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DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY IN FINNISH FOREST INDUSTRY

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ABSTRACT

The main objective of this thesis was to map the development of corporate social responsibility (CSR) in Finnish forest industry. The aim was to describe the development and find factors that explain the development. Another objective was to understand the influence of different stakeholders on the development as well as examine the development of CSR reporting.

This qualitative case study used thematic interviews as the research method. The research data were collected by conducting 11 interviews among the case company representatives and stakeholders. Based on the research results, no single factor in the background of the phenomenon could be showed. Instead, CSR has developed in stages through its different dimensions. The main drivers of CSR turned out to be environmental organizations, customers and local communities. It can be concluded that the forest industry has taken CSR seriously for a long time, which has benefited the forest companies in many ways.

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Tämä tutkimus pyrki kartoittamaan yhteiskuntavastuun kehityksen Suomen metsäteollisuudessa. Tavoitteena oli kuvata yhteiskuntavastuun kehitys ja löytää tekijöitä, jotka selittävät kehitystä. Tavoitteena oli myös ymmärtää eri sidosryhmien merkitys yhteiskuntavastuuilmiön kehityksessä sekä kuvata yhteiskuntavastuuraportoinnin kehittymistä.

Tässä laadullisessa tapaustutkimuksessa käytettiin tutkimusmenetelmänä teemahaastattelua. Tutkimusaineisto kerättiin haastattelemalla 11 kohdeyritysten ja eri sidosryhmien edustajaa. Tutkimuksen perusteella ei voitu osoittaa yhtä yksittäistä tekijää yhteiskuntavastuuilmiön taustalla, vaan yhteiskuntavastuu on kehittynyt vaiheittain osa-alueidensa kautta. Tärkeimmiksi yhteiskuntavastuun vaatijoiksi osoittautuivat ympäristöjärjestöt, asiakkaat sekä lähiyhteisöt. Johtopäätöksenä voidaan todeta, että metsäteollisuudessa on jo pitkään suhtauduttu yhteiskuntavastuuseen vakavasti, mikä on hyödyttänyt yrityksiä monin tavoin.

CONTENTS

1 Introduction

1.1 Background of the study

Even though there would be a good argument for the notion that the business of business is business, the modern corporation is under increasing pressure to define its goals more broadly. It seems that today, successful business requires more than showing profit and serving the interests of shareholders (e.g. Elkington 1997; Freeman 1984). The rapidly changing business environment requires corporations to adapt to new conditions and rise to new challenges. In addition to staying globally competitive, corporations are required to be attentive to stakeholders and issues such as climate change, sustainable development and employee health care. Corporate social responsibility (CSR) has become a widely accepted idea promoted by corporations, governments, non-governmental organizations and individual consumers alike (Lee 2008, 53). As in this study, corporate social responsibility is generally divided into economic, social and environmental responsibility.

Pressure on corporations to act responsibly seems to have come in cycles (see for example Gray, Owen & Adams 1996). The recent, increased interest in CSR in general does not, however, seem just the latest turn in the cycle. It has been thought to reflect the continuing rise of two forces: environmental and globalization concerns (Niskala & Tarna 2003, 9). With the growth of the environmental and climate concerns, almost every firm is forced to consider its ecological profile. Moreover, the integration of the world economy has caused more and more corporations to go global - and receive potential criticism for it. The concentration of the power in the hands of relatively few multinational enterprises has led to the increased demand for accountability and transparency of their operations. Particularly after the corporate scandals and

accounting malpractices such as Enron, World Com or Parmalat, CSR has become one of the major concerns to the business community (Thompson 2005, 132). As a result, the amount of companies reporting their CSR activities has increased significantly in the 21st century (KPMG 2005, 4).

It is often argued that corporate social responsibility plays a particular role in the environmentally sensitive industries. This thesis concentrates on such an industry, namely the forest industry. Examining the forest industry in the light of CSR is interesting and topical for two reasons in particular. First, the environmental impacts of the forest companies are undeniable, which is why certain people are probably never going to consider the industry as responsible – no matter how well the business is conducted in reality. For this reason, CSR as a whole is challenging to manage in the forest industry.

Second, the forest industry has been undergoing profound structural changes in recent years. In Finland, the industry suffers from overcapacity and low profitability, which makes the companies seek profit and competitive advantage in new areas. The internationalization and the new kind of complexity of the value chain have socio-economic impacts that place challenges for the forest companies' CSR practices both in Finland and abroad.

Despite the potential criticism faced by the forest industry, the Finnish forest industry companies have often performed well in the evaluations of global CSR reporting practices (e.g. Sinclair & Walton 2003, 332). In the light of these factors it is interesting to examine which factors have placed responsibility in the core of the forest industry companies' business thinking and why.

1.2 Research problem, objectives and limitations of the study

The purpose of this study is to map the development of corporate social responsibility in the Finnish forest industry. The main objective is to describe *how* and explain *why* CSR has developed. That is, the author attempts to find such events, factors and phenomena within the forest industry that have highlighted CSR and to understand why and how the factors have influenced the embodiment of CSR in the forest industry companies. Another aim is to describe the development of CSR reporting in the forest industry by examining changes in the content and form of the CSR reports.

The research problem and the secondary problems can be defined as follows:

1. How has corporate social responsibility developed in the forest industry?
    1.1. Which factors explain the development?
    1.2. How have the different fields of CSR developed?
    1.3. Which stakeholders have influenced the development at different times?
    1.4. How do forest companies communicate CSR? How has CSR reporting developed?

This master's thesis is a part of the research project CSR-Forest funded by Academy of Finland at Lappeenranta University of Technology, which is why this study concentrates solely on forest industry. This is a case study that empirically examines the development of CSR through two Finnish forest companies, UPM-Kymmene and Stora Enso. Considering Finnish, or even global forest industry, UPM and Stora Enso are natural choices as case companies since they are among the leading forest products companies in the world.

Nevertheless, this study is not only limited to the perspective of the case companies. The opinions of the stakeholders play an important role in this study. What is more, in this study CSR is seen as a comprehensive phenomenon - although environmental responsibility and reporting would be dominant in the forest industry. Examining the development of each of the aspects of CSR - economic, social and environmental responsibility - is important in order to gain full insight into the phenomenon.

Limiting this study with respect to time is difficult. The evolution of the CSR phenomenon is traced as far back as it is possible based on the research data. The examination of the CSR reports, however, is limited to years 1998-2008 because of the availability of the reports. The reports examined include only annual reports and CSR reports published by Stora Enso and UPM-Kymmene on the group-level. The factory-level environmental reports and CSR information published on the case company websites are therefore excluded from the analysis, because group-level reporting is considered sufficient for the scope of this study.

1.3 Research data and methods

This study is a qualitative case study with two case companies, UPM and Stora Enso. Defining qualitative research is not totally unproblematic: qualitative research has often been defined through what it is not and by comparing it to quantitative research. At the most simplest, qualitative research can be understood as non-numeric description of data. (Eskola & Suoranta 1998, 13) According to Hirsjärvi et al. (1997, 134), a study can have multiple objectives that guide the selection of the research strategy. Since this study has both descriptive and exploratory objectives, qualitative research seems appropriate. Qualitative research is more accurately described in section 3.2.

This study is empirical and the main research method is thematic interview. Characteristic for a thematic interview is that the themes under discussion are known in advance, but the specific form and order of the questions is not (Hirsjärvi et al. 1997, 203). The research data are collected by interviewing appropriate stakeholders and representatives of the case companies. The stakeholders interviewed include for example environmental organizations, an employee organization, an industrial federation and a customer company. The study is also based on the CSR and annual reports released by the case companies. Thus, both primary and secondary research data are used. The data collection process is more accurately reported in section 3.2.

The empirical analysis is based on a theoretical framework, the purpose of which is to introduce the conceptions and models used in the empirical part. The theoretical framework is comprised of previous academic and professional literature. The main sources are articles published in scientific publications, particularly in the field of accounting.

1.4 Previous research on the topic

Corporate social responsibility has drawn academic interest at least from the 1950s on. The modern research on CSR is often considered to have begun form Bowen (1953) with his landmark book "Social Responsibilities of the Businessman". (Carroll 1999, 269) At first, the research concentrated on defining corporate social responsibilities and discussing whether such responsibilities in general exist (see for example Friedman 1962; Davis 1973). From the 1980s on, the focus of the research moved from refining definitions to examining the aspects of CSR more extensively, including for example corporate social responsiveness and performance as well as business ethics (Carroll 1999, 284).

Over the past couple of decades, the concept of CSR has also become associated with organizational goals such as reputation and stakeholder management (Lee 2008, 55). A significant share of the CSR literature has concentrated on the connection between CSR and financial performance. Empirical evidence is mixed, though, as positive (e.g. Mahoney & Roberts 2007), negative (e.g. Griffin & Mahon 1997) and neutral (e.g. McWilliams & Siegel 2000) relationships between CSR and profitability have been reported. McWilliams and Siegel (2001) have also developed a supply and demand model of CSR optimizing the amount of resources to devote to CSR.

Development of CSR has not much been examined. Panapanaan, Linnanen, Karvonen and Tho Phan (2003) roadmapped CSR in Finnish companies, concluding that Finnish companies are proactively and progressively managing CSR driven by globalization and main stakeholders. Juholin (2004) outlined the background as well as reasons and motives for CSR from the Nordic point of view, stating that CSR is mainly driven by profitability, competitiveness and efficiency.

Studies on corporate social responsibility reporting (e.g. Guthrie & Parker 1989; Cooper & Owen 2007) have typically focused on the reporting practices of the world's largest companies and research on specific industries is limited (Sinclair & Walton 2003, 326). Streams of research include for example the content (Nielsen & Thomson 2007) and motivation (Hooghiemstra 2000) of reporting. Recent research has also concentrated on the medium of reporting, as studies on CSR reporting on the internet have appeared (Chapple & Moon 2005; Jose & Lee 2007).

Considering the environmental sensitivity of the industry, literature regarding CSR in the forest industry is surprisingly scarce. Sinclair and Walton (2003) examined the scale, breadth and depth of environmental reporting among the top 100 pulp and paper companies, concluding the reporting by Scandinavian

companies to be extensive. In their examination of stakeholder influences on the sustainability practices of Canadian forest products companies, Sharma and Henriques (2005) found that the industry has moved from mere pollution control and eco-efficiency to more advanced sustainability practices. Sonnenfeld (2002) examined the influence of social and environmental movements on pulp and paper manufacturing in the light of ecological modernization theory, concluding that environmental and social movements have had a profound influence on the industry. Mikkilä (2006) examined the responsibility within Nordic-based pulp and paper companies, concluding that because of inadequate legislation, CSR beyond legal obligations is needed.

Lee (2008, 65) argues that it is time to renew the basic research in CSR and that there is a need for attempts to explain what CSR is and why certain CSR-related changes in organizational behavior take place. That is exactly what this study attempts to do in the forest industry.

1.5 Structure of the study

The remainder of this study is divided into four chapters. The second chapter comprises the theoretical framework, in which the essential concepts and models are introduced. The chapter begins with a discussion about the starting point for responsible business. Then, CSR is defined using two well-known conceptualizations, the triple bottom line by Elkington (1997) and the pyramid of CSR by Carroll (1979). The conceptualization of CSR continues by introducing the three ideologies of CSR, which range from shareholder value maximization to the idea of companies having universal responsibilities. This chapter also concerns itself with two systems-oriented theories, namely stakeholder theory and legitimacy theory which are introduced in order to explain why companies engage in CSR. The end of the second chapter concentrates on CSR reporting. The history and development of CSR reporting is

briefly outlined and the concept is clarified by presenting current reporting practices. Because CSR reporting is mostly voluntary, arguments against and for voluntariness are briefly discussed. Some reporting models are also introduced, GRI reporting guidelines in more detail.

The third chapter concerns itself with the implementation and methodologies of the study. In the chapter, the course of the research process is attempted to outline as accurately as possible. The evaluation of the reliability and validity of the study are also a part of the third chapter. The chapter ends with an introduction to the forest industry and the case companies as the context of the study. The fourth chapter presents the results of the empirical analysis. Summary and conclusions are presented in the fifth chapter.

2 Theoretical framework

2.1 *The premise of corporate social responsibility*

As Warren (2003, 154) points out, the relationship between business and society is a complicated phenomenon. Over the past three centuries, the role of the corporation has evolved from being an instrument of government and a privilege of few to being a right to many. Companies wield statutory power and have a right to carry out legitimate activity for purposes of serving private rather than public interests. The corporation has become the major institution of business in society and vital to both our economic and social development. However, the success and operations of companies have not only received respect, but suspicion alike. (Rayman-Bacchus 2006, 325) Economic activity does not occur in isolation, but is closely interrelated to social, environmental and political systems. Business activities have a whole array of consequences - such as pollution or unemployment - on individuals, communities, nations and the whole species of life. (Gray et al. 1996, 1-2) The notion of corporate social responsibility (CSR) conceptualizes the role of business in society, suggesting that companies would be responsible for these consequences (Niskala & Tarna 2003, 19).

