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BALANCING CONFLICTING TERTIARY STAKEHOLDERS' EXPECTATIONS: A MANAGEMENT PERSPECTIVE

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TABLE OF ABBREVIATIONS

ABBREV.	MEANING
CSR/CR	Corporate (Social) Responsibility
CEO	Chief Executive Officer
MNCs	Multi-National Corporations
SIG	Special Interest groups
FoE	Friends of Earth
ILO	International Labor Organization
OECD	Organization for Economic Cooperation and Development
ISO	International Organization for Standardization

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Abstract

A firm is affected by various stakeholders in varying degrees. These stakeholders are located within the immediate operational and also external environment of the firm. The survival of the firm is highly dependent on the entire stakeholder constellation; the firm cannot survive in isolation. These stakeholders have various expectations in the firm which frequently conflict with the objectives of the firm.

This study identifies the level of these conflicts and the strategies adopted by management in balancing such expectations. However, some researchers believe that conflicts are managed (Amason, 1996), others argue that conflicts are resolved (Wall and Callister, 1995). However, this study addresses the issue of 'balancing' conflicts. The study further attempts to probe what choices are available to management when faced with incongruent expectations from various stakeholder groups like increasing pressure on the firm from especially, the external environment (tertiary stakeholders). The study assumes that in spite of the perceived remoteness of these tertiary groups from the immediate boundaries of the firm, these stakeholder groups can cost the organization huge financial losses and bad publicity when their interests are underrated. Finally, pressure-response strategies that are adopted by management when confronted with organization-stakeholder conflicts are examined. Some of these strategies include: reactive, defensive, accommodative, problem-solving and proactive (Barki and Hariwick, 2001; Peng, 2006). Consideration is given to an alternative stakeholder model – tertiary stakeholders.

Keywords: Stakeholders, constellation, expectation, conflicts, balance, interest groups, tertiary stakeholders.

Chapter one

1. INTRODUCTION

This section gives an overview of the content and the nature of the problem to be studied. A preview of the literature review is discussed as well.

1.1. Background

Managing conflicts between the firm and its stakeholders has gained much attention recent times (Amason, 1996; Wall and Callister, 1995; Rahim, 2002). This phenomenon is perceived to be the results of the fact that the firm is surrounded by numerous stakeholder constellations that are connected throughout the value chain. Moreover, it is questionable whether managements are balancing all the expectations of these numerous stakeholders equitably. This study attempts to probe into stakeholder conflicts from the viewpoint of management, that is, how management is able to balance conflicts that constantly appear on their tables for a win-win expectation.

The interest on this subject was heightened by the facts that, firstly, in spite of the numerous studies into conflict management, conflicts between organizations and their stakeholders are ever on the increase (Atkinson *et al*, 1997). Secondary, there is an ever-increasing pressure on shareholder value maximization thus leading to management paying more than the usual attention to the expectations of the shareholders than the rest of the stakeholders (Lazonick and O'Sullivan, 2000). Thirdly, certain members within the stakeholder constellation appear at the extreme end of the business operations – the external environment. These groups of stakeholders are often perceived by management to be of less value. Meanwhile, they are sources of great threat to the smooth operations of the firm and often engage in countless legal battles with the firm (Mcphaul, 2005). Finally, corporate responsibility and 'ethical business' appear to be mere theories without application in most organization especially, in developing countries (Christian Aid, 2004). To most organizations responsible business is a matter of choice and not an obligation. Therefore, it merits attention to know the effects of irresponsible business practices and the subsequent implications to both the firm and the affected stakeholders.

Additionally, research indicates that managers spend major amount of their time dealing with conflicts (Pondy, 1992; Brown, 1993; Thomas & Schmidt, 1976). Ansoff (1984 cited in Harrison and Freeman, 1999) added that managing competing stakeholder interests is a *primary management* function. Furthermore, many studies outline numerous types, nature and sources of conflicts. On the other hand, management also has to choose from different pressure-response-strategies (response-strategy-mix) available to them (Barki and Hartwick, 2001). The objective of this study is to examine conflicts from management-tertiary stakeholders' perspective and *how* management attempts to [balance] such delicate and regular conflicts. An attempt to take closer look at the e*xpectations* of the tertiary stakeholders that conflict with that of the firm's is made.

It is also still a matter of research to be able to establish the real interdependencies that exist between the organization and the tertiary group of stakeholders. It is obvious, though, that the organization sometimes perceives their interdependence as indirect and less profitable in economic sense. Consequently, the expectations of the interest groups are ignored, leading to conflicts. The term *balance* is appropriately used in the study since the organization is confronted with various unmet stakeholders' expectations. Although many studies discuss management and resolution of conflicts (Rhenman et al, 1970; Wall and Callister, 1995), the expression balancing is considered appropriate in such multi-party conflicts. The study assumes that in situations where stakeholders vary and where their interdependencies sometimes appear unclear, management needs to balance such conflicts mutually.

Davidson, (2002) concludes this way *"Robust linkages (exist) between customer commitment, employee motivation and shareholder value, something many business leaders already understood. However, understanding stakeholder linkages is not enough. They must be managed and aligned. To successfully manage conflicting stakeholder needs, organization leaders need to unite them through strong vision and values"*. In effect, Davidson is emphasizing the complexities that exist between the organization and its numerous stakeholder and their expectations. He concludes that, management need to *align* these conflicting interests. Aligning these conflicting interests is introduced in the study as *'balancing'* which of course; carry the same sense proposed by Davidson.

Rahim, (2002) on the other hand argues that resolving conflict implies reduction, eliminating or terminating the conflict. This conclusion suggests a reactive approach to conflicts. Balancing therefore carry the sense of management being proactive to possible conflicting expectations, integration of respective parties and attuning emerging and emerged conflicts to achieve win-win interest for both parties. It is believed that the integration of mutual interests for a win-win solution is the best way to prevent conflicts since they develop quickly and escalates fast.

1.2 Research gap, problem and objective

The real value of the tertiary group of stakeholders to the organizations is missing in most studies since the theory of 'tertiary stakeholders[1]' has not received enough attention. Therefore, considering the concept will be fitting for the purpose of the study to help managers see the value and interdependencies between the primary (organization) and the tertiary group of stakeholders. It is believed that establishing this link can help management to put extra value on the tertiary group of stakeholders and to see their impact to the performance of their organization. It is however, not merely an issue of establishing the extent of interdependences, but also, how their unmet expectations can harm the success of their business operations especially, in economic and legal sense. The study further assumes that meeting the expectations of this group will enhance the smooth operations of the organization. Smooth operations means free of regular legal battles, free environmentalist actions, and other possible actions that often result in tarnished image of the firm.

Harrison and ST. John (1996), Argued that "*An inherent assumption in the drawing of organizational boundaries was that external stakeholders could not be managed, in the traditional sense of the word, because they were not a part of the management hierarchy*." For example they added that *"Traditionally, at least in the United States, the focus in management has been on internal (e.g. employees) rather than external stakeholders, with organization boundaries drawn around the individuals and groups over which managers had direct supervisory control".* As a result, most studies pay

[1] Tertiary stakeholders are identified in the study as the environmentalist, special interest group, and the consumerists among others. A different 'tertiary stakeholders' model was considered in this study. The theory emerged from the secondary group of stakeholders.

little attention to the interest of the tertiary group of stakeholders at large. Volumes of studies focus more on management-employee, primary-secondary stakeholders relationships and how best to improve organizational performance using the immediate stakeholders or those stakeholders within the management hierarchy. These groups of stakeholder involve: shareholders, employees, customers and suppliers. Few attempts have been made trying to outline distinct guidelines toward meeting the expectations of the tertiary stakeholders.

Furthermore, management often perceives this group as merely an irrelevant, expensive and money-wasting business to deal with (Bishop, 2004). The implications being that, the tertiary stakeholders are of no economic significance to the firm and efforts cannot be wasted on their interests. This unclear link and seemingly indirect connection between the organization and the tertiary groups of stakeholder especially, has lead to many firms and their managements neglecting the potential harm that these stakeholders can cause to their business interests. The growing interest in maximizing shareholder value (Carrillo, 2007) is yet a contributing factor to this phenomenon. This is the issue of interest in the study, to help bring to light how this group of stakeholders affects the firm and how the firm in turn should perceive the groups' interests.

