themes found to be at the core of the business-NGO cooperation were rather predictable. Six different categories of themes could be identified among the topics where there had been collaboration of some kind. In table 9 the key themes and sub-themes are listed. Also, some example NGOs related to each theme are listed correspondingly.

The topics are all global issues, however, the majority of the NGOs mentioned in the CR reports, were local ones. The topics with global reach are related to the Human Rights issues as well as the Environmental issues. The health issues referred to in the reports were almost in all cases obesity and children’s health.

4.1.2 NGOs in the engagement

All in all, 39 distinct organizations were identified from the CR reports. The majority of the organizations were local. Many were engaging with NGOs with international reach, too. These international NGOs mentioned were: Greenpeace, Oxfam, Red Cross, WWF and Amnesty Business Group. The organizations were cooperating often with many companies. WWF particularly was a common partner in collaboration; it was mentioned in five reports. It is interesting, that even though the topics encountered with NGOs have commonly international impact, the majority of NGOs are local. This can be expected to either be a symptom of the company's desire to have positive impact in the local community, and/or that the NGOs have extensive international networks, where they can address these global issues.

Table 9. European retail companies CSR themes and the relevant NGOs.

Themes & Sub themes	NGOs
Children	
Obesity, health	Working Together to Prevent Child Obesity (EPODE)
Health	
Smoking, obesity, cancer, exercise, healthy food, food allergies	Tickly Pink, European Centre for Allergy Research Foundation (ECARF), Diabetes UK, Cancer Research UK
Business/Products	
Labels, sourcing, trends & emerging issues, creating market for farmers from developing countries	Greenpeace, Roundtable for Sustainable Palm Oil (RSPO), Amnesty Business Group, Action Aid, Utz Certification, Forum for the Future
Human Rights	
Fair Trade, working conditions, poverty reduction	Women on Farms, Friends of the Earth, International Federation for Human Rights (FIDH), Ethical Trading Initiative (ETI), UNI (Union Network International)
Environment	
Recycling, waste, carbon footprint, energy saving, environmental sustainability, packaging, forest protection, sourcing of wood and fish	Carbon Trust, ASTD-program (company's own program), CO2 campaign, Energy Saving Trust, WWF, Soil Association, Fair Trade, Oxfam, Salvation Army, Marine Stewardship Council, Enrowise
Animal Rights issues	
	Dutch Animal Rights Organization

4.1.3 Company-NGO relationship characteristics

In the light of this material, the reported engagement forms between can be divided according to the typology presented by Kourula (2007). Below the types of engagement found from the reports are listed and grouped according to Kourula's typology.

The reports refer to the engagement as:

- Sponsoring: *donating, funding, sponsoring, selling Fair Trade products*
- Stakeholder consultation: *increasing awareness, providing information, promoting*
- Wider stakeholder dialogue: *dialogue, panel discussion, sharing views and expertise, communicating with an NGO*
- Dialogue and action: *working against deforestation, auditing, decreasing use of material, developing criteria*

It can be expected that the companies are engaging in more varied cooperation with NGOs than what is detailed in their reports. Also, it is likely that some companies have tried, but failed, to engage NGOs in the CR activities.

The analysis of the CR reports provided background setting for the interview study conducted with the NGOs. In the following chapter the findings of the interviews are described and analysed.

4.2 NGOs views on business collaboration

For this study two consumer and four environmental organizations were interviewed. The interviewees were all holding a senior management position in the organization. The following consumer and environmental NGOs were selected for the interviews:

- The Finnish Consumers' Association - Suomen Kuluttajaliitto
- The Consumers Kuluttajat – Konsumenterna ry
- Greenpeace
- Friends of the Earth Finland (FOE) - Maan Ystävät
- World Wide Fund Finland (WWF)
- The Finnish Association for Nature Conservation (FANC) - Suomen Luonnonsuojeluliitto (SLL)

In the following, the NGOs are divided by the scope of their activities; consumers and environment. This was done to improve the quality of analysis and to clarify the division created by the scope of the NGOs' operations.

4.2.1 Earlier experience on impacting or collaborating with companies

In this chapter, the methods of NGOs to cooperate and/or to impact companies are discussed. Common to all NGOs, was the main task of their existence to impact politicians in order to develop the legislative framework according to their values, either directly or through “gaining power” through companies. All NGOs mentioned that the ultimate reason for their existence was to promote their cause through improving the legislative framework concerning issues they are advancing (consumer or environmental issues).