Corporate social responsibility has made its way to the business agenda for a very long time, and it is possible to track traces of the business community's concern for surrounding society for even centuries. In Northern Europe, for example, the evolution of CSR goes back to the 19th century and is strongly related to the process of industrialization: in order to recruit and maintain their workforce, factory owners took care of their employees' accommodation,

schooling and health care (Juholin 2004, 20-21). At first, the scale of responsibility was small and the phenomenon was referred to as social responsibility rather than *corporate* social responsibility - perhaps because the dominance of the modern corporation had not yet occurred or been noted. As a definitional construct CSR was first introduced in the 1950s, which is said to have marked the beginning of the modern era of corporate social responsibility. (Carroll 1999, 268-269)

The modern discussion about the social responsibilities of corporations was accompanied by the emergence of the socio-political and environmental movements of the 1960s and 1970s, which emphasized issues such as civil rights, anti-war, consumerism and environmentalism. These movements together with the development of the stakeholder concept since the 1960s fitted well into the idea of CSR and served as a catalyst for reconsidering the role of business in society. (Freeman 1984, 38; Gray et al. 1996, 92) The evolving power of the corporation and the emergence of multinational enterprises also provided a background for the increasing public awareness of the potential harmfulness of business. (Rayman-Bacchus 2006, 325)

As a result, the general distrust in companies has increased over the past decades. The recent discussion about globalization indeed reflects the fear that some corporations wield more power than a nation state. (Rayman-Bacchus 2006, 325; 329) However, the situation of the multinational enterprises is paradoxical: although corporations have more power than ever, at the same time they are more and more vulnerable and dependent on stakeholder opinions (Juholin 2004, 20). Irresponsible business behavior may result in social and environmental crisis and cause suffering to shareholders, customers and employees alike (Kujala & Kuvaja 2002, 15). According to some predictions, organizations will be judged by their social policies rather than their products and services (Juholin 2004, 20-21).

2.2 Definitions of corporate social responsibility

The concept of corporate social responsibility can be defined in various ways and may have very different meanings. It seems that consistent terminology is yet to be developed, because in the academic literature and business life, CSR has also been referred to as "corporate responsibility", "corporate citizenship", "corporate community engagement", "community relations", "corporate stewardship" or "social responsibility" (for more detail, see for example Werther & Chandler 2006, 6). There have been efforts to differentiate the content of these terms, but because it is not in the scope of this study to make such differentiations, the terms are considered as synonyms. In order to avoid confusion, however, the author attempts to refer to corporate social responsibility (CSR). In this study, CSR comprises economic, social and environmental responsibility.

What, then, are the responsibilities of corporations? The answer is not a simple one, because corporate social responsibility means different things to different people and depends on the framework in which the organization operates (Niskala & Tarna 2003, 24). Companies are a heterogeneous group, which is why companies need to individually determine what social responsibility means to them (Vehkaperä 2003, 21). In most cases, however, CSR seems to refer to the creation of economic prosperity, sustainable use of resources and environmental protection, well-being of the employees, product and consumer safety, charity and cooperation with the network of corporations and communities (TT 2001, 8).

In 2001, the European Commission published a Green Paper in order to promote CSR at both the European and the international level. The Green Paper (European Commission 2001, 8) states:

"Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders."

The non-governmental organization World Economy Forum identifies responsible business in the following way:

"(…) To do business in a manner that obeys the law, produces safe and cost effective products and services, creates jobs and wealth, supports training and technology cooperation and reflects international standards and values in areas such as the environment, ethics, labour and human rights. To make every effort to enhance the positive multipliers of our activities and to minimize any negative impacts on people and the environment, everywhere we invest and operate. A key element of this is recognizing that the frameworks we adopt for being a responsible business must move beyond philanthropy and be integrated into core business strategy and practice." (World Economic Forum 2002, 2)

Common for the above definitions is that they seem to emphasize the concern for the stakeholder needs and actions that go beyond charity and legal requirements. The definitions also bring out that responsible business can take an endless amount of forms, have numerous focuses and cover a great deal of subjects. Next, two well-known ways of modelling CSR are introduced.

2.2.1 The triple bottom line

One of the most well-known ways of discussing corporate social responsibility is to emphasize the independence of economic, social and environmental responsibility. This has been referred to as the so called 'triple bottom line' model, which was introduced by Elkington (1997). Within the triple bottom line model, the concept of corporate social responsibility covers the three above-mentioned aspects, i.e. the economy, the environment and the human-beings. The aspects form an entity, which a successful company takes into account in a balanced way. (TT 2001, 7) This is illustrated in the figure 1. Economic, social and environmental responsibilities are of equal significance.
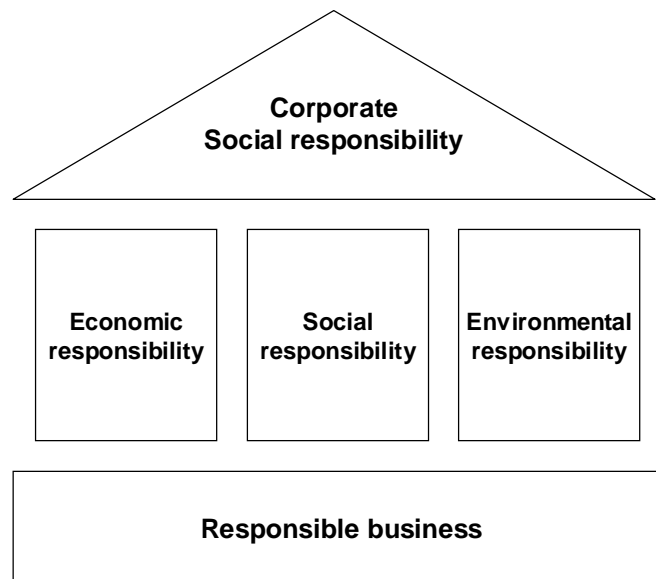
Figure 1.   The three bottom lines of responsible business (adapted from Niskala & Tarna 2003).

Economic responsibility relates to profitability, competitiveness and efficiency. It means responding to the financial expectations of shareholders, while nevertheless generating economic well-being to society as whole. The well-being can be generated by paying attention to the sustainability of economic actions and taking into account the impact of the actions on the stakeholders of the

company. Examples of such impacts include the payment of wages and taxes. The economic impacts can also be indirect and relate to the economic significance of the industry at issue, for example. (Niskala & Tarna 2003, 19-20) Konrad, Steurer, Langer and Martinuzzi (2006, 93) outline economic responsibility - or economic sustainability, as they articulate - as doing business in a way that enables the company to continue for an indefinite period of time. They divide economic responsibility into financial performance, long-term competitiveness and economic impact. (Konrad et al. 2006, 93)

Environmental responsibility means responsibility for the ecological environment (Niskala & Tarna 2003, 19). Konrad et al. (2006, 95) divide environmental sustainability (or responsibility) into resources, emissions and environmental risks or damages. Environmental responsibility can thus be implemented by using natural resources efficiently, avoiding emissions into water, air and soil, and avoiding environmental damages by conducting risk and impact assessments (Niskala & Tarna 2003, 19-20; Konrad et al. 2006, 91).

Social responsibility means contributing to the social well-being of society and individuals. It includes both striving towards a more equal distribution of income and wealth within the company and between countries and improving the social conditions within and outside the company. (Konrad et al. 2006, 91) The social responsibility can be realized by for example implementing fair wage policy, promoting human rights and fair trade, producing safe products and cooperating in the networks of companies and communities (Niskala & Tarna 2003, 19-20, Konrad et al. 2006, 91). One important aspect of the social responsibility is respecting the ethical considerations of the stakeholders (Siltaoja 2006, 299).

The idea of the triple bottom line model is that for a corporation to be sustainable, it has to be financially secure, minimize the negative environmental impacts and act in accordance with the expectations of society (Juholin 2004,

22). Although the integration of the potentially conflicting considerations and obligations embodied in the three bottom lines is a major challenge for companies (Thompson 2005, 133), the triple bottom line model of CSR aims at economic prosperity, environmental quality and social justice (Wheeler & Elkington 2001, 1).

2.2.2 The pyramid of CSR

Carroll (1979) has given a four-part definition for CSR, suggesting that it "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". According to Carroll, these four categories of business performance have to be embodied in the definition of CSR in order to cover the full range of obligations the corporation has to society. (Carroll 1979, 499-500) Figure 2 illustrates the corporate social responsibilities in a form of a pyramid. The proportions suggest the relative magnitude of each responsibility.

Figure 2. The hierarchical pyramid of CSR (adapted from Jamali 2008, 215).

Within Carroll's (1979) definition, *economic* responsibilities are the first and foremost social responsibilities of business. Above all, the corporation is the basic economic unit in society, and as such has the obligation to produce goods and services at a profit. The *legal* responsibilities refer to the laws and regulations under which society expects the corporation to fulfill its economic mission. Even though economic and legal responsibilities embody ethical norms, there are actions and behaviors that are not necessarily codified into law but nevertheless required or expected by society. These *ethical* responsibilities, however, are difficult to define and deal with – not least due to the debate on what is ethical and what is not. That is why Carroll settles for stating that society has expectations of corporations that go beyond obedience to the law. *Discretionary* (voluntary) responsibilities refer to societal expectations of business to have responsibilities over and above those mentioned so far. These responsibilities are left to individual judgment and choice, and the de-

cision to assume them is determined only by the corporation's desire to engage in social activities not assigned, required by the law or generally expected of the corporations. (Carroll 1979, 500)

According to Windsor (2001), economic and social responsibilities are socially required, ethical responsibility is socially expected and discretionary responsibility socially desired (Jamali 2008, 215). Carroll (1999, 284) points out that many consider economic responsibility to be something the firm does for itself, and the ethical, legal and discretionary responsibilities as something the firm does for society. Carroll himself, however, argues the economic component to be something the firm does for society as well. (Carroll 1999, 284)

2.3 Ideologies of corporate social responsibility

The ideologies of CSR can be divided into the owner oriented, stakeholder oriented and the wide responsibility oriented ideologies based on the division by Takala (2000). The classification is based on the notion that corporate responsibilities can be understood as ranging from a very narrow sense of responsibility to a belief that companies would be responsible for the whole universe (Vehkaperä 2003, 21). It has to be noted, however, that companies seldom follow only one ideology, and the line between ideologies and actions may be wavering (Siltaoja 2006, 300).

2.3.1 The owner orientation

The owner oriented ideology of corporate social responsibility is based on the classic doctrine of the business and society relations. The ideological background of this view lies in liberalism and individualism. Within the owner-oriented ideology, each entity (whether an individual or a community) in socie-

ty is considered to make an implicit agreement with other entities of society. A corporation, for example, agrees to produce goods and services to other members of society in a way that maximizes the utility for each party of the agreement. (Sillanpää 1990, 10-11) The only role of the corporation is to take care of the production and respond to the claims arising from the market. Any other socially responsible behavior is not the corporation's business. (Takala 2000, 10) The owner oriented ideology has also been referred to as the fundamental view of CSR (Sillanpää 1990).

Perhaps the most prominent proponent of the owner oriented ideology is the economist Milton Friedman (1962), according to whom the social responsibility of business is to increase its profits. Any social responsibility - other than making as much money as possible for the shareholders - would undermine the foundation of free society and be detrimental to a free economy. Addressing social issues would only place a burden on the management and be misuse of the shareholders' funds. (Milton 1962, 133-135) There is no guarantee that socially responsible behavior would benefit the company's own interest, which is why the legality of actions is emphasized within the owner oriented ideology. Any actions that go beyond the requirements of the law should be abandoned. (Takala 2000, 10)

The proponents of the owner oriented ideology, however, do not entirely deny the existence of corporate social responsibility. By maximizing the capital invested by the shareholders, companies implement their social responsibility to all other parties as well. (Sillanpää 1990, 10) In the long run, profit maximization would guarantee the well-being of the companies and society as a whole. Thus, such a social involvement that definitely benefits the shareholders is not opposed to. (Takala 2000, 10) What is more, profit maximization should not be carried out by all means necessary. According to Milton (1962, 133), companies should stay within the "rules of the game", which means open and free competition without malpractices.

The owner oriented ideology has faced much criticism for its basic assumptions that - according to some researchers - are not congruent with the prevailing reality (Sillanpää 1990, 17). A major part of the criticism is related to the assumption about the perfectly functioning market economy. On the perfect market, all expenses incurred by production should be included in the price of the product. In reality, some expenses – such as the problems caused by pollution – are left for society to cover. The claim about the inability of the management to address social issues has also been criticized: in many cases, only the firm itself has enough knowledge and resources to solve the problem at issue. Finally, the critics question the underlining of legality above ethics and the assumption of amoral business. (Takala 2000, 10-11). With the increased discussion about business ethics, the myth of amoral business is gradually breaking (Kujala & Kuvala 2002, 14). The owner oriented ideology does not seem congruent with the public opinion nowadays.

2.3.2 The stakeholder orientation

The stakeholder oriented ideology of CSR emphasizes the bond between business and society. Within this view, the primary function of companies is to be profitable in the long run and guarantee the growth and continuance of operations rather than to *maximize* profit. In order to continue to exist, companies need to act responsibly. The need to behave responsibly stems from the power executed by companies: within the stakeholder oriented view, companies are not only seen as economic institutions and satisfiers of needs, but also creators of needs whose behavior can influence the market. The power outside the market mechanism inevitably leads to responsibilities and obligations that go beyond profit maximization. (Takala 2000, 11) As social institutions, companies need to take the surrounding society into account and

conduct business within the ethical and social boundaries determined by society (Sillanpää 1990, 23; Takala 2000, 11).