Additionally, it is evident that the plights of the tertiary stakeholders are heightened only when they voice their demands through actions. Therefore, a study into the situation, where this group of stakeholders is seemingly *left out* of the table, their potential harm and lastly, how management can *effectively* handle such conflicts arising from them will be studied. A closer look at these gaps prompts the following questions: *How does the organization depend on the external stakeholders - more specially, the tertiary groups and vice versa?* Secondary, *what are the nature of the conflicts that exist between the organization and the tertiary group of stakeholders?* Finally, *how can management balance the conflicting expectations between the firm and the tertiary stakeholders effectively?*

Answering these questions will help us achieve the objective of the study – *how management can successfully co-operate with the tertiary stakeholders.* It is assumed that unearthing the hidden dangers that this group of stakeholders possess and

balancing their expectations against that of the organization can help not only management, but the success of the firm at large. When management narrows their interest to just the economic benefits of their operations, they are being myopic, (Mizik and Jacobson, 2007). This happens when the expectations of some groups of stakeholders are perceived as unrelated to the firm's interest (economic). Meanwhile, the concept of the triple bottom-line: economic, environmental and social interest demands that management gives serious attention not only to economic performance of the firm but also the entire antecedents to firm's survival. Thus management-myopicism related to the impact of the external stakeholder group is unjustifiable and is assumed to be harmful to the firm.

According to Peng, (2006) a firm being truly responsible means "*the consideration of, and the response to, issues beyond the narrow economic… requirements of the firm* but also *social benefits along with the traditional economic gains which the firm seeks"*. His conclusion implies that any lag in the scope of the firm that is; ignoring the expectations of any member of the stakeholder group can lead to potential damage to the firm since *not* all members of the stakeholder constellation have economic interest in the firm. In effect, the study focuses more on how to avoid the concept of myopicism and to campaign for a perfect balance of the firm's stakeholders' expectations especially, that of the tertiary.

Another major objective of the study is to develop an alternative stakeholder model – the tertiary stakeholder - that fits the purpose of the study. This model will help to gain an insight into the tertiary groups of stakeholders who are often classified among the secondary. Since the study focuses on this type of stakeholders and their impact on the organization's performance it will be worthwhile considering their value to management as the primary and other members of the secondary stakeholders are to the organization.

1.3 Definition, Scope and limitation of the study

The term *stakeholders* denote all parties that have interest in the operations of the firm and can *affect* or be *affected* by the operations of the firm (Freeman, 1984). Stakeholder *constellation* lays emphasis on the fact that; the stakeholder groups vary

and can be compared to a group of network - constellations. Within this constellation of stakeholders are the interest groups, the activists, the pressure group and the most famous - the environmentalists. These groups are perceived to be indirectly connected to the firm (Harrison and ST. John (1996). Certain notable members of these groups include: pressure groups like the media, the consumerist, and the environmentalists like: the Friends of Earth, Greenpeace, Friends of Water Bodies, Wild-Life Conservationist, and Action Aid among others.

On the other hand, a closer look at the primary groups also shows yet another huge constellation of stakeholders involving management, shareholders or owners and employees (Whysall, 2000). Notably, the interests, demands or the *expectations* of these numerous stakeholder groups vary greatly. From the organization's point of view, some of these expectations may be primary (more important) whiles the rest are. The primary interests are those 'inside' the organization which the day-to-day operations of the business greatly depends on. The organization may consider secondary interests as those whose dependence by the organization is occasional or remote from the boundaries of management. Therefore, various expectations of these secondary interest groups are judged according to how management perceives them to be of significance especially towards their interest.

According to Roloff (Cited in Rahim 2002) and Rhenman *et al* (1970:57-70) organizational *conflict* occurs when members engage in activities that are incompatible or incongruent with those of colleagues within their network, members of other collectivities, or who utilize the services and products of the organization. Balancing conflicts assumes that in typical multi-party conflicts management must attune *(balance)* conflicts in other to arrive at an equitable solution and in most cases prevent the conflict from arising or escalating. Management must avoid merely attempting to quell the conflict from the surface through temporal mechanism designed to satisfy the expectations of the dissastisfied parties. Attuning the conflict for an equitable solution will lead to preventing recurring and expensive legal battles that are characterized by most conflicts of such nature (McLibel Trial, 1997). The terms: pressure groups, advocacy group, lobby group or special interest group, activist and environmentalist are used interchangeably in the study to mean members of the tertiary groups of the traditional external stakeholders' constellation.

Although most the nature of the conflicts between the organization and its numerous stakeholder constellations are discussed in the study, attention is given to the nature of conflict between the organization and the tertiary groups and in the empirical data collection process. The purpose of addressing the nature of the conflicts between some of the members of the – primary and secondary stakeholders as well is to help throw light on the day-to-day conflict management efforts that management of the firm have to go through. The empirical study does not cover those conflicts.

This focus on the tertiary group of stakeholder was heightened due to the fact that these groups (tertiary stakeholders) are diverse, but, do not received exclusive attention and are merely listed among the secondary stakeholders (Freeman, 1984). Additionally, the groups have considerably a wide-range of expectations in the business operations of the firm even to the point of engaging in frequent legal battles when necessary, especially when their expectations are underrated, yet they are regularly ignored by some firms. For this reason, focusing on this group in the study will help unveil how management perceives them as distinct and in a more practical sense how they handle most of their (tertiary) groups' expectations since these groups seemingly are of no economic significance to the firm.

1.4. Structure of the study

The study primarily addresses four theories: the theory of corporate responsibility, the stakeholder theory, the theory of ethical management, and the theory of conflict management. The first three theories are related to the organization's corporate responsibility issues whereas the theory of conflict management serves as the basis for assessing the organization-stakeholder pressure response strategies. These theories are categorized to harmonize the objective of the study as outlined in the previous pages. As to CSR and ethical management, these are considered from the firm' or management point of view whereas the stakeholder theories became necessary because of the tertiary groups that the study focuses on. Finally, how the firm is connected to the external stakeholders is addressed in the conflict management theories. In all, extra emphasis is given to the organization-tertiary stakeholder conflicts and conflict management theories.

The two important theories relevant to the study are evident in terms of the depth of their analysis. This is necessary since the stakeholder groups of the case firm used in the study were too many and hence may likely face various conflicting expectations. It is therefore not necessary to study the expectations of all the members of the stakeholders. Thus the focus of this study gives impetus to the external stakeholder group. Within this group, the study further addresses one unique type of external stakeholder – the tertiary stakeholder.

Various studies point to different types, nature, conflict management and conflict response strategies that management adopts when dealing with organization-stakeholder conflicts (Barki and Hartwick, 2001; Peng, 2006). Therefore, it is necessary to know which of these response strategies are adopted by management when dealing with organizational-tertiary stakeholder conflicts.

Additionally, most studies seek to explain why and how conflicts occur (Wall and Callister, 1995). The study seeks to address one specific reason– "when two parties have incongruent interests or expectations" (Rahim, 2002). This scope lays emphasis on the type of conflict that exists between the organization and the tertiary. Focusing on this specific nature and type of conflict will help to achieve the objective of the study - *"how management can successfully co-operate with the tertiary group of stakeholders whose expectations are often perceived as irrelevant since they fall outside their managerial boundaries"* (Carrillo, 2007).

The study proceeds to gather and analyze empirical data from the case company using qualitative and semi-structured questions. This will help to gain insight into the real-world situation - how management truly perceives the expectations of the tertiary group of stakeholders and how management in the practical world approach conflicts of such nature. The data collection process will focus primarily on how management responds when there are conflicts or anticipated conflicts. Also, which particular 'strategic-response-mix' they adopt for any given type of tertiary stakeholders' conflict. This is necessary to know because there are different types of stakeholders within the tertiary groups implying that there are different expectations as well. Most of these conflict-response-strategies to be addressed are based on studies conducted by Barki and Hartwick (2001) and Peng (2006).

2. LITERATURE REVIEW

This section reviews all relevant theories and models for the study. The following theories will be considered: CSR, ethical management, stakeholder and conflict management.

2.1 Theory of Corporate Social Responsibility and ethical management

Corporate Social responsibility (CSR) refers to 'the consideration of, and the response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks' (Peng, 2006). From this definition, we can establish the fact that, the traditional reason for the existence of most organizations is economic or profit-making. However, the concept of CSR according to Peng, implies that every profit-making organization must go beyond the profit-making boundary, often argued as the triple bottom line. CSR must instill in organizations the sense of gradually leaping towards the other two lines: social and environmental issues along with their primary objective (economic). Doing so will imply that the firm seeks to satisfy the interest of all the stakeholders surrounding the firm whose interest may not necessarily be economic.

Johnson *et al* (2008:146) concludes this way: CSR "is activities that are concerned with the ways in which an organization exceeds its minimum obligations to stakeholders specified through regulations". Corporations are obliged to take sustainable actions and accept that they are responsible to their stakeholders: customers, suppliers, employees, shareholders, communities and the environment who often become victims of their profit-making interests. However, there are certain actions that may not be specified through regulations (ethical actions). Clearly then, when management by their natural inclinations exceed what the law stipulates (taxes, green business, human rights etc), they climb further along the CSR ladder.