Consumer organizations

Consumer organizations are working on central organization level and in different working groups in ministries. They found these methods to be efficient both because of its formal setting

as well as its suitability for limited resources. These organizations had experience in direct cooperation with companies only when there had been e.g. consumer reclamations and they have acted as mediators. Such occasions were mentioned to be rare, however. The legislative framework does not support their intervention in such cases, as it is assigned for the officials of consumer protection. Other types of direct contact or cooperation with companies were mentioned to be rare. In the past, some campaigning has occurred. These are such as: campaign for limiting the use of packaging of products and campaigning against excessive queuing in the banks. These campaigns have been created to defend the position of consumer. In addition, one consumer organization (Kuluttajaliitto ry) occasionally has informal meetings with companies, mainly for networking purposes. For consumer organizations, one form of trying to impact company decision making and the public opinion is to make public statements concerning certain problems occurring in a company's operations, recently topics such as poor customer service levels in large Finnish companies.

Environmental organizations

The environmental organizations in this study were all aiming to impact the legislative framework in order to improve their cause. However, the ways to reach their goals were rather varying. The approaches towards companies varied from challenging the businesses to strategic joint venture with a business in the past. Environmental NGOs have engaged in the following roles in the past: Challenging (e.g. FOE), Sparring partner (FOE and Greenpeace), Support (FANC and WWF) as well as Project joint venture (FANC) (Elkington & Fannell, 2000, 154).

It can be said that the NGOs operating in the field have been profiled rather clearly in this respect to what type of stance they have towards companies. Whereas smaller organization might be impacting in grassroots level, using mainly non-supportive approach, there are both international and local environmental NGOs using both supportive, mixed blessing and non-supportive approach (Savage, 1991). WWF has clear cooperative approach with business world. This enables them to understand the nature of a company's business and to develop realistic solutions to their environmental problems (Heap, 2000, 79). However, it needs to be kept in mind that these positions are topic and time specific. Therefore, static positioning of NGOs in respect to orientation to company cooperation cannot be done watertight, but the analysis needs to be done case by case.

4.2.2 Future prospects for cooperation with companies

Consumer Organizations

The consumer organizations are cooperating with different central organizations and hoped the cooperation to continue in the future. They found the union level negotiations to be resource efficient and this was one of the benefits mentioned in the interviews. In addition to the union negotiations, Finnish Consumer Association is looking into options of cooperation with companies concerning their theme for the year 2008: ethical consuming combined with affordability. Direct cooperation with companies seemed to be novel idea to the consumer organizations and they were not able to describe any specific plans for the future concerning it.

Environmental Organizations

Among the environmental organizations, there was variation concerning plans for the cooperation possibilities. The general opinion concerning cooperation was rather positive, as long as the decisions concerning the cooperation would be in the hands of the NGO. The type of the partnering company also plays an important role. For 3 out of the 4 ENGOs financing by joint project with a company could be considered, and for 2 of these, obtaining financing would be the reason for cooperation in many cases. Only Greenpeace would not consider accepting financing from any possible corporate partner. WWF and FANC are most likely to continue with the same approach as they have used so far, i.e. financing their own environmental improvement projects with funds received from suitable companies as well as other sources. They are both aiming to focus on projects with larger impact either financially or in substance. Greenpeace is looking for more focus on company cooperation and even looking at options on finding strategic allies from businesses. Finally, Friends of the Earth are also considering to some extent cooperation with companies, but only in very limited area. The possible cooperation could be related to e.g. already initiate projects within the organization.

Quite surprisingly, all NGOs had rather positive attitude towards the case company when asked if they would consider some form of cooperation. It can be assumed that the case company's good reputation generally fosters this positive attitude. Common consent seemed to be, that if the rules for the cooperation can be agreed upon, it could be implemented by using one method or another.

However, somewhat negative attitude was presented by one consumer organization as well as by one environmental organization. This can be because of the novelty of the possibility or because the NGOs see that type of cooperation to be outside the scope of their activities.

The following results were obtained from the NGOs by an email survey after completing interviews. The respondents had time to consider their reply and evaluate their organizations' interest to cooperate with the case company. The table 11 lists the methods as presented by Elkington and Fennell (2000) and the results of the email mini survey.