Society as the external environment of the companies can be thought of as being comprised of various interest groups, stakeholders of the firm (see for example Freeman 1984). Within the stakeholder theory (which is introduced in more detail later in this chapter), the traditional view of shareholder value maximization is neither economically rational nor ethically right. On one hand there are *moral* arguments, according to which all stakeholders are of intrinsic value, which is why the needs of different stakeholders should be equally taken into account in the activities of companies. (Kujala & Kuvaja 2002, 61) Moral and ethical considerations can be included in decision-making, because the legitimacy of companies is dependent on society (Sillanpää 1990, 24). According to the argument of *efficiency*, on the other hand, taking into account the stakeholder needs pays off because it helps in attaining other corporate goals (such as profitability or growth). Even though the moral argument itself for catering for the stakeholders is sufficient, the argument of efficiency is usually easier for the management to conform to. (Kujala & Kuvaja 2002, 61)

Within the stakeholder oriented ideology, law is needed to guarantee the minimum level of responsible behavior. Obeying the law and fulfilling the minimum requirements, however, does not mean responsible enough behavior in the eyes of the proponents of the stakeholder oriented ideology. Companies are required to have also such tasks that are not required by the law, and participation in solving collective problems is the business of companies and other members of society alike. (Sillanpää 1990, 25; Takala 2000, 11-12) However, the proponents of the stakeholder oriented ideology consider corporate social responsibility only a competitive weapon, not a goal itself (Vehkaperä 2003, 23). Fundamentally, the motives of companies are thus egoistic.

The stakeholder oriented ideology has been criticized for being contradictory. Means that are used to make profit may conflict with the moral that urges companies to solve social issues that do not necessarily increase profit. (Sillanpää 1990, 29-30) The ideology's conception of ethical and moral actions is also criticized for being too narrow. Moreover, the conception of the corporation as a part of a broader social system has not provided the management support for deciding how much weight to put on stakeholder demands. (Takala 2000, 12)

2.3.3 The wide responsibility orientation

Takala (2000, 13) points out that the idea behind the wide responsibility orientation is the most difficult one to piece together, but has nevertheless attempted to outline the views into an ideological entity. The wide responsibility oriented ideology of CSR differs completely from the owner orientation and the stakeholder orientation on the basis that the ideology stresses moral considerations already at the point of strategy formulation of companies. That is why Sillanpää (1990) calls the view as the radical ideology of CSR. (Sillanpää 1990, 34)

Within this ideology, corporate social responsibility is partly seen as the primary objective and obligation of the firm. (Sillanpää 1990, 34) Profit is no longer the main objective of the corporation, but a limitation and only one criteria of decision-making (Takala 2000, 13). Companies establish wider objectives, because ethics and the *desire* to act responsibly guide the goal formulation of the companies (Siltaoja 2006, 302). Within the wide responsibility orientation, profit is only an instrument for promoting the well-being of the society and maintaining the quality of life (Takala 2000, 13).

This wide responsibility oriented view is characterized by a strong conception that in the future, the position of companies pursuing mere profit will weaken. Companies need to take into account the changes in the values and circumstances of the surrounding society - even if it meant giving up profit in the short run. Responsibility is seen both as a threat and a possibility: on one hand as a limitation to the selection of means and ends, on the other hand as a source of new business opportunities. CSR becomes an essential part of the corporate strategy rather than a separate policy or program - in fact, the existence of corporations is justified only if they are able to be socially responsible. (Takala 2000, 13)

2.4 Stakeholder thinking and organizational legitimacy in the background of corporate social responsibility

While reviewing literature, it becomes clear that there are many ways of looking at the CSR practice and no single, generally accepted and wholly specified theory of the phenomenon exists (Deegan 2002, 288; Gray et al. 1996, 45). In this thesis, two approaches applied widely in the accounting literature - namely legitimacy theory and stakeholder theory - are introduced in order to explain why companies engage in CSR. Although CSR has been discussed in terms of other theories as well - political economy theory and agency theory among others - the perspectives drawn from these two approaches seem the most interesting and insightful. Both of these theories are essential for the notion of CSR, which is used to respond to the stakeholder expectations and to build legitimacy.

Although there are differences among stakeholder theory and legitimacy theory, both approaches focus on the organizational-environmental interconnection and give a systems-oriented view of the organization and society (Neu, Warsame & Pedwell 1998, 267; Gray et al. 1996, 45). According to a

systems-oriented perspective, an organization is assumed to have influence upon and be influenced by the society in which it operates. Whereas legitimacy theory concentrates on society as whole, stakeholder theory recognizes that society consists of various groups with different expectations regarding the organization and different abilities to influence the organization. (Deegan 2002, 292; 295)

2.4.1 Stakeholder thinking

The stakeholder concept was outlined already in the 1960s, but stakeholder thinking (or stakeholder theory, stakeholder approach or stakeholder framework) did not become an internationally dominant paradigm before the seminal work by Freeman (1984) (Näsi 1995). The stakeholder theory has since gradually become central in the research of business and society relations and is clearly applicable to CSR (Lee 2008, 61).

According to Freeman (1984, 24), the stakeholder framework is one possible approach to dealing with the external environment of an organization. Within the framework, organizations are seen as a form of cooperation set up to attain the goals or satisfy the needs of people in different roles (Niskala & Näsi 1995, 119). The role and meaning of stakeholders is taken into account extensively, and companies are considered to exist for or through their stakeholders. The view is alternative to shareholder value maximization, which emphasizes the needs of the owners at the expense of other stakeholders. (Kujala & Kuvaja 2002, 60-61) Within the stakeholder thinking, the organization and its operations are seen through stakeholder concepts and propositions: the idea is that "holders" who have "stakes" interact with the company and thus enable its operations (Näsi 1995, 19). Carroll (1989) identifies three types of stakes: *ownership* at one extreme, *interest* in between and *legal and moral rights* at the other extreme (see Niskala & Näsi 1995, 126).

Who, then, are the "holders"? Stakeholders can be defined and classified in many ways. Perhaps the most cited definition is the one by Freeman (1984, 46), who determines a stakeholder to be "any group or individual who can affect or is affected by the achievement of the firm's objectives". Carroll (1989) gives a somewhat broader definition by suggesting that stakeholders are "any individuals or groups who can affect or are affected by the actions, decisions, policies, practices or goals of an organization". Freeman (1984, 25) includes employees, customers, competitors, owners, suppliers, media, governments, environmentalists and local community organizations as stakeholders of the firm. Gray et al. (1996, 45) even add future generations and non-human life to the list.

Stakeholders can be divided into *primary* and *secondary* stakeholders. In Carroll's (1989) conceptualization, primary stakeholders have a formal, official or contractual relationship with the firm, while all others are left as secondary stakeholders. This classification should be used carefully, because secondary stakeholders probably wish to be treated as primary ones, and because the management often underestimates secondary stakeholder interactions and power. (Carroll 1989, 58) Moreover, moral arguments state that all stakeholders should be treated equally (Kujala & Kuvaja 2002, 61). With respect to the firm, stakeholders can also be classified as *external* or *internal*, the latter group having ownership or other permanent relationship with the firm (Näsi 1995, 22-23).

Within the business and society relations, the basic idea of the stakeholder framework is that from the management's point of view, their responsibilities to certain stakeholder groups are much easier to envision and manage than their responsibilities to society as a whole (Lee 2008, 61). The stakeholder approach helps the management to identify which groups or individuals are relevant to decision-making, and to which expectations should the organiza-

tion conform to (Deegan 2002, 295). Each of these stakeholder groups has potential to influence the success of the organization, which is why companies need take into account the concerns of each group and build lasting relationships with them (Freeman 1984, 24-26). Stakeholders influence companies because they provide them with critical resources (Konrad et al. 2006, 90).

However, not all stakeholders have the same ability to influence organizations. Organizations will not - and probably cannot - respond to the expectations of all stakeholders equally, but are more likely to respond to those who are considered to be powerful (Deegan 2000, 272). The power of a stakeholder depends on the degree of stakeholder control over resources required by the organization (Ullman 1985). The more critical the resource is to the survival of the organization, the greater the probability of the stakeholder expectations and demands being addressed to (Deegan 2000, 272). This has been empirically examined by e.g. Neu et al. (1998) who found that companies addressed the concerns and demands of financial stakeholders and government regulators more than those of environmentalists. Their results are congruent with the view that when the interests of the different stakeholders collide, companies are more likely to respond to the needs and demands of those stakeholders who are more important to the survival of the company. (Neu et al. 1998, 278-279)

There has been confusion about the aims and assumptions of the stakeholder theory, which is why Deegan (2000, 267) argues that the stakeholder theory should be considered as an umbrella term representing a number of theories associated with stakeholder relationships. Deegan (2002) himself divides the stakeholder theory into ethical (normative) and managerial (positive) branch. The ethical branch emphasizes the responsibilities of the organization and provides directions in terms of how to deal with the stakeholders, whereas the managerial branch highlights the need to manage certain stake-

holder groups for strategic reasons. (Deegan 2002, 294) Within the managerial branch, the stakeholders are identified by the company - not the society - to the extent to which the company thinks them to further the goals of the company. The more powerful and important the stakeholder, the more effort is needed to manage the stakeholder relationship. (Gray et al. 1996, 46)

Donaldson and Preston (1995), for their part, argue that there are three uses of the stakeholder theory: descriptive, instrumental and normative. Stakeholder theory can be used to describe, and sometimes explain, certain behaviors and characteristics of corporations. The descriptive branch of the theory describes the corporation as a collection of "cooperative and competitive interests possessing intrinsic value". The instrumental branch of the theory can be used to identify linkages (or the lack of them) between stakeholder management and the achievement of the more traditional, financial goals of corporations. This view sees stakeholders as having instrumental value: practicing stakeholder management leads to relative success in terms of growth, profitability or other traditional performance measures. Finally, Donaldson and Preston argue that the basis of the theory is normative: stakeholders are identified by *their* interest in the company, whether or not the company has any interest in *them*. Within the normative branch, stakeholders have intrinsic rather than instrumental value. That is, stakeholders deserve attention for their own sake and not only because of their ability to further the financial goals of the corporation. (Donaldson & Preston 1995, 66-67; 70-71)

The unique contribution of the stakeholder theory is that within the stakeholder framework, the organization's objectives are illustrated in a wholly new way. Instead of the contradiction between its economic and social goals, the theory highlights the survival of the organization - which is affected not only by shareholders, but other stakeholders as well. (Lee 2008, 61) As Vehkaperä (2003, 26) points out, identifying the relevant stakeholders is always circumstantial and influenced by many factors. Because of globalization, stake-

holder management has become more challenging and complex as companies are subject to monitoring of a wide and increased range of stakeholders internationally (Thompson 2005, 138-139).

2.4.2 Organizational legitimacy

The term legitimacy originates from politics, but in the organizational context it relates to the kind of authority the corporate executives have and how the authority is used inside and outside the company (Warren 2003, 156). Legitimacy itself has been defined by Lindblom (1994, 2) as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part".

Legitimacy theory postulates that organizations constantly attempt to ensure that they operate within the boundaries and norms of society, in other words, seek to make sure that their operations are considered legitimate by outside parties (Deegan 2000, 253). This is because, according to legitimacy theory, organizations can only continue to exist, if the value system to which the organization operates is perceived by the society to be congruent with the society's own value system (Gray et al. 1996, 46). Thus, it is the society that provides organizations with their legal status, authority and right to resources, such as employees. Corporations are not inherently entitled to these resources, and in order to allow their existence, societies expect their benefits to exceed the costs. (Mathews 1993, 26) The dynamics in the organizational environment are hence not determined only by technological or material imperatives, but rather stem from cultural norms, symbols, beliefs and rituals (Suchman 1995, 571).

Legitimacy theory is based upon the idea of organizations operating in society via a social contract that exists between organizations and individual mem-

bers of society. Companies agree to perform certain actions in return for gaining the approval of their goals and ultimately, their survival. Corporate disclosures can be used to legitimize the actions of the company. Therefore companies need to disclose enough CSR information in order for the society to be able to assess the companies' corporate social performance. Within legitimacy theory, CSR disclosures are conceived as reactions to the environment where they are used to legitimize the actions of companies. (Guthrie & Parker 1989, 344)

If society perceives that the organization has broken its social contract, the existence of the organization is threatened (Deegan 2002, 292-293). Indeed, organizational legitimacy mitigates problems such as product boycotts and other disturbing actions by external parties, giving the management a degree of freedom to decide how and where business is conducted (Neu et al. 1998, 265). However, there are many reasons why organizations may not be perceived as legitimate. Expectations of society might change, and what once was acceptable is no longer considered to be so. There might also occur a failure in the organization's performance (an accident or a financial malpractice, for example), which impacts the reputation and legitimacy of the organization. (Deegan 2002, 296)

According to Mathews (1993, 30-31), the concept of organizational legitimacy can not be constant because the visibility of organizations to society vary considerably and because some organizations are more dependent than others on the support of society. From time to time, the legitimacy of an organization may also face a period of crisis. At such times, the socio-political factors can become even more important in determining the future of an organization than the economic ones. The social contract between business and society is then renegotiated in order to achieve a new consensus in society. (Warren 2003, 154; 156)

2.5 Corporate social responsibility reporting

2.5.1 Development and characteristics of CSR reporting

Traditional financial accounting is often criticized for ignoring the environmental and social impacts of the organizations' operations (Deegan 2000, 305). Thus, from the perspective of different stakeholders and society, financial reporting is not a sufficient way of illustrating the actions of the organization (Niskala & Tarna 2003, 14). This has lead to the emergence of corporate social responsibility reporting[1], which provides information about the organization's interaction with its physical and social environment, including issues such as community involvement, natural environment, human resources, energy and product safety (see Deegan 2000, 251). According to another conception, CSR reporting can be defined as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society
and to society at large". CSR reporting can thus be seen as an extension of the accountability of organizations beyond the conventional task of giving a financial account for shareholders. (Gray et al. 1996, 3)

Compared with financial reporting, CSR reporting is quite a new phenomenon. Although there is evidence of some organizations providing social disclosure of certain level since the late 1800s (see for example Guthrie & Parker 1989), the very first internally generated social reports attempting to build a comprehensive image of the organizations interactions with its external envi-

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[1] CSR reporting has also been discussed at least in terms of "corporate social accounting", "social responsibility accounting" and "social disclosure" (see Guthrie & Parker 1989, 343). This study attempts to refer to CSR reporting, by which is meant disclosure of economic, social and environmental issues.

ronment appeared in the 1970s. However, the intensity of CSR reporting was low until the dramatic increase in the environmental reporting in the 1990's, which was the decade of mainstreaming of social and environmental reporting, particularly in Europe and North America (Neu et al. 1998, 266; Wheeler & Elkington 2001, 2; 5). Until the end of 1990s the reports mainly concentrated on environmental, safety and health concerns, but have since moved toward a greater coverage of social issues (KPMG 2005, 7).