Notably, true CSR in modern business practices can be considered as a strategic tool for gaining competitive advantage, winning the heart of the customers and the entire stakeholders both those directly and indirectly related to the firm (Peng, 2006). Ethics

on the other hand is natural, a sense of feeling - the ability to see the difference between right and wrong actions.

However, responsibility on the other hand is not natural but is catalyzed by ethics. Moss (2002) argues that "business ethics and corporate social responsibility both exists under the umbrella of ethics". In a sense, he implies that ethics is the fuel of corporate responsibility and not vice versa. Moreover, CSR and ethics are concepts that are applied hand in hand. Ethics as standalone discipline is inherit (natural conscience) and can be used as a guard-post to shape the organization's sense of responsibility even without an external pressure. In businesses where ethical stance (how far the organization will go in ethical sense) is low, irresponsible business operations are high. Then legal enforcement and stakeholder pressures are rampant. Understandably, blending ethics and business (ethical business) rules out legal actions and consequently, limits stakeholder conflicts.

Carroll and Buchholtz (2003 cited in CIM, 2008) argued this way: "businesses, and the managers and staff who work within them, have responsibilities not just to shareholders but to stakeholders as well". Such sense of responsibility requires management to integrate ethical management with their businesses which will finally be felt by their stakeholders – including the tertiary groups.

The diagram below summarizes the components of ethical management:

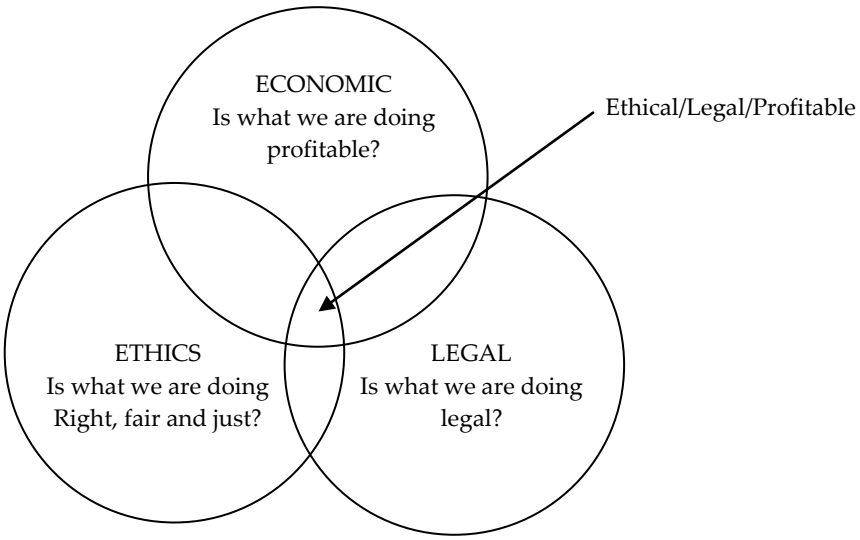

Fig. 1. Ethical management, adapted from Carrol and Buchholtz, 2003

The diagram above clearly identifies the relationship between ethics, the organization's primary objective (economic) and the role of the law (legal). In practice, it means that:

- Ethical – the need to act morally in line with corporate values.
- Legal – the requirement to observe the law.
- Economic – the need to generate profits and returns to shareholders, or in the case of not-for- profit businesses to achieve objectives.

Ethical management aligns all the three disciplines along with the organization's strategic objectives. Although ethics is closely related to legal, ethical practices are far from legal ones and are usually considered to override legal issues (Carrol and Buchholtz, 2003).

In practicing 'ethical business', corporations should morally and naturally feel the sense of right and wrong and see the extent to which their primary objective (profit-making) cuts across the boundaries of humanity – (irr) responsibility. Conclusively, ethical behavior is natural yet the operations of most organizations at one point in time make this claim arguable (Christian Aid, 2004)[2]. This leads to a very important question: should corporations be forced or reminded to be responsible in their operations? Finding answers to this question leads to yet another important theory – stakeholder theory. This theory throws light on who the firm's stakeholders truly are; the different types of stakeholders, their relative power, their interests, and the nature of pressure that they put on businesses who act irresponsibly.

2.2. Stakeholder theory

Freeman (1984) in his concepts of stakeholder theory argues that "stakeholders are those group or individuals who can affect, or are affected by, the achievement of a corporation's purpose". The term *can affect*, or *is affected by* denotes the interdependences of all interested parties within and around the operations of the

[2] Christian Aid is a non-governmental organization based in the UK that terms the real face of Corporate Responsibility activities of MNCs as "Mask". Implying that MNCs do not practice real 'ethical business'.

organization. Additionally, it suggests that the survival, strategic goals and objectives of the organization are linked to organization-stakeholder relationship, interdependency and co-operation. He lists the following as a firm's stakeholders: supplier firms, customer segments, employee segments, various members of the financial community, several levels and branches of government, consumer advocate groups and other activist groups, trade associations, political groups, unions, and competitors among others .

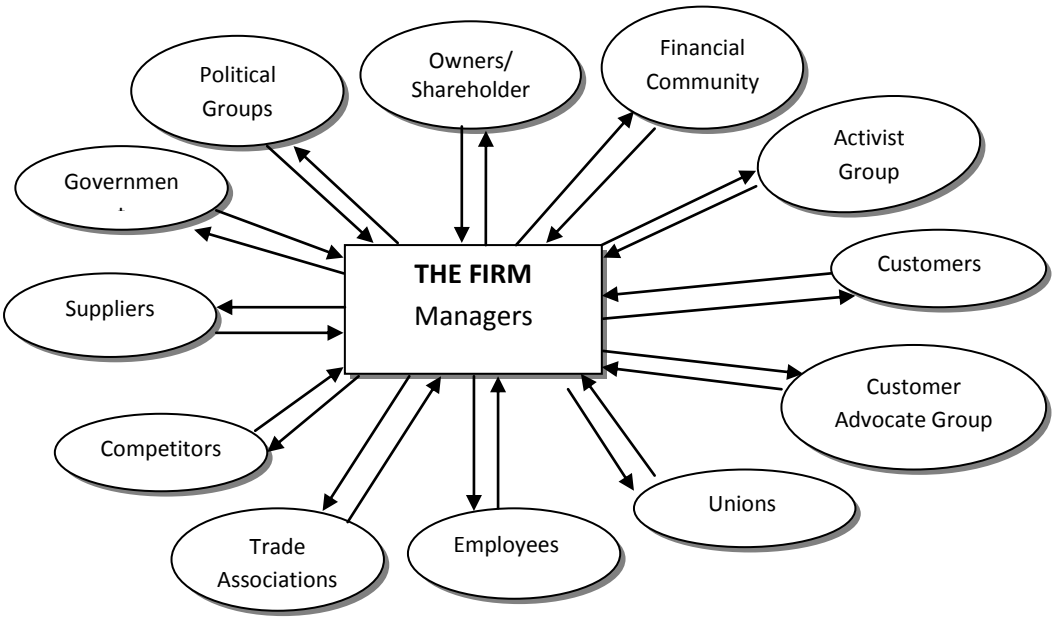

Fig. 2. Source: R.E Freeman, Strategic Management: A stakeholder Approach, Pub. Pitman Copyright, 1984

Freeman's model is very comprehensive. The *consumerists* were identified as the "customer advocate group" whereas the "activist groups" (advocates groups) of the external stakeholders were also listed. These groups were identified in this study as members of the tertiary stakeholders. His finding adds more value to this study.

A different model proposed by Peng (2006), clearly identified the *environmentalist* as stakeholders who merit attention. Although the model in relative sense is not as comprehensive as Freeman's, it is interesting to see how his classification ties in with existing models to enable us have a broader picture of this 'tertiary' group of stakeholders.

The diagram below depicts a typical stakeholder constellation proposed by Peng, (2006).