Table 10. Tentative interest towards cooperation activities (adapted Elkington and Fennell, 2000)

Organizations with Tentative Interest	Type	Activities	Company participation level	Target audience / primary benefit flow
• Friends of the Earth	Challenge	Media campaigns, boycotts	Reactive response	Customers, shareholders
• FANC - SLL • Friends of the Earth • The Finnish Consumers' Association	Sparring Partner	Periodic exchanges; "healthy conflict"	Reactive or proactive response; formal or informal communication mechanism	NGOs; regulators
• FANC - SLL • Friends of the Earth • WWF	Support	Charitable giving; sponsorship; gifts in kind; secondments	Primarily financial contribution to support project	Customers; public
• The Finnish Consumers' Association	Products endorsement	Endorsement by NGO; eco-labelling	Initial audit/assessment of operations/practices; ongoing information exchange/verification	Customers; NGOs
• The Finnish Consumers' Association • WWF	Company Endorsement	Ratings; certification	Initial audit of operations; practices, reporting; ongoing information exchange/verification	Corporate Partner; NGOs
• The Finnish Consumers' Association • WWF	Site or project dialogue	Environmental mediation; EIAs	Formal communication process; joint agenda-development	Communities; NGOs
• Friend of the Earth	Strategy dialogue	Discussions over business issues	Joint agenda-development; research; formal communication process and results dissemination	NGOs; regulators
• Friends of the Earth	Project joint venture	Formal partnership for duration of project	Project planning and development; financial support; Environmental awareness and education collaboration	Communities; NGOs; Corporate Partner
	Strategic joint venture	Formal partnership or public alliance	Full business participation; jointly developed principles or strategy	NGOs; public; Corporate Partner
No reply: Kuluttajat – Konsumenterna and Greenpeace				

4.2.3 Themes of interest in the food retail industry

All NGOs mentioned several topics of interest as relevant in food retail industry, even what seemed to be beyond their own field of activities directly. Table 10 presents the topics and themes mentioned.

These themes were topics related to the NGOs' operations and in some cases seemed to be even beyond the traditional topics relevant to the respective NGO. However, there were no surprises found in among the themes mentioned. As broad genre of interest, ecological products were mentioned by four interviewees. Other topics mentioned by three NGO representatives were food produced close-by and packaging issues and well as Fair Trade. Other traditional issues mentioned were e.g. chemicals, transparency of operations, logistics, waste, availability and selection at the stores, services close by and advertising (directed to children). None of the NGOs mentioned directly the health and animal rights issues, this was due to the focus the NGOs had. The topics mentioned would have been surely different if other NGOs were included in the interview study. Now, the themes raised by the European retail companies and the themes raised by the NGOs interviewed were slightly differing. The themes raised by NGOs however, were the same when considering only topics relevant to their respective scope of operations (i.e. consumer organizations do not focus on animal rights issues).

Table 11. Salient themes for the NGOs in food retail sector

Themes	The Finnish Consumers	Kuluttajat - Konsum.	Green-peace	Friends Of the Earth	FANC	WWF
locally produced food	x	x		x		
Ecological products	x		x	x	x	x
Fishing			x			
Food chain			x			
GMO			x			x
Chemicals	x		x			x
Ethicality in supply chain (Fair Trade)	x			x	x	
Transparency of operations	x	x				
Logistics	x		x			
Packaging	x	x	x			
Recycling					x	x
Waste	x		x			x
Energy			x			x
Availability and selection	x	x				
Medicine	x					
Wine to stores	x					
Opening hours	x					
Services close by consumers		x			x	
Building of new hyper markets		x				
Advertising (to children)		x		x		

4.2.4 NGO Perception on Drivers and Constraints for Collaboration

a) Influencing the business world

Driver for considering engaging in cooperation with business was the possible effect it might have on the policies the companies are adopting. Especially interesting the cooperation would be if the company in question is a large operator with possible industry wide impact.

15 *"If the company is a key actor, we can use quite some time to think about the possible ways to move on and to create change"*

Influencing government through businesses was also found by Elkington (1997) to be a key driver for NGOs to engage in collaboration with businesses.

b) Resource limitations

All NGOs mentioned limited resources as hinderer of opportunities for their operations and also for developing company cooperation further. The interviewed NGOs are balancing with financing from the Finnish ministries, supporters and from additional projects. All interviewees mentioned the lack of sufficient funds to obligate the NGO to strictly prioritise their expenditures. Hence, the decision to go on into collaborative relationship with a company is also a question of resources for the NGOs.