The elements of CSR reporting can be characterized and modeled in the following way:

- The accounts are formal
- The accounts are prepared by an 'organization'
- The reports are typically prepared about certain areas of activities or ethical issues that might affect the natural environment, employees, consumers and products as well as local and international communities
- The reports are prepared and communicated to internal and external participants of the organization - apart from shareholders to other stakeholders as well. (Gray et al. 1996, 11-12)

The appearance of non-financial reporting can be viewed as an attempt to enhance the transparency of corporate actions with respect to environmental and social issues (Nielsen & Thomson 2007, 29). CSR reporting is one step in the development towards a comprehensive reporting and measurement of the elements influencing the firm value, taking sustainable values and long-term success into account (Niskala & Tarna 2003, 15).

2.5.2 Current reporting practices

Corporate social responsibility reporting is a contextual concept (Nielsen & Thomson 2007, 29) and seems to be influenced by many factors. For example, reporting practices vary over time and between countries and tend to depend on company size and industry (Gray et al 1996, 142). There is evidence that the larger the company, the more social information is provided (e.g. Esrock & Leichty 1998, 309). Reporting might also be dependent on the organization form. Recent evidence is provided by Tuominen, Uski, Jussila and Kotonen (2008) who found that limited liability form organizations were leading co-operatives in CSR reporting.

It has often been assumed that CSR is largely a Western phenomenon and its emergence relates to the stage of social and economic development of the area (Chapple & Moon 2005, 417-418). Countries with established reporting practices thus include European countries and Japan, USA, Australia and South Africa, for example. Reporting practices are still emerging in areas such as Latin America, Russia and Africa. (KPMG 2005, 10; 14)

In most Western countries - with exceptions such as Sweden, Denmark, The Netherlands and Norway requiring environmental statements from certain industries (Wheeler & Elkington 2001, 5) - disclosure of social and environmental information is mostly voluntary. Consequently, the decisions of whether to disclose information and of the amount and type of disclosure are nearly completely those of the reporting organization. (Campbell, Craven & Shrives 2003, 558) The decisions have been found to be dependent on contextual factors such as the company size, the specific stakeholders, the level of ambition and the nature of involvement by the company (Nielsen & Thomson 2007, 30). In the absence of regulation, the popularity and subjects of social

disclosure - and the organizations providing it - seem to wax and wane in time (Gray 1995, 49).

There is growing evidence of the increasing amount of social and environmental information disclosed in annual reports, stand-alone reports and on corporate Websites. Despite the growing *amount* of information, a concern of the *quality* of it remains: reporting on social performance and management systems might be selective with bad news and adverse impacts left undisclosed. For example, empirical evidence from Australia by Deegan and Rankin (1996) showed that only two out of the sample of 20 companies prosecuted for breaking against environmental regulations reported the incident. (Adams & Frost 2007, 4)

The majority of companies in most countries still issue stand-alone CSR reports, but the proportion of disclosure in the annual reports is increasing. In addition to economic performance, investors make their decisions based on environmental and social performance, which is why more CSR disclosure is demanded in the annual reports. Lately, the increase in the reporting activity has been the most significant in the financial sector. (KPMG 2005, 4; 7; 12) The content of CSR disclosures may vary from brief statements to much rarer comprehensive social and environmental accounts (Gray et al. 1996, 82).

Throughout the recent history of CSR, the focus of reporting has varied between communities and customers, employees and trade unions and natural environment (Gray et al. 1996, 82). Recent empirical evidence is provided by Nielsen and Thomson (2007, 38), for example, who found in their case study of six Danish companies that employees, local community, environment, society, corporate governance, business strategy and measurement of CSR initiatives were the most reported CSR-related issues.

As the implementation of CSR reporting is the obligation of the reporting organization, the users of the reports expect the disclosed information to be reliable. One means by which the reliability - and thus, the credibility - of the reports can be improved is a verification or assurance executed by an external party. An external verification or assurance is a process of verifying the functioning of governance and management systems of CSR and the information disclosed in the reports. The amount of verified reports has shown a constant growth over the past years. (Niskala & Tarna 2003, 187; 191-192) In 2005, 30 % of the reports prepared by the Global Fortune top 250 companies were verified (KPMG 2005, 5).

2.5.3 Voluntariness of CSR reporting

Companies generally comply with certain disclosure requirements, which form the minimum level for corporate reporting. Generally speaking, companies will disclose no more information than necessary to meet the mandatory requirements, but voluntary disclosure is undertaken if it is perceived to enhance the corporate goals. (Gray et al. 1996, 66) As suggested above, CSR reporting is still voluntary for the most part and no such mandatory requirements exist in most countries. However, there seems to be a shift towards increased regulation and desire to develop harmonized reporting practices. European Commission, for example, has published the Green Paper (2001) in order to develop a framework for promoting CSR at the European level (European Commission 2001, 7).

One common argument used to support voluntary CSR reporting is that companies already engage actively in CSR (Adams & Frost 2007, 2). However, since there is no regulation - only guidelines - for CSR reporting, the decisions regarding the reporting may be difficult to make and might leave organizations quite unprepared for the task of providing social and environmental

disclosure (Nielsen & Thomson 2007, 25). Many public interest groups also find voluntary CSR reporting insufficient and low in credibility (Tilt 1994, 63).

The arguments to support mandatory CSR reporting suggest that if reporting is voluntary, it leads to a focus on positive performance and minimization of information provided. Empirical evidence from Australia also showed how mandatory requirements increased the amount of reporting. On the other hand, reporting requirements did not necessarily improve the comparability and usefulness of the disclosed information and encouraged companies to prepare standard responses to the requirement. However, as the evidence of the effectiveness of mandatory reporting practices is limited (as there is a lack of mandatory requirements), the arguments of voluntary and mandatory reporting are complicated. (Adams & Frost 2007, 5)

2.5.4 Global Reporting Initiative and other reporting models

The lack of comparability among social and environmental reports may cause confusion, which is why several reporting models, standards and guidelines have been developed by international voluntary organizations (Reynolds & Yuthas 2007, 50).

Global Reporting Initiative (GRI) is an international initiative for creating a generally accepted model for reporting on economic, social and environmental performance of different organizations. The development of the GRI Sustainability Reporting Guidelines took off in 1997 as a cooperation of the United Nations Environment Program (UNEP) and the Coalition for Environmentally Responsible Economics (CERES). The main objective of the Sustainability Reporting Guidelines is to improve the comparability of CSR reports. Using the GRI guidelines, an organization is able to give a sufficient and balanced illustration of its operations. (Niskala & Tarna 2003, 89)

The GRI reporting framework contains general and industry-specific information and can be used by organizations of any size, location or industry. The Sustainability Reporting Guidelines are composed of principles for defining report content and assuring the quality of the report, standard disclosures as well as guidance on specific technical topics. (GRI 2006, 2-3)

The reports prepared by using the GRI guidelines can be used for following purposes:

- Benchmarking the performance with respect to laws, standards, norms etc.
- Demonstrating the organization's commitment to sustainable development
- Comparing organizational performance over time. (GRI 2006, 3)

Other leading reporting models include EMAS (Eco-Management and Audit Scheme), ISO 14000 series (International Organization for Standardization), SA 8000 labor standard (Social Accountability International) and AA1000 by ISEA (Institute of Social and Ethical Accountability) (Reynolds & Yuthas 2007, 50). United Nations and OECD have also published their guidelines to promote the protection of human rights, working conditions and the environment as well as to assist multinational corporations to operate in harmony with the expectations regarding corporate social responsibility. (Niskala & Tarna 2003, 40-41)

The GRI guidelines have fast received wide acceptance, since by 2005 the reports were prepared by 660 companies in 50 countries and used by various stakeholders, audit communities and experts (Niskala & Tarna 2003, 89-90; KPMG 2005, 7). Thousands of organizations worldwide have also adopted

the ISO 14000 series standards. The extensive use of these guidelines can be interpreted as companies recognizing the significance of stakeholder communication. (Reynolds & Yuthas 2007, 53) The development of the guidelines is moving CSR toward a mainstream business practice and improving the social involvement and performance of organizations worldwide (Godfrey & Hatch 2007, 87).

3 Research methodology and context of the study

The first part of this chapter describes the implementation and methodologies of the study. The research process and the data collection and processing are reported as accurately as possible. Also, the quality of the conclusions of this study is evaluated by discussing the reliability and validity of the study. The second part of this chapter concentrates on forest industry and the case companies as the context of this study. The chapter ends with a discussion about the characteristic of CSR in the forest industry.

3.1 Research process

The research process began in October 2008, when the author was assigned the subject of the study. The study is a part of the research project CSR-Forest at Lappeenranta University of Technology, which is why the subject was not chosen by the author.

Since the author's experience with the case companies and the forest industry as a whole was limited into general knowledge, the research process was started without strong preconceptions. Thus, the author started the research process by familiarizing herself with the context of the study, which was mainly done by examining literature on forest industry and the annual reports prepared by the case companies. After writing her Bachelor's Thesis about CSR reporting, the author was already familiar with the concept of CSR.

In this study, the research problem was chosen to be approached by the means of a qualitative interview study. The research method was chosen, be-

cause comprehensive and in-depth understanding of the CSR phenomenon was pursued. The starting point qualitative research indeed lies in describing real life as well as revealing and finding facts rather than verifying existing statements (Hirsjärvi et al. 1997, 156-157).

The collection of the research data and the construction of the theoretical framework began in November 2008. Conducting interviews lasted until June 2009. After each interview, the gathered data were preliminarily analyzed. Organizing, analyzing and reporting the results lasted until July 2009. The data collection process is more accurately reported in the following section.

3.2 Data collection, processing and interpretation

The data of this study were collected by conducting altogether 11 thematic interviews in between November 2008 and June 2009. Thematic interviews (see for example Eskola & Suoranta 1998, 86-88) were chosen as the research method, because it was important to allow the interviewees to speak rather freely as well as justify their answers and opinions. The boundaries set by a structured or half-structured interview would have been too strict for the purposes of this study.

A list of themes was prepared for the interviews and sent to the interviewees in advance per email. The list can be found in the end of this study (appendix 1). The themes were rather freely discussed with each interviewee, although the author attempted to ask all the interviewees approximately the same questions. Due to the different positions and backgrounds of the interviewees, however, the order and the scale of the themes and questions under discussion varied. Nevertheless, all the themes were covered with each interviewee. Two interviewees had prepared written material for the interview.

All the interviews were done as individual interviews except for one, where there was another interviewer present in addition to the author. Most of the interviews were conducted in the offices of the interviewees or the conference rooms of the organizations they were representing. Two interviews were conducted in a conference room at the Lappeenranta University of Technology, and due to schedule reasons, one interview was done on the phone. The interviews lasted from 30 minutes to approximately 90 minutes. The interviews were conducted in Finnish and translated into English by the author.

The interviewees were chosen in two ways: some of the interviewees were recommended by the supervisor of this study and some by the already interviewed people. Either way, the aim was to interview such persons who, based on their organizational positions, had the best available knowledge of the state and development of CSR in the case companies. Two former managers from UPM with long careers within the forest industry were interviewed in order to collect historical data. The managers from Stora Enso encompassed the Head of Sustainability, Senior Vice President in Sales and Marketing and Environmental Manager for Stora Enso Forest.

In order to compare the situation in another Finnish forest company, the author also interviewed the Vice President in Communications from Metsä-Botnia. The environmental organizations were represented by the Forest Manager for WWF Finland and the Forest Campaigner for Greenpeace. The view points of an employee organization were represented by the Researcher from Paper Union. The customer point of view was given by the Director for Sanoma Magazines Finland. The Director for Finnish Forest Industries Federation (FFIF) represented the industrial federation point of view. Some of the interviewees had a career of decades within the forest industry, which is why the interviewees can be expected to possess essential information with respect to this study.

All the interviews were audio recorded and transcribed word-for-word. After transcription, the data were themed in order to find and highlight the relevant topics with respect to the research problem. This way, comparing the existence and occurrence of certain themes within the data was possible. Since the data were examined in order to observe repetitive discourses, it can be said that the data was also analyzed with a certain kind of discourse analysis. As Eskola & Suoranta (1998, 161) point out, it is often impossible to analyze the research data using only one method.

The research data includes also the CSR reports prepared by Stora Enso and UPM. The examination of the reports is limited from 1998 to 2008 because of easy accessibility to the reports. Due to mergers, the older reports were difficult to access and examining them did not seem necessary for the purposes of this study.