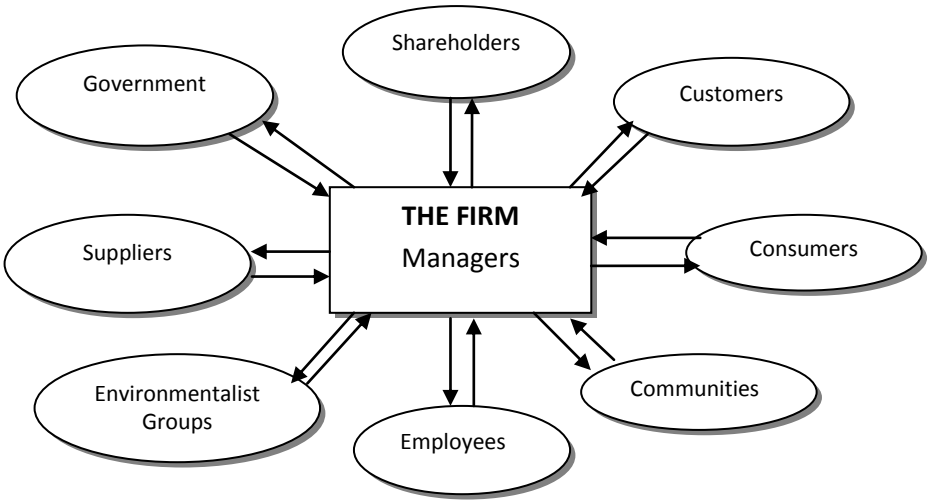

Fig.3. The stakeholder constellation - Adapted from Mike W. Peng, (2006)

The diagram points out the connection between the firm and its stakeholder groups. The firm is connected to every member of the stakeholder groups and vice-versa. In this respect the individual stakeholders can be affected by the firm's operations and the stakeholders in turn can affect the firm (Freeman, 1994). Since the communication is two-way and all the members of the stakeholders can affect and be affected by the firm, it implies that the firm cannot justifiably ignore any of the members (they are interdependent). Both members of the primary, secondary and the tertiary can affect or influence the organization in one way or the other due to this interdependency. However, all the members of the stakeholders do not have the same power and interest in the organization. (See Fig 10. Power/Interest Matrix). The power and interests of the stakeholders may be relative to that of the firm.

Concerning stakeholders, Rhenman (1968 cited in Freeman, 1984:41) argued that "We shall be using the term stakeholders to designate the individuals or groups which *depend* on the company for the realization of their personal goals and on whom the company is *dependent*. In that sense employees, owners, customers, suppliers, creditors as well as many other groups can all be regarded as stakeholders in the company" Here, he identifies the level of interdependency between the organization and its stakeholders. He connects both the organization's goals (economic) to that of the stakeholders. However, it is clear that not all the stakeholders have similar goals

as the organizations. The goals of the stakeholders that he (Rhenman) referred to as personal goals may vary from social to environmental goals. However, unless the organization respects these (personal goals) of its numerous stakeholders, there will always be conflict of interest. These goals as used by Rhenman are termed *expectations* in this study.

Rhenman's classification of stakeholders based on internal and external groups can be depicted as:

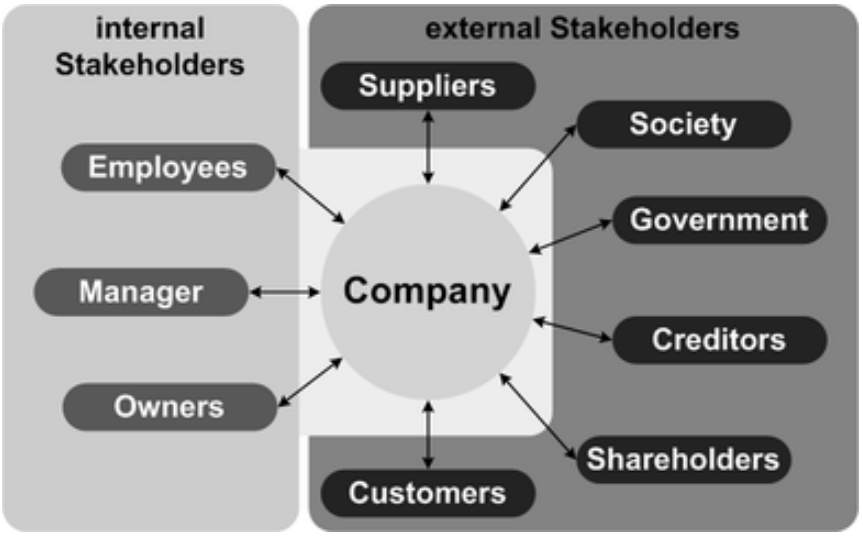

Fig 4. Source: Based on Eric Rhenman's (1968) classification of stakeholders – internal and external

Meanwhile, the concept of tertiary stakeholders has its root from knowing that there are primary and secondary groups. In Fig. 3, we clearly identified the environmentalist as part of the stakeholder group. Freeman (Fig.2) broadly classified this group as activists**.** The term *activist*s can be used in a broad sense to represent pressure groups, interest groups, the environmentalist groups and any other members of the public stakeholder groups (Special Interest Groups) like ILO, EU and OECD. The tertiary groups of stakeholders fall outside the boundary of the organization and are not part of the internal class of stakeholders. Existing studies classify them as secondary or external stakeholders (Freeman, 1984).

2.3. The External Stakeholders

In this section, attention is given to the various stakeholder constellations that surround the firm. No attempt however is made assessing the relationship between the organization and the internal stakeholders. The public groups receive fuller attention; also, the environmentalist groups and the consumerist groups. Subsequently, attention is given to the proposed model – tertiary stakeholders.

2.3.1 The Public Groups (Special Interest Groups)

The public group of stakeholders are often referred to as: advocacy groups, lobby groups, pressure groups, special interest groups or the activist groups. In a broader sense, they act against organizations that behave irresponsibly, exerting pressure on the businesses (Waddock *et al*, 2002). Such pressures may be in the form of codes, principles, regulations and law enforcement (Refer to Table 2 for some emerging codes, standards, principles and regulations from this group of stakeholders). They often fight for justice and compliance of regulations.

In the US, Canada, Britain and Germany for instance, there are countless number of established non-governmental bodies who battle with organizations on daily basis[3]. These groups do not directly engaged in transactions and usually have no business interest with the corporations. However, they regularly monitor the activities of the organisations and display various degrees of interest in the life of the businesses. It is therefore convincing knowing how they can affect or influence the organisations (Freeman, 1994) and how they and the organisations are interdependent (Rhenman, 1968). The pressures that they exert on the businesses may include: eco-battles, legal battles and sanctions among others.

2.3.2 The Environmentalist Groups

The environmentalist groups are sometimes referred to as Eco-friends. Some notable environmentalist groups include: Greenpeace, Friends of river and water bodies, Friends of wildlife, Friends of Earth, Wild-Life Conservationists among others. The

[3] See (http://www.urban75.com/Links/contacts.html) for list of some of these groups in the specially, UK and the US.

environmentalist activist groups of stakeholder often engage in various eco-battles, direct confrontations and lobbying activities against organisations and on behalf of disadvantaged stakeholders – including the environment itself (Joustenvirta, 1997). They Lobby to influence public officials to take actions on a giving subject (Macmillan Dictionary, 2009). They can halt the operations of a firm through demonstrations, legal backing and press activities. Moreover, they try to tarnish the image of irresponsible organizations through their activities. These groups range from international to national and to community levels. To ensure that their interests are met and to identify a pre-text against businesses, they often scrutinize the organizations' activities to see how favorable their activities are towards the interests of the rest of the stakeholders. They conduct surveys, publish journals and at times engage in face-to-face confrontations with the firms. For instance, GreenPeace and ActionAid international activist groups have their offices in many countries[4] presenting themselves to the world as 'friends of the under-privileged' or 'the voice-of-the-people.

These two bodies have influenced and affected the operations of many corporations by publishing comprehensive reports (often offensive) about businesses especially, in developing countries. Sometimes, they go further to solicit government and legal support/justice against corporations. One of such example is the report on the effect of mining activities of AngloGold Ashanti (British-Ashanti) - A Gold mining company in Obuase, a local community in Ghana. Several journals and international articles by [Greenpeace and ActionAid - Ghana] have been published featuring adverse effects and images of locally affected stakeholders from the activities of the mining company. The adverse effect of this mining activities were listed in their journals which include: land pollution, water pollution, leaching of toxic chemical into the soil, air pollution and less concern for the properties of the local farmers and the community settlements. This course exerted intensive pressure on the performance of the company. Managers of the business were forced to defend their actions which consequently lead the company to abandon certain mining sites and to compensate

[4] Go to (http://www.greenpeace.org/international/) to see the number of countries where Greenpeace have their offices,

heavily for affected local inhabitants in other to exonerate their damaged image brought before the international community (ActionAid, 2006)

From the above example, it is clear that there are stakeholders whose interest in an organization is *merely* to seek-justice and advocate rightful courses. Also, to ensure that firms are responsible and are brought to actions if found practicing irresponsible/unethical business. It is also evident that the firm sometimes may know the rightful course to take yet, they regularly ignore the plights of affected stakeholders to enable them achieve their interests (me-first). It is noteworthy also that at times the firm being irresponsible is not merely triggered by the quest for survival or to achieve the organizational goals but simply due to negligence and greedy economic pursuit. Therefore, if management of firms ignores the potential threats that these pressure groups can cause to them by looking at them with blind eyes, their profit making operations and image would severely be brought to question since these stakeholders are very influential but do not pursue the same economic interest as the firm.