For some NGOs, cooperation can be means to overcome resource limitations and gain financing, and for others receiving financing from a company would severely offend the NGOs independency. Only two of the largest organizations, WWF and FANC had active approach into gaining financing by corporate cooperation. The other NGOs saw it as an option that can be considered case by case. However, e.g. Greenpeace would not accept financing at all from businesses. Also, Elkington's (1997) findings on motivations for cooperation with business included the need for more resources to be one key motivator for NGOs.

c) Independence

Although the cooperation with the case company was seen to be positive and beneficial in general, the liaisons to business world were seen by many as restricting the organization's own operations and credibility. The NGOs were emphasizing greatly their independence in the process of cooperation.

I1: *"Unofficially we could have conversations, conducted in our premises and without them making a number of it later on. We do not allow us to be taken advantage of [in marketing]."*

Another NGO focused on their independence in case of cooperation with companies:

I2: *"If there was to be some cooperation, I am sure there would be quite strict conditions under which the cooperation could occur."*

All in all, each NGO was concerned about the independency in relation to the potential financier or otherwise more powerful business partner. Especially those organizations that were not looking for partnerships actively and whose foundational principles are based on criticising "the capital world" were concerned about losing their true independency if engaging in cooperation with businesses, even if it was beneficial for them, too.

Also the principles on which the NGO has been founded often times does not support the cooperation with business world. However many interviewees commented that to successfully continue their operations, they need to engage in cooperation for either effectively promoting their cause to and through companies, or for financial reasons. The NGOs would be interested in cooperating with companies where "spill-over" effect can be expected, i.e. the company in question would impose e.g. a new standard or method into the industry. Fowler & Heap (2000) found the same approach by the NGO in their study and argue it to be most beneficial when looking for a change in whole industry. Therefore, even though possibly representing distinct value settings, the NGOs will create partnerships with large companies whenever they expect to generate industry wide changes.

It can be assumed that among the activists in these NGOs, there can be many radical ones but also many activists are looking for mutual understanding with the business world. Therefore, both organizations (as well as the companies) aiming for cooperation should organize their lines internally prior to engaging to relationship with another organization.

I4: "It is worth considering first internally [in the company] the level of interest and will for such [collaboration] so that such conversation does not occur only when everything is almost done. And then suddenly, it appears that the board of directors opposes it strongly"

Earlier studies also indicate that the internal processes in collaborative projects need to be clarified prior to engaging in those. E.g. Heap (2000) finds the understanding of that to be the most important lesson learned from the earlier cooperative projects.

d) Outcome orientation

Concerning emphasis on the outcome of the collaboration, varied opinions could be observed. One consumer organization mentioned to be open to conversations and discussed their positive experience with another project which had expanded due to the unexpected interest in the partner organization. As the representative commented:

I6: "that is another reason why it is difficult to say suddenly [about the cooperation]. Some idea can develop and we go on together thinking about what to do with it."

Other (environmental) organizations considered the need to develop desired outcome from the initiation of the cooperation and work towards it efficiently. The limited resources and the desire to be independent were both reasons for the need for swiftly establishing the outcome. This was reflected in the following comment for instance:

I5: "NGOs in general are afraid of different kinds of slow negotiation processes where the cooperation methods are looked for, they take up too much resources due to different"

kinds of meetings, creating paperwork. So, that the same time used for active campaigning in public can be a lot more productive."

The orientation to outcome was also found by Heap (2000) to be an important factor in creating collaboration. Also, according to Harrison & St. John (1996), one of the benefits of stakeholder management can be reached by working towards common goal with stakeholders and by applying stakeholder management techniques to reach organizational flexibility. Hence, from stakeholder management point of view, the orientation to outcome also in NGO relationships can be justified.

e) Projects with competing companies

Some NGOs have already developed relationships with companies operating in the same field of business as the case company. Although this is clearly a limiting factor for cooperation with the case company, there are options to develop cooperation with these NGOs. It is important for the relationship to have distinct substance than those relationships established already and active currently. One of the NGO's has been rather content with their collaboration with a Finnish company in food retail business. However, they do leave the door open for further cooperation:

I4: "If the cooperation would be concerning a project, it would be different...If this company is interested in projects, there would be no obstacles in that."