3.3 Reliability and validity of the study

When it comes to qualitative research, the evaluation of the study is often resolved to the question of the reliability of the whole research process (Eskola & Suoranta 1998, 210). In order to improve the reliability of this study, the research process was reported as accurately as possible in the previous section.

While conducting qualitative research, objectivity in traditional sense is nearly impossible to obtain (Hirsjärvi et al. 1997, 157). The influence of the interviewer on the interviewees was taken into account by being well prepared for the interviews and by acting as neutrally as possible.

In order to widen the research perspective, the group of the interviewees was attempted to be formed as versatile as possible. That is why the author inter-

viewed both case company representatives and stakeholders. By interviewing only case company representatives, the views would have probably been too narrow and one-sided.

The amount of the interviews can be considered sufficient, because the author clearly noticed how the interview material was saturated. In order to minimize mistakes within the research data, the interviews were audio-recorded and transcripted.

3.4 Context of the study: forest industry

The forests are Finland's main natural resource and have played a major role in the daily life of Finns for a very long time. For decades, the forest industry has been one of the cornerstones of the Finnish economy. Indeed, the relative significance of the industry is greater than in any other country: with 24 %, the industry's share of total exports is the highest one in the world (Diesen 2007, 33). Over the past few decades, the Finnish forest companies have also grown to become some of the biggest ones in the world: the three main groups, Stora Enso, UPM-Kymmene Corporation and Metsä-Liitto Group were among the four biggest in Europe and twelve biggest worldwide in 2004 (Finnish Forest Industries Federation 2006, 13).

The competitiveness of the forest industry has been largely based on the *forest cluster*, a network of enterprises and competence surrounding the industry. In addition to the forest industry manufacturing pulp, paper, and paperboard products as well as wood products and converted products, also belonging to the cluster are:

- forestry entrepreneurs
- logistic companies

- manufacturers of machines, equipment and automation devices needed for production
- energy-producing companies
- manufacturers of chemicals
- research institutes, universities and consultants
- packaging and printing industries
- wood-based construction industry. (Finnish Forest Industries Federation 2006, 35)

Today, the operations of the forest industry are very global. The process of growth and internationalization of the industry began in the late 1980s and accelerated in the 1990s by means of mergers, acquisitions and the establishment of new production plants abroad. In 2004, only 10 % of the industry's total sales of around €40 billion were generated in Finland. (Finnish Forest Industries Federation 2006, 13) The forest companies have directed their investments particularly to Asia and South-America (Pyyhtiä 2008, 4). In addition to globalization and concentration, the forest industry can be characterized by rapid technological development, cyclicality due to fluctuations of prices for end products and capital intensity due to high investment rates (Diesen 2007, 11-12).

Today, one of the main challenges for the Finnish forest industry is low profitability, which has rapidly declined since 2000 (Diesen 2007, 26). This is partly because the production costs - such as raw material, energy and work force - have risen faster than in competing countries (Finnish Forest Industries Federation 2009). In addition, the decrease in the demand of printing and writing papers, particularly newsprint due to the new forms of media has been a big challenge to the profitability of the forest companies (Diesen 2007, 16).

3.4.1 Case companies

Stora Enso has a long history, but in its present form it has existed since 1998, when Stora Enso Oyj was formed through the merger of the Finnish Enso Oyj and the Swedish STORA (Stora Enso 2009). Today, Stora Enso is a global paper, packaging and forest products company that produces new-sprint and book paper, magazine paper, fine paper, consumer board, indus-trial packaging and wood products. Measured by sales, Stora Enso is the biggest forest industry company in Finland. The company has production fa-cilities in more than 35 countries and it employs 32 000 people. Stora Enso's shares are listed in Helsinki and Stockholm. (Stora Enso 2008b, 2)

The customers of Stora Enso include publishers, printing houses, paper mer-chants and the packaging, joinery and construction industries. Today, the company concentrates on growth markets in China, Latin America and Russia and focuses on fiber-based packaging, plantation-based pulp and selected paper grades. (Stora Enso 2009, 2) Basic information about Stora Enso from the past three years is gathered in the table 1.

TABLE 1. Basic information about Stora Enso

	2008	**2007**	**2006**
Sales, €M	11 028,80	11 848,50	11 460,40
Operating profit, €M	-726,6	176,9	708,4
Employees	31 667	34 906	36 282

Measured by sales, UPM-Kymmene is the second biggest forest industry company in Finland. The origins of UPM go back to the 19th century Finland but today, UPM is a global company with production facilities in 14 countries and 25 000 employees worldwide. UPM's shares are listed in Helsinki. (UPM 2008b)

In December 2008, UPM adopted a new business structure. As a result, the three business groups of UPM include Energy and pulp, Paper, and Engineered materials. The Energy and pulp business group is comprised of pulp mills in Finland, hydro power assets, and shares of associated pulp and energy companies. Forest and timber business and biofuels are also included in this business group. The Paper business group produces magazine paper, newsprint as well as fine and specialty papers. The main customers include publishers, printers, merchants and paper converters. The Engineered materials business group is comprised of label materials and plywood business areas as well as wood plastic composite and RFID businesses. (UPM 2008, 1) Basic information about UPM from the past three years is gathered in the table 2.

TABLE 2. Basic information about UPM

	2008	**2007**	**2006**
Sales, €M	9 461	10 035	10 022
Operating profit, €M	24	483	536
Employees	24 983	26 352	28 704

3.4.2 Forest industry and corporate social responsibility

When it comes to the aspects of corporate social responsibility, every branch has its own special characteristics (Niskala & Tarna 2003, 24). Such special characteristics in the forest industry are for example the nature of the production process and the use of a natural resource. Since Finland is the most forested country in Europe (Finnish forest industries federation 2006), the forests and their economic utilization indeed touch upon the lives of the majority of Finns. For this reason - and due to the international operations - the forest industry influences an extensive network of other industries (see section 3.4)

and stakeholders. Even though the forest companies are major generators of economic and social wellbeing, the industry has also repeatedly faced criticism since the 1960s, especially with regard to environmental issues (Mikkilä 2005, 187). Carrying out corporate social responsibility in forest industry is therefore important for the following reasons:

Forest industry has both direct and indirect <u>economic</u> impacts which are reflected on the level of the whole national economy of Finland. The impacts are generated from the purchases of wood, energy and e.g. logistic services. (Finnish Forest Industries Federation 2009b, 7) Since one Finnish family in five owns forest (Finnish Forest Industries Federation 2006, 42), the wood trade indeed is an important source of income for many. Moreover, forest industry uses a relatively greater amount of domestic inputs, which also increases the industry's economic significance (Finnish Forest Industries Federation 2009b, 7). As such a major economic influencer, carrying out economic responsibility by taking care of profitability, continuance of operations and competitiveness is important.

<u>Social responsibility</u> is not only strongly related to employment issues, responsible human resource management and industrial safety, but also to product safety and community involvement. The industry is a significant employer: In Finland, the industry employs directly or indirectly around 200 000 people. (Finnish Forest Industries Federation 2009b, 7) The industry's importance for employment and social development is greatest in the regions (Finnish Forest Industries Federation 2006, 38). However, the severe market situation has led to permanent closedown of some of the capacity (Diesen 2007), which naturally has many social and economic impacts.

Due to the diverse environmental impacts and the utilization of a natural resource, <u>environmental responsibility</u> is perhaps the most visible and stressed one in the forest industry. In addition to using natural resources, the environ-

mental impacts relate to emissions to water, soil and air, and energy and cli-
mate issues (Finnish Forest Industries Federation 2009b, 7). Ignoring envi-
ronmental responsibility would pose a threat to biodiversity and lead to in-
crease in waste loads.

4 Development of corporate social responsibility in Finnish forest industry

This chapter presents the results of this study. The results are divided according to the different fields of CSR, i.e. economic, social and environmental responsibility. Development of CSR reporting is covered in the end of the chapter. The chapter is based both on the interview data collected from the case companies and their stakeholders and the CSR reports released by the case companies. In order to describe the research data and to justify the interpretations made by the author, the material includes quotations extracted from the interviews. Throughout the chapter, the empirical data is reflected into theory. The results are summarized in the end of the chapter.

4.1 Environmental responsibility

4.1.1 Environmental accidents and NGOs as triggers for environmentalism

Environmental responsibility was not a major concern to the Finnish forest industry companies before the 1970s. In the 1950s and 1960s, emissions were considered almost self-evident.

> "It was not a problem, Kaukas factory emitted all its waste waters into the lake Saimaa, you did not need to cleanse them. It did not occur to

anyone that it could contaminate the lake." (former manager for UPM, 17.12.2008)

The lack of environmentalism was thus due to ignorance, but probably also due to the fact that before 1970s, spokesmen on behalf of the environment and nature did not exist. The view is congruent with Takala (1998, 100), according to whom these on-behalf-speakers of nature were unnecessary in the eyes of various stakeholders and the prevailing managerial doctrines. Indeed, many interviewees bring out that environmental responsibility emerged only when it was demanded specifically by environmental organizations and the local communities surrounding the factories in the 1980s.

"Clearly there have been these environmental organizations and the people living in the factory towns." (Vice President in Communications for Metsä-Botnia, 25.3.2009)

"People of the era rebelled against it [pollution] *a lot and the industry understood that they have to put some filters to the pipes and be a bit cleaner in order for the lake to stay clean and so on."* (Forest Manager for WWF, 17.11.2008)

Some of the interviewees find that environmental and civic activism surrounding the forest industry emerged in Finland because of the environmental accidents that took place in the 1970s and 1980s. Such an accident mentioned by Head of Sustainability (25.2.2009) from Stora Enso is the destruction of the lake Lievestuore by the Lievestuore pulp factory in the 1980s.

"For example the case Lievestuore, where they destroyed the whole lake and stuff, it was one of the factors that started fostering environmental activism in Finland, where the environmental activism truly blossomed." (Head of Sustainability from Stora Enso, 25.2.2009)

The Head of Sustainability (25.2.2009) from Stora Enso suspects that local communities have suffered from the environmental impacts of forest industry companies the most, which is why they have been in the front-line demanding changes. An example of a civic movement generated by the local communities is given by the Vice President in Communications for Metsä-Botnia (25.3.2009), who mentions Päijänne movement which opposed the production methods of Botnia's pulp factory in Äänekoski. The movement was effective because ultimately, changes were made to the factory and its environmental permit.

According to the Forest Campaigner (12.2.2009) for Greenpeace, on the other hand, environmental organizations needed to start demanding environmental responsibility because biodiversity, for example, does not have a voice of its own. That is why the Forest Campaigner (12.2.2009) thinks these NGOs had to become the voice. An example of an environmental movement mentioned by many interviewees is the campaign by Greenpeace against chlorine bleaching of paper in the late 1980s. Also this movement turned out successful since the campaign led to introduction of chlorine-free paper. Even though the campaign did not originate from Finland but from the USA, the chlorine-free paper was developed explicitly in Finland (Sonnenfeld 2002). The Forest Campaigner for Greenpeace (12.2.2009) indeed suspects that the campaign is one the few times Greenpeace has been able to truly change the forest companies' operations. In addition to public opinion and production methods, the campaign also had an influence on the customers.

> *"Certain customers started expecting it* [chlorine-free pulp] *only because these* [environmental] *organizations demanded so."* (former manager for UPM, 17.12.2008)

According to Greenpeace's Forest Campaigner (12.2.2009), another campaign by Greenpeace resulting in changes in the forest companies' operations was the campaign for protecting the Northern old-growth forests in 2005, when Stora Enso decided not to buy wood that was opposed by the reindeer owners' association. However, the Forest Campaigner fro Greenpeace (12.2.2009) also points out:

> *"The decision by Stora Enso in 2005 definitely resulted from the German customers saying that it is not okay. They do not want wood that is opposed by the local reindeer farmers and Laplanders."*

It seems, therefore, that even though environmental organizations actively highlight problems, their actions rarely lead to changes or actual improvements by the forest companies. More often, changes take place only when they are expected by the customers. Based on the interviews, the customers of the forest industry companies indeed are very environmentally conscious.

> *"The Finnish forest industry of all other forest industries operates perhaps in the strictest markets with respect to environmental consciousness."* (Forest Manager for WWF, 17.11.2008)

According to the interviewees, the customers of the forest companies started expecting CSR, specifically environmental responsibility, in the 1990s. According to Vice President for Sales and Marketing at Stora Enso (6.3.2009), it was the decade when Stora Enso first started analyzing and segmenting its customers based on their CSR demands. The motives why customers demand responsible behavior from the forest companies are crystallized by the Forest Manager for WWF (17.11.2008):

> *"They* [customers] *do not want to buy the kind of products due to which they get Greenpeace by their front door and lose… Get a bad image."*

Thus, the need for the customers to expect CSR comes from the end users of the forest company products, the customers of customers. Some case company representatives indeed point out that CSR practices are much developed based on the customers of customers demanding certain things. The Directors for FFIF (23.6.2009) and Sanoma Magazines (13.5.2009) agree, however, that there have not yet occurred extensive consumer movements buying only products with certain environmental certificates, for example, but rather powerful individuals who have been able to demand e.g. certain paper quality.

However, the awakening of the customers can not be considered only due to the environmental organizations. According to the Director for Sanoma Magazines (13.5.2009), it was rather a combination of the increase in general awareness through the media, own observations and the informing by the environmental organizations.