One popular term connected to the environmentalist groups' actions is environmental movement. This term sometimes includes the conservation and green movements - a broad scientific, social, and political movement. In general sense, the environmentalists advocate sustainable management of resources, the protection and restoration of the eco-system and sometimes human rights through changes in public policy and individual behavior.

2.3.3 The Consumerist groups

Kotler (1976) defines consumerism as the "social movement seeking to augment the rights and power of buyers in relation to sellers." This definition implies that the consumerists are included in the activist groups of stakeholders who are pioneering and supporting consumer-rights and interests. The relationship between consumerism and the consumerist however, is that consumerism is an outward manifestation of consumerists' actions (Bourgeois and Barnes, 1979). As example, members of the Consumers' Association of Canada (CAC) were selected as representative voices of consumerists. Membership in the CAC represents a behavioral measure of the

consumerist - "a voluntary, non-sectarian and non-governmental organization that provides a strong and reliable voice for consumers" (Brobeck, 2006).

It is clear then that, consumerism is a 'movement' whiles 'consumerists' are the activist groups who represents the consumer movements. The consumerist fight for the interest of the consumers sometimes referred to as Consumer Rights Advocates (ARA). The interest of the consumers include quality products, accessibility, affordable pricing, innovative products, convenience, customer care, ethical products, among others (Waddock *et al*, 2002; Brobeck, 2006). The consumerist actions are necessary due to the greedy interest of some businesses that often ignores the interests and rights of the consumers. Defective products are intentionally released for sale at times, cut-throat pricing are seen in most parts of the world where the consumers have no option and when the products are a bit innovative and rare.

In other instances, genetically modified foods are produced and sold for consumers[5]. There are many instances where the consumerist groups have interfered with the sales and export of Genetically Modified (GM) foods to and from many countries. For example, in the year 2000, Greenpeace took several actions against shipment of GM foods to Brazil, UK and many other countries (Greenpeace, 2000). This example further implies that many non-governmental organizations can exert effective pressure on businesses and on behalf of the consumers just like the legal system can do. Usually, such pressures can even be more effective than legal enforcement, the reason being that these actions are quicker and produces effective results than long-legal battles that are often 'lobby-able'. Pressures from the tertiary groups cannot be lobbied - not easily, thus making it even more effective in achieving its objective.

2.4. An alternative stakeholder model – tertiary stakeholders.

A look into an alternative stakeholder model as mentioned earlier is considered in this section. The model is proposed after carefully considering existing theories of Rhenman (1968) and Freeman, (1984). The model considers three important factors: the *degree of autonomy*, *the level of proximity* and the *degree of influence* possessed

[5] For more details on movements against GM foods visit (http://www.urban75.com/Action/genetix12.html)

by a particular group of stakeholder. These criteria are used to identify the tertiary groups of stakeholders as the study progressively touches on the term.

2.4.1 The Tertiary Stakeholder model

Many studies into stakeholder theories classified stakeholders into Primary and Secondary (Rhenman, 1968), and internal and external (Freeman, 1984). These two primary groups are further sub-categorized into various stakeholder constellations. Freeman, in his theory defines stakeholders as "those group or individuals who can *affect*, or is *affected by*, the achievement of a corporation's purpose". Rhenman (1968) on the other hand argues that stakeholders are groups that *depend on the organization* and *the organization in turn depends* on them.

Primary or internal stakeholders are those within the immediate surrounding/boundary of the firm including: managers, shareholders/owners and employees. The secondary or External, are those who operate outside the immediate boundaries of the firm – customers, suppliers, Government, community, NGOs, Environmentalist etc.

A more comprehensive stakeholder model attempts to categorize a third group the "tertiary" stakeholders. Existing categorization based on the external stakeholders is questionable since such categorization is too broad to merely put it as "external". The expression 'external' is infinitive/broad and demands narrowing. Consequently, re-focusing on the original Rhenman's theory of internal and external stakeholders makes the study very easy to comprehend. Moreover, his definition that stakeholders "surround" the firm leads us to investigate the level – how close or farther away that a particular stakeholder is to the firm (proximity). Moreover, Freeman's argument that stakeholders can *affect* and *be affected* demands that we examine the question 'to what degree can they affect and be affected?" Can knowing the extent of "can affect be affected" help us to re-focus on the stakeholders at large? These questions are investigated.

Three criteria or characteristics possessed by a particular stakeholder are considered in this categorization:

1. The degree of autonomy (of the stakeholder(s))
2. The level of proximity (of the stakeholder(s))
3. The degree of influence (of the stakeholder(s))

A. Primary stakeholder: Management, shareholder/owners, employees

B. Secondary stakeholders: customers, suppliers, government and communities

C. Tertiary stakeholders: pressure groups, consumerists, environmentalists, advocacy groups, lobbyist groups, NGOs and Special Interest groups (SIG) - public or International bodies (EU, ILO, OECD) etc.

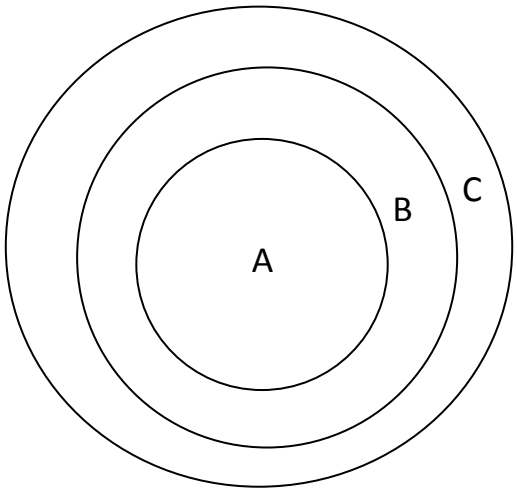

Fig. 5. Comprehensive Stakeholder Model

ANALYSIS OF STAKEHOLDER CHARACTERISTICS

A. Degree of autonomy

The degree towards absolute autonomy 'stand-alone' in terms of power and level of operation (autonomous) as well as the degree to which it cannot be affected so much by other stakeholders especially, the firm. The degree of autonomy is sub-categorized based on how autonomous the stakeholders are:

1. Primary stakeholders - high autonomy
2. Secondary stakeholders – higher autonomy
3. Tertiary stakeholders - highest autonomy

B. The level of Proximity

1. From the immediate business environment
2. From the core business boundaries
3. From the operational decisions

C. Degree of influence

1. On managerial decisions
2. On management or firm expectation/interests

2.4.2 The Level of proximity

The level of distance describes how in-depth: closer or farther away that the stakeholder is towards the core or centre of the business operations – 'surrounding' the business (Rhenman, 1968). Within this category we identify how close the stakeholder is:

i. From the immediate business environment
ii. From the social environment
iii. From the operational decisions

i. From the immediate business environment

The business environment involves frequency of interactions with employees and management, ability to depend on the business for any benefit or help, the degree to which both the: economic, social and environment settings of the firm is close or can impact on a particular stakeholder. For instance, in these categories, shareholders and employees are very close to the economic environmental in a sense, the performance of the firm really affects them than any other imaginable stakeholder(s). Since employees and shareholders depends on the revenue generated from the firm on daily,

weekly, monthly or yearly basis. Thus, the very economic performance of the firm can greatly affect these stakeholders. The tertiary may not be close to the firm in this sense.

The core business environment of the firm can also be termed jurisdictional boundaries or level of control that managers have both in their departments and outside their departments. This basis can also be used to categorize stakeholders. For instance, management does not have control over the external stakeholders because the tertiary groups do not fall within their 'boundaries' – jurisdiction or control. In a sense, if a stakeholder is out of the boundaries of a functional departments, boundaries of board of directors or the physical boundaries of the firm the level to which the stakeholder is affected (Freeman, 1984) is questionable. The closer of farther away that a stakeholder is depends on the type of stakeholder in question. It also affects and explains the *degree of control* and *influence* that the organization can have on its stakeholders at large. The level of distance from the core environment of the business operations of the firm is highly felt by both the employees and the communities in this regard. In this sense, the members of the secondary stakeholder like suppliers and consumers are seen to be closer than the tertiary, environmentalist or consumerist. Thus, the environmental groups are out of the reach or control of the firm completely as a group unlike the members of the traditional secondary stakeholders.

ii. From the social environment

The level of distance in social environment relates to the interdependencies between the organization and its immediate stakeholders. The business greatly affects the community in the sense that not only does the environment becomes an issue, but also the 'profitability' of the firm to the society. To what extent do the communities surrounding the firm benefit from the business? Are employment privileges created? Have the business provided any social benefit to the community or it is just a business fulfilling its legal obligations? Answering these question can help understand the level to which the community in particular benefits from the existence (proximity) of the firm. In most developing countries and as well developed countries, firms are considered to be part of developmental projects. Developing countries expects firms

to provide good roads, education or library for poor communities, provide employment and at times financial support (sponsorship) towards any rightful cause, like education.