Another environmental NGO has also well established relationships with the business world. They have also been cooperating with a company in food retail and, as active business relationship developers, are always looking into options of cooperation. Even though they have cooperation which might overlap, they would be ready to consider cooperation with different substance with the case company. Their representative commented:

I3: "It is an interesting company. The only problem is the cooperation with competitor. The contents in the cooperation need to be different. ...It is always interesting to start to develop projects."

f) key factors for successful cooperation

According to this study, the key issues NGOs expect from the cooperation company are: mutual understanding (understanding of values and in different resources) and trust, maintaining independence and transparency. These are all in line with the key factors to successful cooperation listed by Heap (2000, 100). One of the NGOs mentioned the understanding by the company of NGOs slow decision making process to be a key issue. Also, mutual understanding refers to the personal relationships between the NGO and the company. Good personal relationships are a key in NGO-business relationships, not least because of their possibly very differing values and expectations from each other. These were found also by Heap (2000) to be key issues in business-NGO collaboration.

5 DISCUSSION

The section provides analysis on the possibilities of business-NGO collaboration.

Looking at the results of the interviews through lenses of stakeholder theory, it is evident that even if all stakeholders are considered having intrinsic value, they still need to be evaluated somehow. Although stakeholder theory states that all stakeholders need to be considered, it leaves unanswered the question *how* to evaluate them. As Philips (2003) states, it is common misbelieve that all stakeholders deserve similar treatment. Next, the NGOs interviewed are evaluated according to their legitimacy, urgency and power to the case company. This model was created by Mitchell et al. (1997). According to Mitchell et al (1997), the most relevant stakeholders are the ones having all three attributes concerning the topic. However, the company should consider the stakeholders with two attributes as important too, because these can in any time acquire the third missing attribute and rapidly change their position in this stakeholder map.

NGOs are commonly considered to be secondary or derivative stakeholders, depending on the terminology used. In this analysis, the NGOs are considered to be key stakeholders concerning topics which are relevant to them despite of their potential position in the overall stakeholder analysis for the case company. The issue specificity needs to be considered and is essential, i.e. the salient topic to the stakeholder group defines the position the stakeholder group has towards the company. Therefore also, it needs to be kept in mind that the analysis needs to be ongoing activity in the company and also the capacity, opportunity and willingness to threaten or to cooperate must be considered as suggested by Savage et al. (1991, 63).

In Mitchell's et al. (1997) model, the NGOs interviewed can be allocated to the following categories:

Discretionary Stakeholders (2)

For the case company or as for any company engaging in corporate philanthropy the NGOs receiving support from the company are commonly considered to be discretionary stakeholders.

Of the NGOs interviewed, also WWF and FANC can be said to form part of discretionary stakeholders. The managers have basically no pressure currently to engage in an active

relationship, but still they may choose to do so. The reason for these NGOs to be allocated here is that they see the cooperation with companies to be part of financing and their stance towards the company as merely a receiver of funding as agreed. They are not particularly participating actively in companies' operations currently, although, in certain topics, such as the use of palm oil they (WWF) are taking an active role in public discussion. Otherwise, these NGOs are working on their own projects, although every now and then they do appear in media as experts on certain topics (e.g. FANC as opponent of the new method of recycling beverage bottles). In certain topics, the NGO can move from discretionary stakeholder to be dominant or an advocate of dependent stakeholder (e.g. natural environment).

Also, The Consumers (Kuluttajat-Konsumenterna) can be considered to belong to this group. They have legitimate cause (the consumer right) but due to their small size and rather static position towards cooperation with companies, they can be more often than not, found in the discretionary stakeholder group.

Demanding stakeholders (3)

The Friends of the Earth can be considered to be demanding stakeholders. In the past they have been holding demonstrations and engaging in other activities included in the scope of their agenda. However, their goal has been mainly to raise the public awareness and discussion. Considering also that in Finland the group is rather small, they alone hardly can cause much damage. Annual changes in the board of the organization make cooperation more difficult with this NGO as new personal links would have to be built over and over again.

Dominant stakeholders (4)

To this group the Finnish Association of Consumers (Kuluttajaliitto) can be allocated. They have established platform to discuss issues of concern i.e. the working groups in distinct ministries. Considering that they will be discussing this year ethics issues and developing further the program they have initiated, the case company should be considering the approach towards this stakeholder group.