The role of the environmental organizations in the development of CSR indeed provokes a lot of discussion among the interviewees, and the case company representatives regard the NGOs quite conflictingly. For example, the former manager (13.1.2009) from UPM thinks the environmental organizations' role has been perhaps pointlessly emphasized, at least with respect to the debate relating to the chlorine bleaching:

> *"Greenpeace suddenly decided to start a campaign and started talking about the use of chlorine. Of course I have to say that the discussion about the use of chlorine took off from more accurate measurements. We were able to measure toxins and dioxins."*

Although also other interviewees talk about the initiative operations of the forest companies, the Head of Sustainability (25.2.2009) at Stora Enso, on the

other hand, also finds that environmental organizations have been remarkable opinion leaders, whose role in the forest industry is bigger than in any other industry. Moreover, the Head of Sustainability (25.2.2009) thinks the influence has been specifically positive.

> *"It* [environmental activism] *has been a positive force, because it has influenced the development of legislation and that way the Finnish forest industry as a whole. Despite all the bad news, we are technologically the best in the world."* (Head of Sustainability for Stora Enso, 25.2.2009)

Some interviewees emphasize how the environmental organizations also operate very globally and professionally, which makes it easy for the organizations to be heard. The Forest campaigner for Greenpeace (12.2.2009), however, finds that environmental organizations are listened only when they create a threat to the image or profitability of the forest companies and seems to experience the CSR practices only as fighting the forest companies' own causes. The Forest Manager for WWF (17.11.2008), on the other hand, does not experience the actions of the forest companies only as lobbying.

> *"We don't get into cooperation where we are merely lobbied. If we cooperate, the aim is to clearly influence the operations of the company. (…) And I think we have succeeded in it quite well, at least when it comes to cooperating with the forest industry."* (Forest Manager for WWF, 17.11.2008)

Two interviewees point out that the environmental conferences of the late 1980s and 1990s, such as UNCED Earth Summit in Rio de Janeiro in 1992, also highlighted environmentalism and influenced the public opinion, because the principles of sustainable development became common knowledge. The

increased environmentalism was therefore not only due to the influence of the NGOs.

On the other hand, the Environmental Manager (13.3.2009) at Stora Enso Forest also finds that environmental values have been emphasized due to the increased social well-being. According to the former manager for UPM (17.12.2008), emphasis on environmental issues comes in cycles: the better the times, the more attention is paid to the environment. One interviewee indeed finds that at the moment, due to other problems facing forest industry, environmental issues are left on the background.

4.1.2 The role of legislation, state authorities and local innovations

In the previous section, the influence of the environmental and civic movements on the forest industry was examined. Based on the interviews, also the state authorities, legislation and the factory-specific innovations have had a profound influence on the environmental responsibility carried out by the Finnish forest companies. With the intensifying productions and increasing loading, it was necessary for the companies and state authorities to consider emission control and regulations after the mid-20th century.

> *"Immediately after the war we didn't start talking about environmental protection, but after the war when there was a phase when we started receiving exporting income and making margins, a need to give guides emerged, surely by the authorities."* (Former manager for UPM, 13.1.2009)

Many interviewees point out that the environmental legislation regarding forest industry in Finland is particularly strict. According to Stora Enso's Head of

Sustainability (25.2.2009), the strict legislation resulted from the above described environmental problems (section 4.1.1) and the strong NGO activism towards the forest industry. This view, however, does not particularly come out in the other interviews. Nevertheless, nearly all interviewees agree that because of the legislation, the forest companies had to build technology that dramatically decreased emissions to water, air and soil already from the 1970s onward.

> *"It* [emission control] *has indeed greatly emerged through legislation demanding that you have to have these, and these are the emissions, and the industry has had to operate according to that."* (Former manager for UPM, 17.12.2008)

> *"Already in the 1970s and 1980s, we had to wrestle with very difficult things and develop such technology that enabled radical decrease in emissions. (…) If you look at the decrease in emissions from the 1970s until today, it has been incredible."* (Head of Sustainability at Stora Enso, 25.2.2009)

As one revolutionary Act, the former manager for UPM (13.1.2009) mentions the Water Act in 1961, which was meant to harmonize the regulations and directions given while planning the pulp and paper factories. Another big step was the emergence of the environment centers that harmonized the previously fragmented environment permit processes. According to the former manager for UPM (13.1.2009), it was the first time when one truly could speak about environmental responsibility within the forest industry.

The former manager for UPM (13.1.2009) emphasizes how cooperation with the authorities was always the starting point for the environment permit processes and no conflicts existed. Both authorities and companies agreed on what was reasonable. The Director at FFIF (23.6.2009), however, finds

that the permit processes were initially considered as a constraint and perhaps even opposed to, because the way of thinking was new. According to the Director at FFIF (23.6.2009), it was soon realized at the factories that the permit practices benefited all parties. An interesting point related to the environmental permits is that in Finland, the permits were fixed already while planning the factories. Thus, the emphasis of the environmental management of the forest companies was on the prevention of emissions and process management rather than controlling the sources of emissions afterward.

Possession of the environmentally friendly production technology, according to Stora Enso's Head of Sustainability (25.2.2009), creates competitive advantage to the Finnish forest industry, especially when entering new market areas such as South America. The conflicts and criticism faced by the forest companies in South America arise from the fact that there still are pulp factories without pollution control. Stora Enso's Head of Sustainability (25.2.2009):

> *"You can try to imagine that we try to tell that hey, there are pulp factories that are nearly closed systems. We take water in and water comes out. Everything else is taken care of inside the factory. It's impossible for them to understand it. They haven't seen the development of the technology."*

The strict legislation, permit processes and the environmental movements can thus be considered very beneficial for the forest industry, because they have made the forest companies behave responsibly already at an early stage. It comes out in the interviews, however, that there were uncompelled, factory-specific environmental management already before the legal requirements described above.

> *"At the time, our own innovations emerged. They could also be innovations for the whole forest industry: equipment improvements, process*

improvements and technological improvements. Their significance was huge, even though they did not directly influence the environment, did not always significantly decrease the loading." (Former manager for UPM, 13.1.2009)

The former manager for UPM (13.1.2009) also explains how quality cooperation and R&D were centrally controlled by research institutes and machinists in the factories were overeducated, which can be considered as an example of progressive initiative. However, the Director for Sanoma Magazines (13.5.2009) supposes that initially, the own efforts of the forest companies originated from the point of view of process efficiency rather than environmentalism. Although not always beneficial for the environment, the significance of the innovations underlay in the way they built foundation for the competitiveness of the industry and is one of the cornerstones of competitive advantage of the industry even today.

Because the forest companies' environmental impacts related to emissions were taken care of already at an early stage, the attention of the stakeholders turned to other environmental issues, such as wood sourcing and biodiversity. At the moment, according to the interviewees, the main focuses in the area of environmental responsibility relate to climate issues and the use energy. Especially the calculation of the carbon foot print of operations is considered very important today.

4.2 Social responsibility

4.2.1 Forest industry as the builder of Finnish society

Based on the interview data, it is reasonable to say that for as long as there have been forest companies in Finland, there has been social responsibility. Nearly all interviewees emphasize the importance of the early days of the industrial history, when "*corporate social responsibility was much further than it is today*" (Vice President in Communications at Metsä-Botnia, 25.3.2009). In the beginning of the 20th century, corporate social responsibility, according to the interviewees, meant responsibility for both the productions and the employees. Factories were situated in small towns and outside city centers, which is why the former manager (13.1.2009) from UPM calls the beginning of the 20th century as the 'local phase' and points out:

> *"At the time, there were many prevailing social issues: apartments for the employees, hospitals, own police, own priest."*

Such a large-scale local responsibility was possible, because the factories were largely family-owned. Responsibility was strongly personified into the factory owner, and for example the former manager for UPM (17.12.2008) reminisces how the owner families made decisions on the spot and roughly knew the employees. Employees were indeed considered an important, perhaps the most important, stakeholder group during the local phase.

> *"At the time, human resources were sort of even more important than today."* (Former manager for UPM, 13.1.2009)

Thus, congruent with Panapanaan et al. (2003, 136), CSR was narrowly considered as the relationship with the community immediately surrounding the factories. This particular way of implementing social responsibility is usually considered a Scandinavian phenomenon (e.g. Juholin), but according to Panapanaan et al. (2003, 136), the situation was similar in other countries (such as U.K. and US) where companies were also viewed as centers in the community.

According to Gray et al. (1996), social responsibility quietly left the business agenda for decades. Based on the interviewees, this kind of development took place in the Finnish forest industry, when the productions started intensifying in the mid 20th century. According to many respondents, a reason for this was the general societal development and the fact that many social responsibilities of companies were moved to the state and society to take care of. Another major factor was the change in the ownership structure of the forest industry companies. The role of the owners is more accurately examined in the section 4.3.1.

4.2.2 Global operations, global responsibility

The "second wave" of social responsibility emerged at the turn of the millennium. Many interviewees find that the new emphasis on social responsibility emerged along with internationalization and globalization. Companies are responsible for the whole production chain, starting from the wood plantations in South-America and Asia. Internationalization, according to the interviewees, has increased both the amount of stakeholders and the expectations of the stakeholders. An interesting point of view emerged in connection with the social questions and globalization: many managers point out that while doing business in the developing countries, the forest companies are in front of the same social challenges as in Finland in the beginning of the 20th century.

"When Western companies go to the countries of rapid economic development, we need to do many things that in Finland are taken care of by the state, town or municipality. We build roads, hospitals and schools in order to guarantee the functioning of our own production there." (Head of Sustainability at Stora Enso, 25.2.2009)

Other social challenges brought by internationalization, according to Stora Enso's Head of Sustainability (25.2.2009), are supply chain issues, poverty, human rights issues and labor issues. On the other hand, the social issues addressed in Finland are completely different. According to the Environmental Manager for Stora Enso Forest (13.3.2009), social questions have not even been relevant in Finland because of the way the social welfare is taken care of by the state. Other interviewees, however, agree that the closing down of the factories along with the structural change of the industry has emphasized the need for social responsibility in Finland. The researcher for Paper Union also demands responsibility for the work force outside the collective labor agreement.

If the external pressure toward the forest companies has increased, globalization has created challenges also inside the companies.

"When you try to fit French, Chinese, American and Finnish and German corporate cultures together, there will inevitably be crashes." (Former manager for UPM, 17.12.2008)

One phenomenon related to social responsibility in Finland has been the powerful labor unions, such as Paper Union. According to Stora Enso's Head of Sustainability (25.2.2009), powerful labor unions have guaranteed high wages and good working conditions in the forest industry. Earlier, when all pulp

and paper factories were still located in Finland, Paper Union had the power to stop the production in order to fight their case. Today, things are different:

> *"Today, when the forest industry is global, if Finland and Paper Union want the factory to be at a standstill, let them be at a standstill. Customers will not run out of paper. But earlier, Finns would have lost their customers."* (Former manager for UPM, 17.12.2008)

Paper union is the only stakeholder whose significance is considered to have decreased by some of the interviewees. According to the former manager for UPM (17.12.2008), Paper Union's significance has decreased, because paper is made also outside Finland. The Director at FFIF (23.6.2009), on the other hand, finds that not so many employees want to belong to Paper Union anymore. However, this kind of development does not come out in the interview with the Researcher for Paper Union.

Measuring social performance is not as developed as measuring economic and environmental performance (Niskala & Tarna 2003), perhaps because environmental responsibility has been demanded for much a longer time. This comes out in the interviews:

> *"In that sense, it* [social responsibility] *is much more a difficult area than the environmental side. How to manage it… The development of the tools has been really difficult."* (Head of Sustainability at Stora Enso, 25.2.2009)

If measuring social performance is more difficult than the environmental one, so is demanding it. The Researcher for Paper Union (25.2.2009) explains that it is easier for the environmental organizations, which are not responsible for the employees, to make their demands and be heard.

"In that sense, this social responsibility, or interfering in it, is perhaps a little trickier, because we can't just suddenly chain ourselves to the factory gates, unless the social conditions improve. There are such disadvantages that the ones who chained their selves are fired." (Researcher for Paper Union, 25.2.2009)

That is, the environmental organizations are only responsible for the environment, not the employees or the productions.

4.3 Economic responsibility

4.3.1 The tightening demands of economic responsibility

According to the interviewees, Finnish forest industry has always had economic responsibility, which results from the fact that the forest companies have been major employers and economic influencers in the small factory towns. Many interviewees also mention that the forest industry has been a successful industry and able to pay high wages, for example. Therefore, the role of the industry as a generator of economic well-being on national level has also been important. The former manager for UPM (13.1.2009) describes how in post-war Finland, the intensifying productions and exporting income played a significant role:

"The national viewpoint was very important. Paying war indemnities and making money for Finland." (Former manager for UPM, 13.1.2009)

One could therefore come to a conclusion that there has been a time when economic responsibility has been particularly emphasized. The emphasis on economic issues in the mid-20th century seems actually very natural. First of

all, implementing CSR is found to be circumstantial and dependent on the social and economic development of the operating environment (Chapple & Moon 2005, 417-418). When the Finnish welfare society started developing, the companies were able to concentrate on their 'bottom line' and contribute to societal development by paying taxes. Second, CSR was not a widely accepted or promoted idea at the time, but debated by academics and business managers alike (see for example Gray et al. 1996; Friedman 1962). More comprehensive CSR, therefore, did not necessarily fit the prevailing managerial doctrines. Third, CSR was evidently not consciously demanded by the various stakeholders. The former manager for UPM (13.1.2009) points out that cost savings were the only pressure to develop operations. There was no pressure from the market.