In the same sense, the physical environmental impact of the operations of the firm is highly affected by the communities than any other stakeholders, say the tertiary. Although the internal physical environment is firstly, greatly affected by the employee, the secondary physical environment is also a major concern for the society. Air pollution, water pollution, noise, lost of property like the lost of farmland due to mining and road construction activities are highly felt by the communities. Aside, in many mining centers where community settlement is close, houses are cracked due to mining activities, foundations of houses are shaken on day-to-day basis, and night sleeps are disturbed. Dangerous flying stones and objects out of blasts among others can even be lethal to unfortunate persons within the vicinity. In other parts of Africa, stray objects from blasts sometimes fly high enough and penetrate roofs of houses within the community settlements.

iii. Level of management decision

Some stakeholders may appear literally far away from the core business decisions. For example the receptionists may appear far from management decisions - but in reality have greater impact on the implementation of management decisions. Although they (receptionists) control most of the communications from the external environment, they must not be perceived as merely information-controllers. For instance, if management plans to increase profitability by 15% in 6 months time, this strategic decision could possibly ignore the impact of the receptionist towards the implementation completely. However, the receptionist as a gatekeeper (controls flow of information) and has the possibility of driving away potential customers and profitable clients who may want to do business with the organization through the phone or at the entrance. In effect, the receptionist is technically closer to management decision (corporate objective) than can be imagined. However, hardly does management think of the impact of the receptionist when deciding and implementation strategic goals.

Therefore, the question "who among the stakeholders are really close to managerial decision?" is not easy to answer. Similarly, management may not necessarily, incorporate some of the employees into their strategic business decisions. So goes with some members of the external stakeholders. At times management can easily forget about the impact, influence and degree of connection (interdependencies) between their decision and certain stakeholder groups or the entire tertiary groups. This has been the causes of most stakeholder-organizational conflicts. This phenomenon has led to various conflicts, huge image damage and cost to some corporations.

Likewise, due to profit-at-all-cost policies that some organizations adopt, their operations may involve greedy pursuit of certain activities that result in the oversight of the potential power of the environmentalist, for example, mining or mineral extraction companies, some wood processing and fishing companies.

The likely impact of the environmentalist when underrated can lead to unrest and actions against the businesses. This might lead to the halt of the business for some time at least resulting in failure to achieve corporate objectives. Also, for the same purpose, an organization may choose to work overnight in order to meet demands and schedules; this could lead to noise in nearby communities. Legal battles may be taken by these stakeholders – the community. Consequently, this may lead to court injunction to stop night production. In such an instance, the organization had failed to see 'who really was close to management or business decisions'. Therefore, the consideration of the degree of proximity of potential stakeholders toward the level of business decisions that are taken by management is necessary when setting strategic decisions. Thus, the tertiary stakeholders are not left out during management decisions as regards any other stakeholders groups. Similarly, a mineral extraction company may be affected by some of the tertiary stakeholders to a greater extent than other members of the same tertiary group. For instance, the environmentalist can really affect management decision than the consumerists since the mineral extraction company does not deal directly with the consumers. But the impact of the company on the environment can result in closer interest of the environmentalist, the government and the society at large.

The table below depicts the imaginary level of proximity of each stakeholder group towards the business.

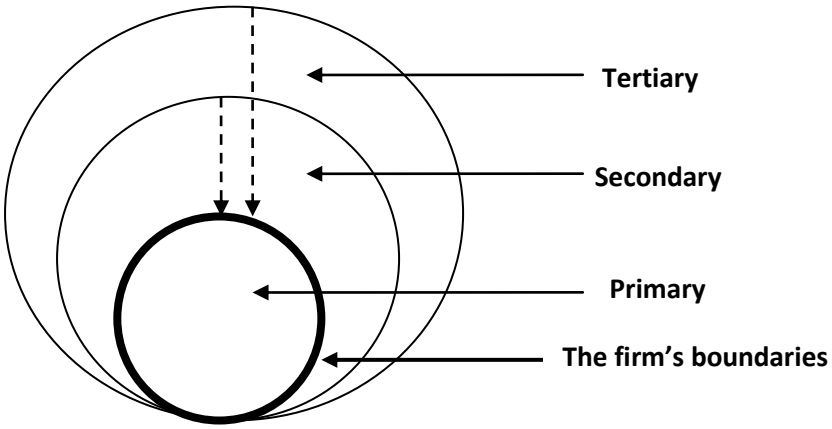

Fig 6. The relative distance between the stakeholders and the firm

The thick dark line denotes the boundaries of the firm - the immediate business environment, the core business boundaries and management decisions. The distant between the secondary stakeholders and the firm's boundary (dotted arrow) is seen to be closer than the distance between the tertiary group and the firm's boundary. The firm or primary stakeholder at large is surrounded by both the secondary and the tertiary stakeholders. These distances denote how close a particular stakeholder is to the so-called boundaries of the firm (thick line).

From the bottom (assumes) that all the stakeholders are obviously close to the firm. But from the top (in literal sense) the tertiary appears to be farther away from the core, social and decision boundaries of the firm than the secondary and the primary. In practice, no firm would agree that none of the tertiary stakeholders are farther away from their business decisions (practical sense). Hence there are many rules, guidelines, principles, standards etc. passed by the members of the tertiary groups that the firms need to incorporate during the inception of their business ideas - thus aligning their strategic objectives against that of the members of the tertiary groups (interdependency). Moreover, virtually no firm would agree that underrating the tertiary stakeholders' expectations would be harmless in their business decisions, since the impact of the stakeholders in totality can be felt when conflicts occur between the organization and any member

of the stakeholder constellation. Therefore, in terms of expectations, all the stakeholders are close to the firm - denoted by the close or overlapping bottom boundaries or lines.

Depicting the level of distance between the secondary, tertiary and primary stakeholders (the firm).

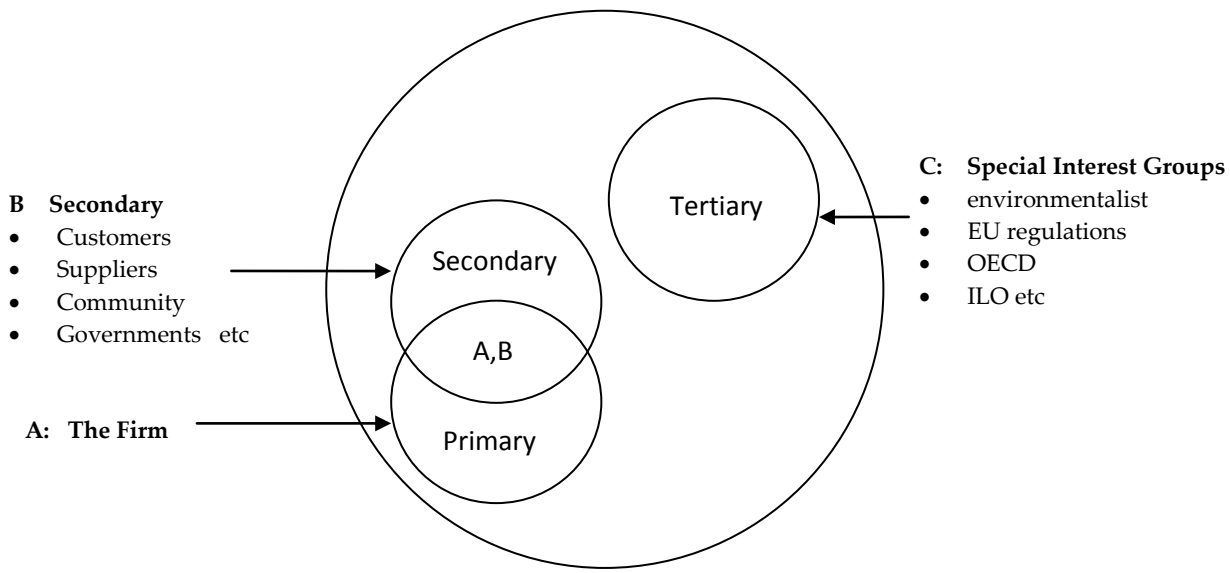

Fig.7. The level of distance between the stakeholders

The intersection AB denotes that sometimes members of the secondary stakeholders are connected closely to the firm towards the same economic benefits or mutual support for survival (interdependency). For instance, suppliers may at one point integrate with the firm in other to survive or have a competitive edge (economic interdependency). Likewise, the government and the communities at times depend on the income of the firm. However, C – the tertiary has no economic interest in the firm whatsoever. It must be noted that the level of connection (AB) between any members of the primary and the secondary stakeholder is characterized by equitable economic cooperation. This is nonexistent in the primary-tertiary cooperation.