Greenpeace could be allocated in this group as well. In their past they have been known to gain power in issues they consider to be important. They have approached companies with questionnaires and with invitations for discussions. However, if they are ignored, they have

gained the attention for the topic by almost any means. For the coming year, over fishing and the origin of the fish products in stores are going to be lifted as one of the top themes. This topic can be relevant to the case company, too. Therefore the management should consider Greenpeace as dominant stakeholder and aim to improve the relationship with them by using cooperative methods. Due to the above mentioned tendency of Greenpeace to gain urgency to their cause by any means, in some cases they can be considered as definitive stakeholders too. The transfer from being dominant stakeholders to definitive stakeholders is the most common to occur, by gaining urgency to their cause.

Currently none of the NGOs could be seen as *dangerous* (group 5) or *dependent* (group 6) stakeholders. Also, none of the NGOs are currently *definitive stakeholders* (group 7) holding all attributes in Mitchell's model (power, urgency, legitimacy). It needs to be kept in mind however that any of the groups holding two attributes, can rather easily move to be definitive stakeholder by acquiring the missing attribute.

The key is to remember that these positions are to change from issue to issue and from time to time. Static maps of stakeholder environment are useful when raising consciousness about who and what really counts, or, when specifying the stakeholder configuration at a particular time point. The stakeholders' salience will change and the degree and type of attention needs to be adapted accordingly by the management (Mitchell et al., 1997, 879). It is essential to recognise that this is the case also for the analysis of NGOs as stakeholders and the management of NGO relationships. In any given time a topic may gain legitimacy, urgency or power and therefore requires swift response from the management of the company. Yet, none of the NGOs can be currently seen to be Definitive stakeholder. However, they may be possess power in certain cases and therefore also might become Definitive stakeholders. For instance, this could be the case when they are representing the natural environment (environmental NGOs) or the local residents of the area of operations (consumer NGOs). When considering risk management, the latent stakeholders (i.e. those with only one of the attributes of urgency, legitimacy or power) as Mitchell et al. (1997, 859) argue, need to be accounted for, since by recognizing them, management can avoid problems and even enhance effectiveness.

The case company has several opportunities to develop win-win collaboration with the NGOs. Some of the NGOs have already adapted proactive approach to cooperation, mainly for obtaining financing for their own projects. However, there is interest to initiate dialogue with the case company even among the NGOs which have not earlier considered such option. The resource limitations were mentioned to be the most common restricting factor to engage in collaboration.

There is no one particular method of cooperating with NGOs. And it cannot be said that for a certain theme a certain type of collaboration would be suitable every time. Each case of cooperation needs to start from motivations from both the company and the NGO. The NGOs emphasized the need for establishing outcome early on, but also, there had been positive experience in the past in cooperation without well defined outcome but rather the project had grown organically even beyond expectations. However, establishing the scope and the desired outcome for the cooperation provides certain level of trust between the company and the NGO.

Company interested in developing beneficial relationships with NGOs should look for themes in which cooperation with NGO could yield positive results. Both the company and NGO alike need to be willing to tie resources to develop the relationship. NGOs especially are looking for the outcomes of cooperation since they have limited resources. Mutual understanding of goal setting for the collaboration is essential. Also, as past research has shown (Fowler & Heap, 2000) it is easier to make a business case of any environmental issues as there might be potential risks for companies. E.g. such risks could come in form of decreasing resources and hence presents a quantifiable and financial risk. It can be assumed that any collaborative methods oriented to decreasing social risks are in the end directed to the final consumers and in form of e.g. consumer boycotts may provide a risk for company. However, the presence of such risk might be sufficient for a company and an NGO to start to collaborate and seek common outcomes benefiting multiple stakeholders.

Although in the light of this study, the NGOs had rather positive attitudes to collaboration with business world; in real life context the attitudes might prove to be rather different. Also, it can be said that the many managers see NGOs rather as a challenger to the business than as a possible partner in collaboration. Attitudes of individuals play a key role in developing collaboration or as

much as considering the possibility of cooperation. When individuals past experiences have shown that the “opponent” is a threat, it is difficult to change that view and come to think of “the other” as a partner in developing an outcome which benefits both parties. To overcome this, might require many successful partnerships to show that it is feasible.