> *"It was easier then; the buyers did not say that they know that the production runs well there, we will have that pulp. Today, the buyers almost directly say that they accept only this and this pulp only from this factory and this and this paper from this factory, and that's it. You can not do anything about it anymore."* (Former manager for UPM, 13.01.2009)

An interesting phenomenon related to the economic responsibility is the emergence of the lobbying organizations aimed to improve the competitiveness and profitability of the forest sector, such as FFIF in the 1960s. The Forest Manager for WWF (17.11.2008) states that the forest companies were interested in their core business, whereas marketing and image issues were left to the hands of FFIF, for example. Also the former manager for UPM (17.12.2008) points out:

> *"At the time* [in the 1960s]*, the Bank of Finland basically decided where to build a paper machine and where not to. You could say that the*

> *Bank of Finland had the responsibility of taking care that the forest industry in this country was doing well."*

One could therefore say that CSR in the forest industry was partly centrally carried out by various institutions rather than the forest companies their selves. Nowadays, the demands for economic responsibility have indeed tightened, and on the other hand, the means to carry out economic responsibility in the forest industry have changed. As the Environmental Manager for Stora Enso (13.3.2009) Forest points out: even though the forest companies are still partly state-owned, the operations are market-based. Perhaps one of the most important factors influencing the implementation of economic responsibility has indeed been the change in the ownership structure.

> *"If we go to the beginning of my career in the end of 1960s, of course there were shareholders, but they were all mainly factory owners or families. The significance of the stock exchange as an owner was extremely small."* (Former manager for UPM, 17.12.2008)

As described in section 4.2.1, in the past, the factories were family-owned. At the time, according to the interviewees, negotiating with the owners was easier, and during bad times the owners also settled for less profit. Today, the ownership base has internationalized and expanded, and the same kind of responsibility can not be expected anymore.

> *"Today, one third of UPM's shareholders are Finnish and two thirds are American pension funds and equivalents. Of course their responsibility here locally is minor and understandably small."* (Former manager for UPM, 17.12.2008)

It is indeed easy for the faceless owners to demand more and more profit. Based on the interviews, the influence of the owners has increased, but on

the other hand, made it more challenging for the forest companies to meet the demands of the owners and implement economic responsibility. According to the former manager for UPM (17.12.2008), maintaining profitability is challenging also because of the decreased demand for paper and because devaluation is no longer possible in Finland; the only means left are cost savings or increases in prices.

One factor explaining the importance of shareholders could be the capital-intensity of the forest industry. The change in the ownership has enabled growth and large investments.

> *"If forest industry today had the same ownership structure as in the 1950s, this would not work out at all. There would not be such companies, or such big factories."* (Former manager for UPM, 13.1.2009)

According to the former manager for UPM (13.1.2009), the advantage of scale has been particularly important in Finland, because Finland is so far away from the market. That is why factories and paper machines were always bigger than the others'. The advantage of scale was probably also searched for when the Finnish forest industry companies started concentrating and merging in the 1980s. According to some interviewees, the mergers have highlighted economic responsibility in particular, leaving softer aspects of business on the background.

On the forestry side, economic responsibility has always been automatically implemented due to the private ownership of the forests (Environmental Manager for Stora Enso Forest, 13.3.2009). The private forest ownership, in fact, is a phenomenon that influences how economic responsibility can be implemented. The wood markets in Finland are stiff, because the private forest owners have a lot of influence on the wood price (Environmental Manager for

Stora Enso Forest, 13.3.2009). Also on the forestry side, operations have become market-based.

> *"In the 1970s and 1980s, we had consensus society where the price level to the wood markets was searched through these contracts. (…) That way we searched for the economic responsibility. Now it's taken care of by the market."* (Environmental Manager for Stora Enso Forest, 13.3.2009)

4.3.2 Profitability is a priority

It comes out in the interviews, how economic responsibility is considered the cornerstone of operations and no contradiction between economic, social and environmental goals exist.

> *"Starting point is that business has to be profitable. It is the precondition; if you are not profitable, you don't have any operations or any responsibility."* (Environmental Manager for Stora Enso Forest, 13.3.2009)

This view reflects the idea of the triple bottom line (Elkington 1997): in order to be able to carry out its environmental and social responsibility, the company needs to be financially secure. The same thought, but from another perspective, is emphasized also by Stora Enso's Head of Sustainability (25.2.2009):

> *"You always have to remember that sustainability is not charity. Our task, according to the law that is, is to pay dividend, show profit to our shareholders. (…) The economic condition, remember it, it is always the most important one."*

The comment shows how CSR is pursued, because it is expected to benefit the company. According to the Head of Sustainability at Stora Enso (25.2.2009), sustainability has to be a win-win situation. She divides sustainability into three levels: 'license to operate', 'risk management' and 'competitive advantage'. License to operate level means meeting the basic customer needs (such as ISO 14000, forest certificates) and is compulsory: without these practices Stora Enso would not stay in the markets. Risk management, on its part, reflects the social and environmental questions of operations that may result in financial risks. Finally, sustainability has to generate competitive advantage that for example helps Stora Enso take over new market areas. The Head of Sustainability at Stora Enso (25.2.2009) crystallizes the motives of CSR as follows:

> *"We do it because we have to, we dot it for the sake of the risks, and because I want the customers to buy our paper rather than the neighbor's. That's it."*

The above comment highlights how CSR is seen useful and, in the end, considered to improve the company's financial performance. One can see the link to the stakeholder oriented ideology of CSR (chapter 2.3.2), according to which CSR is an instrument, but not a corporate goal itself (e.g. Vehkaperä 2003, 23). On the other hand, the 'license to operate' level reflects how CSR is used to build legitimacy (chapter 2.4.2): organizations can not continue to survive, if their operations are not perceived legitimate and accepted by the society. The *social contract* (Deegan 2000; Guthrie & Parker 1989) can be thought of as obliging the companies to implement standards, certifications and other tools.

Carrying out economic responsibility can thus be seen as doing well for both society and the company (compare Carroll 1999, 284). Economic responsibili-

ty and profitability are nevertheless particularly emphasized by the represent-atives of Stora Enso and UPM, not the different stakeholders interviewed. This is perhaps because the stakeholders mainly represent organizations to which fighting for social and environmental issues is more important than ad-vancing economic sustainability of the companies. On the other hand, eco-nomic responsibility can easily be considered self-evident. The Vice President in Communications at Metsä-Botnia (25.3.2009) indeed ponders whether economic responsibility is true responsibility, or a mere precondition of opera-tions that has recently been given a name. Some interviewees see also dis-advantages in the way CSR is used as a competitive advantage:

> *"It [responsibility] has become such a competitive weapon, that you should always sort of be one step ahead. I think there's a danger that we take measures that are very short-sighted."* (Vice President in Communications at Metsä-Botnia, 25.3.2009)

With respect to CSR, the Finnish forest industry can thus be considered proactive and opportunity-driven (Panapanaan et al. 2003, 139) in the sense that the companies take CSR as an opportunity towards good image and bet-ter competitiveness.

4.4 Development of corporate social responsibility reporting in forest industry

4.4.1 Corporate social responsibility reporting in forest industry

CSR reporting has long traditions in the Finnish forest industry. According to the interviewees, the case companies Stora Enso and UPM have published emission figures and other environmental information already in the 1980s. More extensive environmental reporting, however, appeared in the end of 1990s.

Today, both Stora Enso and UPM publish group-level CSR information annually. In addition to the annual sustainability report, Stora Enso publishes other CSR related information, including EMAS-reports, sustainability booklets, sustainability news, fact sheets and position papers on the company website. Also UPM publishes CSR-related information on the company websites. Both companies report in accordance with GRI guidelines.

It comes out in many interviews what a challenge it is for the forest companies to get correct information through to the stakeholders, since there is information available from many sources, such as media, employees and NGOs. This is one reason why forest companies have started to report on CSR. The Vice President in Sales and Marketing at Stora Enso (6.3.2009):

> *"(…) it is a good channel to bring out the truth and inform our customers and stakeholders in general about the state of affairs. It is a source to which everyone has access, and it is a source that interests. It gives a very comprehensive idea of how we do things."*

Indeed, co-operation, reporting and open and transparent informing in general is seen as the best way to meet the demands of the different stakeholders by all the interviewees. According to the interviewees, the emergence of CSR reporting was company-inspired rather than demanded by certain stakeholders. Greenpeace's Forest Campaigner (12.2.2009) also finds that the careful preparation and reporting required for the environmental permits is a reason for the emergence of social and environmental reporting. Extensive research and measurements have enabled extensive reporting, and presenting good research and measurement results has motivated reporting. The Director at FFIF (23.6.2009) also mentions the acceptability of operations as a motive for reporting, which reflects the ideas of legitimacy theory (section 2.4.2).

Congruent with Sinclair and Walton (2003), the Finnish forest industry companies are considered to report extensively and the development of reporting has been favorable. WWF's Forest Manager (17.11.2008) describes:

> *"Perhaps for the past five years, quite good reports have been made in Finland, particularly UPM and Stora Enso prepare good reports."*

The reports face some criticism, too. According to the Forest Campaigner for Greenpeace (12.2.2009), the only actual use of the reports is that one can appeal to the general principles in them. The Director for FFIF (23.6.2009) also criticizes that the reports have become too difficult and thick, which is why they are read only by other companies, not other stakeholders. Stora Enso's Head of Sustainability (25.2.2009), however, argues that because the reports are made for expert audiences, they can not be easy:

> *"We have to talk about emissions using exact names; we have to talk about environmental responsibility and offence, carbon foot print and others. We can't commercialize our sustainability language."*

Congruent with the idea suggested in the theoretical framework, the Director for FFIF (23.6.2009) thinks there is a trend toward combining environmental, social and economic aspects into the same report. This trend is more clearly seen in the reporting by UPM than Stora Enso, which comes out in the next section. The next section examines what kinds of changes have occurred in the content and scale of the case companies' CSR reports.

4.4.2 Development of corporate social responsibility reporting in the case companies

<u>Stora Enso</u>

Stora Enso published its first environmental report in 1998, only a few months after the formation of the Group. The first environmental report consisted of four different themes that concerned themselves with global responsibility, environmental management, resource management and supply chain coordination. In addition, the report included Stora Enso's resource utilization and environmental performance in 1998. Environmental performance was evaluated by presenting key figures related to emissions. The new company's environmental and social policy was also reported – indeed, environmental policy was expanded to cover social issues already at this point. To a degree of one page, Stora Enso also reported on negative issues and measures that were taken to correct the problems. In addition to environment-related investments and costs, the proceeding of the environmental management systems, such as EMAS, ISO 14001 and forest certification were reported. (Stora Enso 1998)

Until the year 2002, the reports by Stora Enso followed a uniform line, although in 2001, the name of the report was changed into "environment and resources". The leading idea in the reports, however, was to compare actual

operations against the objectives. The reported themes and the scale of re-porting, around 40 pages, stayed the same. In 2000, however, it was first mentioned that Stora Enso has started to pay attention to monitoring and management tools of social responsibility as well as more extensive stake-holder management (Stora Enso 2000, 6). This reflects the idea brought out in the interviews that social responsibility emerged at the turn of the millen-nium.

In 2002, Stora Enso published two distinct reports, the environment and re-sources report and corporate social responsibility report. The corporate social responsibility report concentrated on describing the company's social perfor-mance and covered issues such human resource management, diversity in the workforce, occupational health and safety, business practices, communi-cations, community involvement and stakeholder relations. (Stora Enso 2002b)

The next change took place in 2003, when Stora Enso published the first Sustainability Report combining social and environmental performance. This change increased the amount of CSR information up to 56 pages. The con-tent of the environmental information, however, stayed largely the same. Whit respect to social responsibility, Stora Enso reported on the tools and prin-ciples of social responsibility and occupational health and safety. A new phe-nomenon was a case study in the end of the report; in 2003, the case study was about the challenges related to Stora Enso's Veracel project in Brazil. (Stora Enso 2003)

In 2005, Stora Enso created the first report reflecting challenges along the company's value chain. The report was divided into raw materials and suppli-ers, the group, markets, investors and society. Each section concerned itself with environmental and social questions relevant to each section concerned. (Stora Enso 2005) In the year 2007, Stora Enso combined the annual report

and the sustainability report. According to Stora Enso's Head of Sustainability (25.2.2009), it was a great experiment that, in the end, did not work: stakeholders thought Stora Enso had no sustainability report at all. For this reason, Stora Enso returned to the old practice in 2008 and released a separate Sustainability Report. The report was no longer created along the value chain, but Stora Enso reported on wood sourcing, climate change, mills and environment as well as social responsibility. (Stora Enso 2008)

UPM

UPM-Kymmene Group published its first environmental report in 1995 after the merger of Kymmene and Repola. During the years from 1995 to 2001, UPM published seven environmental reports that followed a unanimous line with respect to content and scale. UPM reported on its operations and the impacts they have on the environment, environmental policy and its implementation in practice as well as the environmentally significant activities of the company. At first, these activities included forestry, energy, pulp and paper factories, converting industry and finally in 2001, also material management and logistics.

In 2002, UPM no longer published environmental report, but a Corporate Responsibility report combining environmental, social and economic responsibility. A new issue in the report was 'UPM Cases', which presented small stories related to UPM's operations. In 2006, the name of the report was changed into Environmental and Corporate Social Responsibility Report. The report included only issues related to environmental responsibility (sourcing, production, energy and logistics), corporate social responsibility (personnel and stakeholders) and UPM Cases. Economic impacts of the activities were discussed in the annual report. The next big change occurred in 2007, when social and environmental information was combined into the annual report. CSR information was reported under the headline 'Resources and Success Fac-

tors'. This decreased the number of pages devoted to CSR information. In 2008, the amount of CSR information was decreased into 12 pages.