2.4.3 The degree of autonomy

Management is at the core of the business decision performing all the managerial roles: controlling, planning, coordinating, decision making among others. As a result, management can be compared to the driver of a commercial vehicle; they have the most autonomous power over the vehicle (the firm). This autonomous power includes movement, stopping, and directions to take. The government as the second most autonomous stakeholder enforces the legal issues and ensures that taxes are paid appropriately. The firm is not isolated from the government in that sense. The employees do not have complete autonomy although their strikes can halt the operations of the firm, their dos and don'ts are regulated by management. Employee empowerment is made possible by management. With shareholder, they possess both power and autonomy, making them one of the important stakeholders to the firm.

Almost all the members of the secondary groups are autonomous but do not set rules and enforce them like the government. Customers, suppliers, communities and trade unions among others are autonomous, but closer to the firm than the tertiary groups – as established in the previous concept of proximity. However, the tertiary groups has unique degree of autonomy, there is no business link (economic interdependency) between them and the firm, neither are the tertiary stakeholders beneficiaries of the organization's pursuits in any imaginable way. The environmentalists for instance do not appear to show any economic interest in the firm apart from compliance to their expectations and the eco-system at large. This makes them unique since from the government to the community level, Supplier to consumers through to the level of the employees - all of them have at least little economic interest in the firm.

The tertiary stakeholder groups (environmentalists, the Public - EU and ILO standards etc) and the activists (e.g. the consumerist and the pressure groups) have only social and environmental interest within the triple-bottom line. Since these groups have no interest in the firm's economic activities and performance they cannot be corrupted easily; neither will they compromise their course of actions - that will mean conflict within themselves and their goals. Although these groups have less control over the firm's day-to-day operations unlike the managers, shareholders, suppliers among

others, their degree of control will depend on how ***influential*** they are on the operations of the firm and management decisions, especially when their expectations are not met.

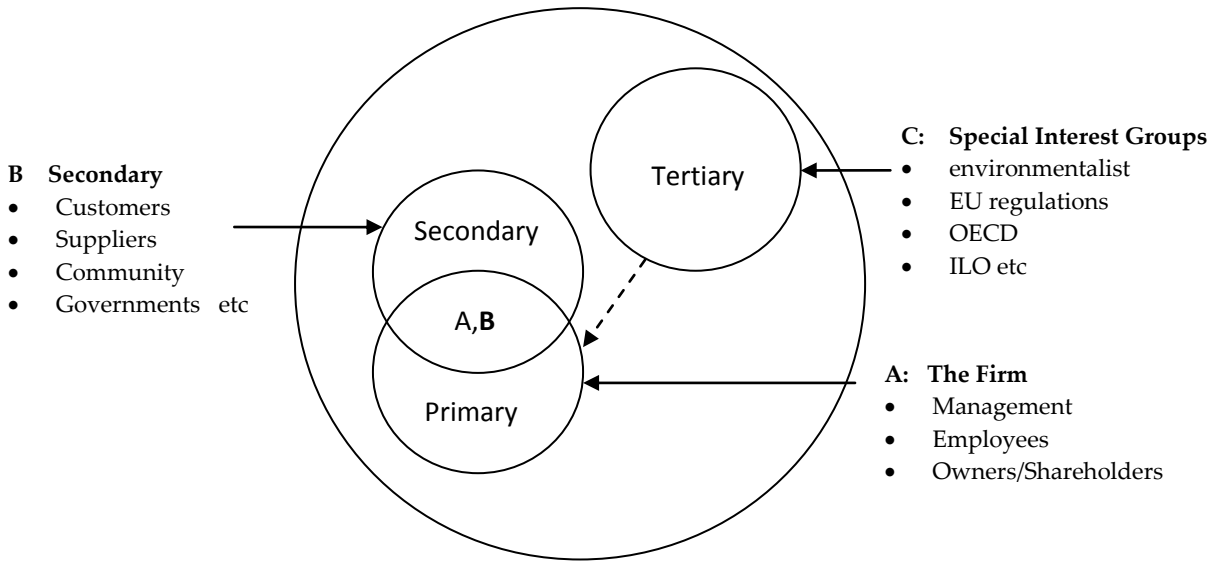

Fig.8. The degree of autonomy between the various stakeholder groups

As established earlier, the primary and the secondary groups are interdependent in many ways especially, in economic sense. The degree is sometimes 50/50 to be precise. One group may not survive without the other. The tertiary are not close to the firm's literal boundaries and neither do they operate under the umbrella of the firm. Therefore, they can be seen farther away from A with no interdependency. The broken line denotes that occasionally, the tertiary groups fight for their interest. It also denotes that the only interdependency between the tertiary and the firm is on compliance issues, for instance: EU regulations, International Labor Organization regulations (ILO), OECD guidelines and the Environmentalist groups' expectations. ILO and EU regulations are binding and must be obeyed by the organization without excuses for example ISO standards. However, the firm's dealings with the members of the secondary stakeholders are sometimes and often frown; even negotiable e.g. customers, suppliers and the communities are often underrated by the firm. Governments are sometimes lobbied for a win-loose situation. But the tertiary group cannot be negotiated. Conflict with the tertiary groups often results in win-win or lose-win; defiant firms are usually the losers.

Moreover, it is noteworthy that the main stakeholders on whose behalf the tertiary groups operate are often the members of the traditional secondary stakeholders like: the consumers, the community and the environment specially and at times some members of the primary group. For example, the activists, the environmentalists and usually, the pressure groups (media) operate to support the consumers and their rights. ILO, the EU and OECD guidelines as well as principles are meant to support the natural environment, some stakeholders and the society at large.

2.4.4 Degree of influence

We will distinguish between the degree of influence on the organization and on management expectations or interests. These are discussed below.

i. The Degree of influence on the organization

The degree of influence explains how much impact, power and ability a member of the stakeholder group have over the firm. Furthermore, the degree to which a member of the stakeholder constellation can influence the organization without the organization being able to retaliate. Since it was establish that the tertiary groups have no direct interdependency with the firm, management of the firm cannot influence them as much as compared to the internal stakeholder and other members of the secondary groups (See 2.4.3). Meanwhile, the tertiary stakeholder can influence the organization in many ways. In a sense, the degree of influence also relates to the level of power that a stakeholder possesses. It is interesting to verify the potency of this power because, the tertiary are autonomous and *sometimes* do not come into the paths of responsible firms in anyway neither do they have any economic dealing with the firm. So why is it important to address the degree to which the tertiary stakeholders are influential?

Due to the nature of the co-existence and mutual economic interest of the primary and the secondary groups, it is often the case that any member of the primary-secondary groups can easily be coerced or persuaded to corrupt or compromise their interest. However, in the sense where the opposite is the case and a particular stakeholder can damage the reputation or even attach the firm directly; the relative power of such a

stakeholder must not be underrated (highly influential and have no interest in the firm). The tertiary groups possess such traits. The organization has relatively no influence, control and power over them in anyway.

It is assumed that for organizations to avoid confrontations with the tertiary stakeholders, they

Ought to…

1. Practice ‘ethical businesses.
2. Comply with the rules and ethical standards.
3. Integrate the stakeholders (win-win expectations)
4. Be proactive
5. Be accommodative
6. Avoid greed.
7. Not replace corporate philanthropy with corporate responsibility
8. Not replace corporate responsibility with social responsibility
9. Increase their ethical stance
10. Learn from mistakes.

The level to which the tertiary group can influence the firm can be seen through their mode of actions and operations. These groups at times employ high-profile campaigns and direct confrontations (Joutsenvirta, 1997), demonstrations organized by mobs and ‘grassroots’ activist groups, instigate the media and international bodies against the firm, enter into legal and eco-battles with firms, disrepute and tarnish the image of organization and in a more contemporary way, use the internet community to spread their propaganda against the businesses in a relatively effective, fast, extensive and cheaper way. These are issues that are of serious concern to the firm since they have no relative power to fight back. In fighting with an opponent whom one cannot fight back and who cannot be corrupted or influenced, the organization has only few options – compromise the request of the opponent and meet the demands of such a mighty opponent.

ii. Influence on management decision/expectations

The degrees to which the tertiary stakeholder can influence managerial decisions (strategic plans, objectives and goals) are often the basis of the clash of interests apart from irresponsible business. These result in organization-tertiary stakeholders' conflict (Rahim, 2002). Management may want to put their economic interest first (me-first) and on the other hand, tertiary stakeholders may want to influence management to pursue their interest as well (me-too). Whereas the interest of management is often economic, that of the tertiary is usually far from economic - social and environmental. To management pursuing environmental interest and especially social interest may not be their primary objective and at times may consider such pursuit as expensive and of no economic significance. In situations like this, the tertiary expect management to rethink their plans and decision before execution them.