6 SUMMARY & CONCLUSIONS

This chapter presents the conclusions to the study. It provides a research summary, offers the main findings, and explains the managerial implications. The chapter also specifies the limitations to the study and makes suggestions for further research.

The study was conducted in two phases. The initial phases included study of corporate responsibility reports and the analysis of the actions the European retail companies have taken related to cooperation with non-governmental organizations. The themes, organizations and the types of co-operations found were presented. This created the groundwork for the second phase of the study where interviews were conducted with environmental as well as consumer organisations. The central themes where companies have engaged with NGOs were related to well-being of children, health, ethical/environmental aspects of products, human rights in supply chain, environmental and animal rights issues. The studies companies had engaged mainly with local NGOs although the themes can be argued to have global impact. However, some large international NGOs were engaged by many companies. The benefits of engaging large international NGOs such as WWF, Greenpeace and Amnesty Business Group are e.g. the resources and expertise they provide. When the company in question has global impact, so should the NGOs too. When more local issues are addressed, it can be wise to engage again with NGOs having appropriate scope, activities and focus.

The second phase of the study comprised of the interviews. They were conducted with six NGOs with focus on either natural environment or social environment (consumer organizations). These were selected as interesting potential partner by the case company. The aim of the interviews was to find out how the NGOs have cooperated in the past and how they would like to cooperate in the future with businesses as well as the motivations and resources for the cooperation. The study also aimed to find the methods most interesting for the NGOs by using Elkington and Fennell's (2000) typology for NGO-company relationships.

It was found that the consumer organizations and environmental organizations had quite different approach in the past towards the cooperation with companies. The consumer organizations are used to communicating mainly with unions and see this as appropriate way of operating due to

resources restrictions and the facility of using such ready established method such as working groups in ministries. In the future the consumer organizations hoped to continue with the method they had been using so far due to the aforementioned restrictions and benefits. However, some topics, e.g. ethical products, could provide opportunities for both consumer NGO and the case company collaborate in a planned manner.

The environmental organizations were somewhat more positive about cooperation with companies. All environmental NGOs, (as well as, consumer organizations in their respective field), aim to impact legislation in order to enhance the level of environmental protection. The NGOs saw companies as effective messengers in lobbying their cause to the political decision makers. However, more radical NGOs have mainly been campaigning against companies they have considered operating unethically. Considering the future, the environmental NGOs were quite open about the options for business collaboration.

In the interviews, various topics of interest considering responsibility in retail could be identified. There were supported by those outlined in the initial study of CR reports and also those found in the literature.

Several limitations for the NGO-business collaboration could be identified. As factors restricting opportunities to collaborate with companies, all NGOs mentioned the resource limits. The financial limitations provide restrictive factor to NGOs considering cooperation with companies as there is great potential for wasting resources in the initial negotiations. However, in some cases the relationship is a means to gain financing for the NGO. For other NGOs the cooperation is merely a way to aim to impact the company's decision making and any form of financing would be strictly evaluated because of the need to remain independent. The independence was mentioned as essential to the NGOs and to their credibility. Also setting goals for the cooperation was seen as vital although it was mentioned that the outcome can be successful although not established in the start of the negotiations. Projects with other similar companies were not seen as complete impediment for collaboration, but it would require modification of the collaboration.

The key elements for successful cooperation mentioned by the NGOs were: understanding the point of view of the other concerning values and resources, cooperative mindset, trust and openness between the participants and focus on the results. By assuring that

these elements are considered in the process of engaging NGOs in corporate responsibility, the companies can aim to improve NGO-business collaboration.

As the case company's values state that they are creating services and products to the best of the consumers and those required by them, the stake of consumer organizations is defensible.

6.1 Managerial Implications

In this section the implications of this study for management are presented. This study has explored the options the case company has for collaboration with NGOs with consumer or environmental focus. It has been established that the selected NGOs have positive attitude concerning the collaboration. The NGOs stated that they would mainly be interested acting as challenger, sparring partner or in supporting role for the case company. Some would be interested in further collaboration in product endorsement, company endorsement or engaging in site or project dialogue. By exploring these options, the management can find variety of options to start collaboration. The cooperation can vary from sparring partner to strategic partnership. It is essential that the management understands that the stakeholder positions are time and topic specific and hence, the stakeholder analysis is an evolving process and cannot be considered as a static map although one is presented in this report analysing the selected NGOs.