4.5 Summary

CSR within the Finnish forest industry has developed in stages. Figure 3 depicts the development of the different fields of CSR.
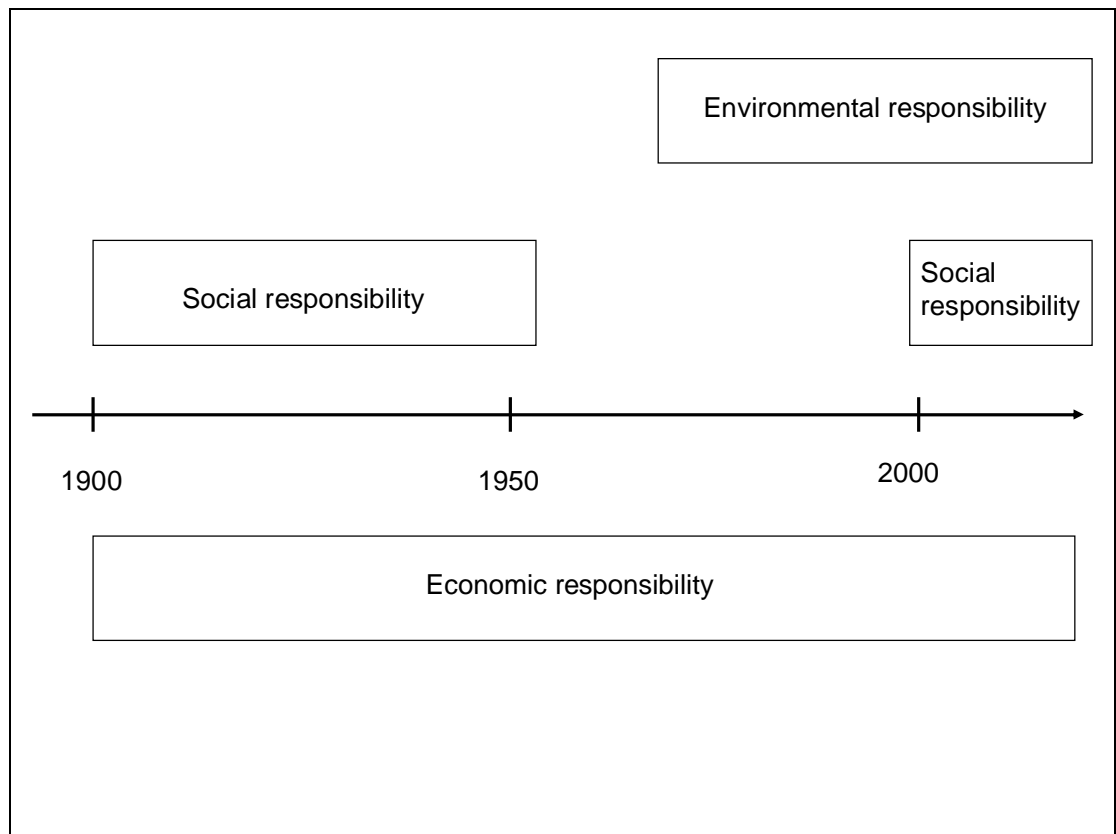

Figure 3.   Development of the different fields of CSR.

Economic responsibility has always existed as a precondition for operations. Social responsibility, on the other hand, has emerged in two "waves". During the first wave, in the beginning of the 20th century, the forest industry companies carried out their social responsibility by building the infrastructure around the factories and by extensively attending to the wellbeing of employees. Along with the development of the welfare society, these tasks were gradually moved to the state to take care of. Moreover, the intensifying productions and

the changes in the ownership structure no longer enabled such a large-scale, local responsibility. The emphasis on social responsibility returned at the turn of the millennium as a result of globalization and the structural transformation within the forest industry.

Environmental responsibility emerged in the 1980s as a result of the environmental accidents that created a strong environmental and civic movement toward the Finnish forest industry. Along with the increase in the general awareness generated by the NGOs and media, also customers started demanding social and environmental responsibility in the 1990s.

Environmental reporting appeared in the mid-1990s. In the beginning the 21st century, the reporting extended to comprehensive CSR reporting covering also social issues. Figure 4 gathers up milestones in the development of CSR in the forest industry.
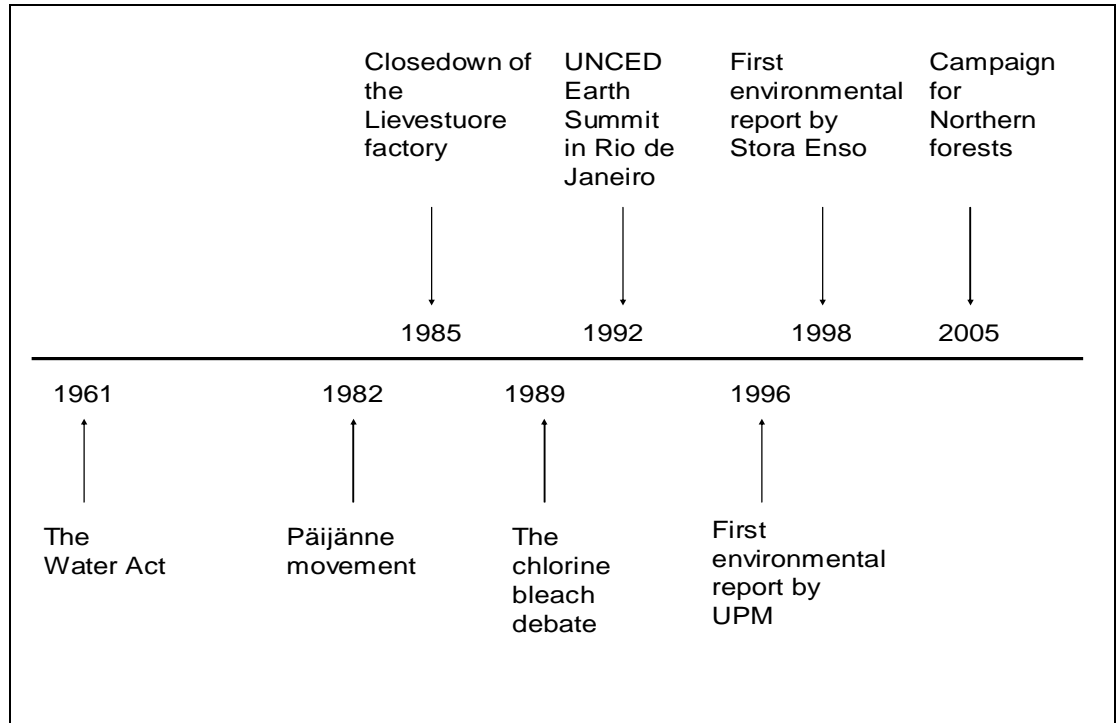
Figure 4. Milestones in the Development of CSR in the forest industry.

5 Conclusions

The purpose of this study was to map the development of CSR in the Finnish forest industry. The aim was to examine how the different dimensions of CSR have developed and which factors and stakeholders have influenced the development and why. Examining the development of CSR reporting was another objective of this study. The research problem was approached by the means of thematic interviews.

Based on this study it can be concluded that the development of CSR in the Finnish forest industry has been a cyclical phenomenon. The different fields of CSR – environmental, social and economic responsibility – have emerged and developed at different times. Social responsibility was emphasized already in the beginning of the 20th century, when the responsibility for the productions, infrastructure and the employees were tightly connected. Along with the development of the Finnish welfare state, the role of the forest industry companies turned into creators of economic well-being by paying taxes and high wages.

It can therefore be concluded that the Finnish forest industry has taken corporate social responsibility seriously for a long time. CSR in the forest industry has become an integral part of business operations, and its significance in all stakeholder groups has increased. Environmental, social and economic goals are no longer, if they ever were, considered as incompatible trade-offs.

CSR in its present, visible form started developing in the 1980s and was at first strongly related to the environment. Based on this study, the new emphasis on CSR was a result of the environmental accidents of the 1970s and

1980s that created a strong environmental and civic movement toward the forest industry. At the turn of the millennium, CSR expanded to cover also social issues. The new emphasis on social responsibility was related to the globalization and the structural change in the forest industry.

According to Panapanaan et al. (2003, 139), stakeholders that mainly enhance CSR in Finnish companies are regulators, industrial federations and employees. These stakeholders played a role also in this study, but the most important drivers of CSR in this study turned out to be environmental organizations, customers, employees and local communities surrounding the factories. Even though environmental organizations are regarded conflictingly by the case company management, this study is congruent with Sonnenfeld's (2002) findings, who argued that environmental movement has profoundly influenced the forest industry. Based on this study, among other stakeholder groups than NGOs and local communities, similar movements demanding CSR have not existed so far.

The forest industry had, however, wrestled with pollution control already before the emergence of the environmental movement. This was due to the strict legislation and environmental permit processes. The forest industry companies, however, had also uncompelled R&D and factory-specific innovations, that can be considered to form the basis for the technological competence of the companies today. The long traditions in responsible behavior have helped Finnish forest companies enter new markets, for example.

With respect to the ideologies by Takala (2000), the Finnish forest industry companies can be thought of as stakeholder oriented. Based on this study, profitability is important in order to guarantee the continuance of operations rather than to maximize profit. However, CSR is not viewed as a corporate goal itself, but rather a competitive weapon. Stakeholder needs in the forest companies are taken into consideration in accordance with the argument of

efficiency rather than the moral argument (Kujala & Kuvaja 2002, 61). The forest companies' stakeholders can therefore be thought of as having instrumental value (Donaldson & Preston 1995).

The view that companies are more likely to respond to the expectations of those stakeholders who are important to their survival and provide them with critical resources (Neu et al. 1998), is to some extent supported by this study. The demands and concerns of customers are easily addressed, because survival without the customers would not be possible. Also environmental organizations are listened to, because the have the ability to influence the image of the companies. Previous research indeed suggests that CSR can be viewed as an image issue through which companies obtain a license to operate (e.g. Deegan & Rankin 1996). This dimension emerges very strongly in this study.

This study completely supports Juholin's (2004, 29) findings, according to which CSR is linked with risk management and long-term profitability. The managers interviewed for this study view CSR as a competitive advantage: being sensitive to CSR issues helps in entering new markets, anticipating the future and selling more products. CSR is implemented because it is a must and because it is expected to benefit the companies. Therefore, CSR is seen as a matter of business rather than ethics and moral, which is also congruent with Juholin (2004, 29).

Environmental reporting within the forest industry emerged in the mid-1990s. Reporting since has moved from environmental reporting into comprehensive CSR reporting covering environmental, social and economic issues. Reporting is seen as the best way to meet the expectations of the stakeholders.

Since Stora Enso and UPM are the biggest forest industry companies in Finland, they can be considered representing the Finnish forest industry well.

Therefore, the findings of this study could probably be generalized to the Finnish forest industry as whole. The interview at Metsä-Botnia also showed that Metsä-Botnia's view on the development of CSR does not greatly differ from the view of UPM and Stora Enso. However, it has been found that CSR is a very contextual concept and influenced by the company size and organization form, for example. Therefore, an interesting theme for further research would be comparing the development of CSR within forest companies with different organization forms, such as public limited companies and cooperatives.

One limitation of this study is the small-scale analysis of the CSR reporting. Another theme for further research would be examining the development and motivation of CSR reporting more profoundly.

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17.11.2008   Forest Manager, WWF

17.12.2008   Former manager, UPM

13.1.2009   Former manager, UPM

12.2.2009   Forest Campaigner, Greenpeace

25.2.2009   Head of Sustainability, Stora Enso

25.2.2009   Researcher, Paper Union

6.3.2009   Vice President in Marketing and Sales, Fine Paper, Stora Enso

13.3.2009   Environmental Manager, Stora Enso Forest

25.3.2009   Vice President in Communications, Metsä-Botnia

13.5.2009   Director, Sanoma Magazines

23.6.2009   Director, Finnish Forest Industries Federation

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Stora Enso, Environmental Report 2000

Stora Enso, Environment and Resources 2001

Stora Enso, Environment and Resources 2002a

Stora Enso, Corporate Social Responsibility 2002b

Stora Enso, Sustainability Report 2003

Stora Enso, Sustainability Report 2005

Stora Enso, Sustainability Report 2008a

Stora Enso, Annual Report 2008b

UPM, Environmental Report 2001

UPM, Corporate Responsibility Report 2002

UPM, Corporate Social Responsibility Report 2004

UPM, Environmental and Corporate Responsibility Report 2006

UPM, Annual Report 2007

UPM, Annual Report 2008

APPENDIX 1 Interview questions

1. Background of the interviewee
2. CSR in the forest industry
   2.1. How would you define CSR?
   2.2. Which stakeholders does CSR influence?
3. Emergence and development of CSR in the forest industry
   3.1. When and why did CSR emerge?
   3.2. Has the development of CSR been fast or slow? Has the phenomenon developed through its different dimensions or at once?
   3.3. Is there a factor that has influenced CSR particularly strongly?
4. Factors influencing the development of CSR
   4.1. Why have the factors occurred?
   4.2. Which stakeholders have the factors influenced?
5. Development of CSR reporting
6. Stakeholder relations in the forest industry
   6.1. Have there been changes in the role and meaning of different stakeholders?
   6.2. Are there conflicts between the expectations of the different stakeholders?
   6.3. What kind of means do forest companies have to meet the expectations?
   6.4. How have the forest companies succeeded in meeting the expectations of the stakeholders?
   6.5. What are the most important information sources for the stakeholders?