By using Savage's model, managers should aim for identifying cooperative and non-cooperative NGOs and use appropriate strategy. The goal is to change the status of non-supportive NGOs into more supportive. When the potential NGOs are explored and potential in stakeholder power, urgency and legitimacy are analysed, the managers can decide which groups the company should address. It is essential to allocate resources on nourishing positive relationships and changing negative to positive with key stakeholder groups.

In the light of the interviews, the most fruitful NGO collaboration could be developed with The Finnish Consumer Association (Kuluttajaliitto) and Greenpeace. Some NGOs are rather small and it can be expected that their resources would not be enough for the company's needs. Other NGOs are only looking into options for their own financing, which would not provide value for the case company in operational terms. These NGOs are interested in cooperation and

both have projects already established on themes relevant to the case company. When the desire is to explore opinions of NGOs in the vanguard and hear from them prior to public discussions, it would be fruitful to establish platform for an ongoing discussions on relevant matters and projects to achieve the set goals. One example would be to create a “contingency plan” on replacing endangered fish stocks in cooperation with Greenpeace. This would also be in line with their programme for the year and hence discussions on the topic would be beneficial for both parties.

When initiating collaboration with an NGO, the managers should put focus on producing measurable goals and outcomes, too. As Argenti (2004) outlines, the lack of measurable outcome might be a cause for blaming the company to act on self-beneficial reasons and for “green washing”. Another key point is to have open discussions prior to any conflicts (Rohweder, 2004; Waddock, 2002) This decreases the risks in relationships with NGOs.

When deciding on proceeding with collaboration with an NGO, the managers should accept the possibility of failure of the collaboration. However, as presented earlier in this report, after initial negotiation with the NGO, there is an option of exiting the cooperation for both parties if the negotiations seem to be unsatisfactory. Also, it is necessary for the managers to accept that the outcome of engaging NGOs can be a mere learning process.

6.2 Suggestions for Further Research

This section puts forward suggestions for further research. There are several avenues opening from the study at hand. This study concentrated only on selected industry and selected geographical area, namely retail industry in Europe.

As this study has acquired information on how NGOs perceive the cooperation with companies, it would make most sense to continue by studying the implementation of cooperation. What challenges does it provide? How can they be overcome? A research done by observing the negotiations would be helpful when developing the relationships further and when opening new negotiations with other NGOs.

It would be interesting to continue the research with comparison to another industry sector and/or in another geographic location. Especially relevant concerning the case company here would be to explore the possibilities and restrictions in NGO cooperation in the Baltic region (more specifically Estonia, Latvia, Lithuania as well as Russia). Also, extending the scope of research to another continent could be beneficial to truly global corporations. It can be assumed that cultural differences and well as differences in economies provide totally different setting for company-NGO collaboration.

In addition, studying the similarities or distinctions across industries could bring new ideas on how to cooperate with NGOs and develop positive outcomes more efficiently. Comparison between e.g. manufacturing and retail could yield interesting results. Finding out also the expectations of NGOs on these new geographical areas or in other sectors would provide new information in this field of research. Including other NGOs of different size and different focus would yet expand the possibilities of gaining broader understanding of the field. As cultural differences play an important role in stakeholder analysis the way different stakeholders are evaluated could be studied as a comparison study between e.g. Finnish and Asian companies and how the views on NGO engagement differ.

Currently companies are outsourcing many operations and many companies formerly known to be manufacturers are actually only marketing companies these days. Therefore there is increasing pressure to emphasize CR policies especially in certain operations, such as purchasing. This theme is fruitful area for further research, to investigate what strategies companies are

implementing concerning NGOs related specifically to certain function in a company (such as purchasing).

The power of media could be investigated in CR. As Lovio's stakeholder categorization states, media has power over the other stakeholders in attracting attention in themes it raises to the public media. It could be interesting to study cases where themes have been raised and what have the consequences of such been for NGO-company cooperation.

This study has also outlined some key elements for successful business-NGO cooperation mentioned by the NGOs. It would be fruitful to explore this theme more in depth and to analyse the consistence of each element and compare those to companies' perceptions on the same.

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Appendix 1. Interview themes.

The themes for Interviews:

- a) organizations approach to the business word.
- b) earlier projects with companies.
- c) Plans for business cooperation with business in the future, if it wishes to do so.
- d) Relevant themes concerning daily consumer goods retail
- e) Interest to cooperate with the case company