The relationship between the levels/degrees of influence between the stakeholders groups is depicted below.

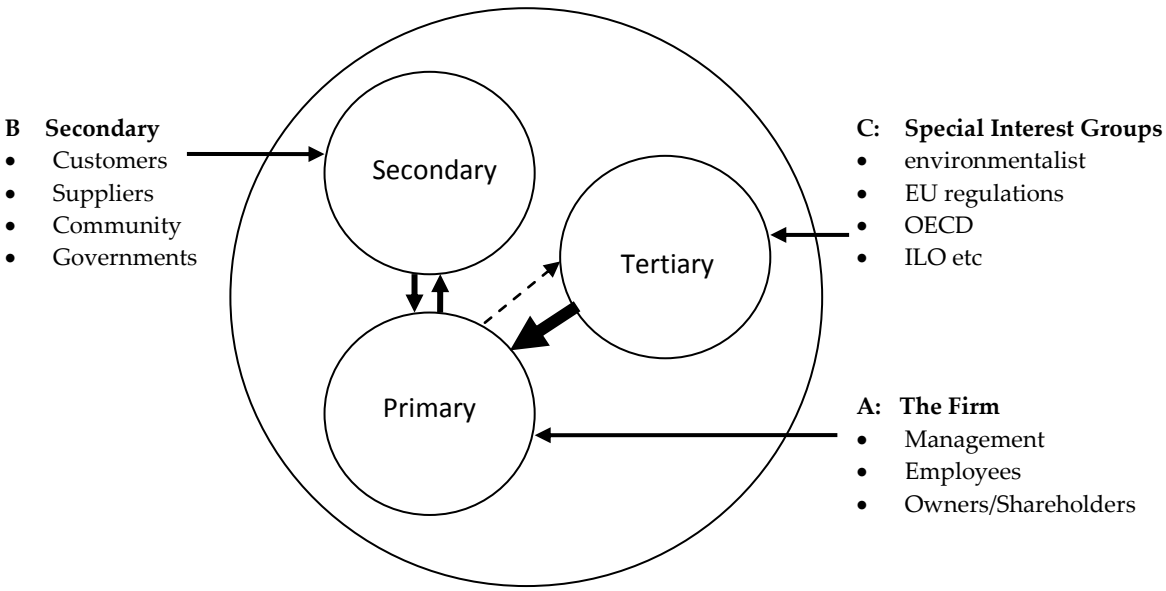

Fig.9. The degree of influence of the broad stakeholder groups.

There exist relatively, close and equal degree of influence between the primary and secondary stakeholders (denoted by two short and equal arrows). For instance, a profit making organization can be affected heavily by the customers and in turn, affect the

customers equally. In recent times organizations are cautioned to be customer-centric (Morgan and Hunt, 1994; Ryals, 2005; Day, 2004; Verhoef (2003). This is because when customers' interests are not met, they can stop patronizing the firm's products through boycotts (this will affect the firm hugely). On the other hand, if for some reason the firm stops production or fails to meet the needs of the customers, the customers are in turn affected. So goes with the organization-supplier relationships, organization-employees relations, organization-shareholder relationships among others. Such phenomenon cannot occur between the organization and the tertiary groups.

Hence, tertiary level is depicted to be highly autonomous – the organization has little influence on them. The basic influence that the organizations have is through engaging, harmonizing or balancing their decisions against that of the tertiary's expectations. Practically, that is not an influence. The thick arrow shows the degree of influence possessed by the tertiary groups. They can interrupt the business activities or the firm in many ways either through their organized campaigns and legal battles and other means identified earlier (See 2.4.4 (i)). Most of the high-profile environmentalists have their own media and other journals e.g. Friends of Earth and Greenpeace publish many articles about organizations in their own journals using their own researchers. Such a decision cannot be influenced. The smaller broken arrow pointing from the company towards the tertiary groups depicts the level of influence and power that the organization possesses when dealing with the demands of the tertiary groups – little and less. The broken arrow implies that the influence of the organization over the tertiary stakeholder may not be direct and as confrontational as that of the environmentalists usually is (Joustenvirta, 1997). The relative power or influence on the organization that the tertiary possess at times run parallel with that of the governments as law enforcers. However, the difference is that governments can be corrupted by the organization since they express economic interest in the firms through taxes and levies. This is not the case with the tertiary.

Below are some pressing reasons explaining why the tertiary groups enjoy complete autonomy and are highly powerful or influential.

1. They do not engage in direct economic activities with businesses.
2. They do not receive any practical benefits through their activities.
3. They fight for the rights of others instead of their personal rights. They are merely mouth-piece for the underprivileged and the affected stakeholders.
4. They sometimes depend on external sources of funding for their cause and therefore are obliged to use the money for the intended cause. e.g Greenpeace.
5. They are obliged to render report on their activities by their donors.
6. They are representatives for businesses and the economy in general e.g ILO and therefore can enforce the principles, guidelines and codes.

Similar reasons explain why management cannot lobby or corrupt the tertiary stakeholder groups.

2.5 Organization vs External stakeholders' conflict

2.5.1 Overview of conflict

Rollof, (1987 cited in Rahim, 2002), argues that organizational *conflicts occur when members engage in activities that are incompatible with those of colleagues within their network, members of other collectivities, or unaffiliated individuals who utilize the services or products of the organization.* Rahim, (2002) added that conflicts occur when:

1. A party is required to engage in an activity that is incongruent with his or her needs or interests.
2. A party holds behavioral preferences, the satisfaction of which is incompatible with another person's implementation of his her preference.
3. A party wants some mutually desirable resource that is in short supply, such that the wants of everyone may not be satisfied fully.

4. A party possess attitudes, values, skills, and goals that are salient in directing his or her behavior but are perceived to be exclusive or the attitudes, values, skills, and goal held by the other(s)
5. Two parties have partially exclusive behavioral preferences regarding their joint actions.
6. Two parties are interdependent in the performance of functions or activities.

From these arguments, *incongruent interest* (No. 1), *behavioral preference* (No. 2) and *interdependences in performance and activities* (No. 6) are highly relevant to the study - organizational-stakeholder conflict. The term *incongruent interests* (No. 1) are known to be the basis of so many organization-stakeholder conflicts. Realistically speaking, no two interests are the same and organizational-stakeholder interdependences (No.6) cannot be avoided. Consequently, conflicts are inevitable from the organization's perspectives since it does not operate as an island.

Rahim, (2002) added that *"conflict management strategies should be designed to satisfy the needs and expectations of the strategic constituencies (stakeholders) and to attain a 'balance' among them."* In effect, he argues that sometimes multiple parties are involved in a conflict. For this reason, it poses challenge to conflict managers to involve all the parties in a problem-solving process that will lead to collective learning and organizational effectiveness and to achieve satisfactory balance for all the relevant stakeholders.

In their study, Wall and Callister (1995) defined conflict as "a process in which one party perceives that its interests are being opposed or negatively ***affected*** by another party". This conclusion supports Rahim's study in a sense that one point was common "incongruent or opposed interest". Furthermore, Wall and Callister listed the roots of conflicts as:

1. Individual characteristics
2. Interpersonal factors
3. Communications
4. Behavior

5. Structure
6. Previous interactions
7. Issues

Detailing down to specific examples giving on the root causes, interpersonal factors (No. 1) and behavioral factors (No. 4) appeared to be more relevant to organization-stakeholder conflicts. They listed the characteristics of such factors that often cause conflicts as:

i. Other's intentions counter to party'
ii. Other's intentions counter to party's fairness norms
iii. Other's behavior seen as harmful
iv. Distrust of other
v. Misunderstanding

The first three points appeared to be closely related to Rahim's (2002) arguments – "incongruent interests or activities", also expressed as "opposing interest" (Wall and Callister, 1995). Point (No. i) - other intentions counter to party' and point (No. ii) - other intentions counter to party's fairness norms are notably the causes of organization-stakeholder's conflicts. More substance is added by point (iii) - other's behavior seen as harmful, also is known to be the basis for many activist or environmental movements against businesses globally. For instance, two organization "Lawyers' Environmental Action Team (LEAT) and the Environmental Coalition of Civil Society Organizations (ECO)" for the last six years have been campaigning for the enactment of a framework environmental legislation in Tanzania. They have lunched successful campaign against mining companies and have adopted the mission "to ensure sound natural resource management and environmental protection in Tanzania"[6]. This means mining activity in Tanzania fits most of the points (i, ii and iii) above.

[6] For more details on the activities of LEAT and ECO, visit (http://www.leat.or.tz/)

Understanding the interest of the tertiary groups thus become relevant. Without knowing the interests of the stakeholders, organizations cannot meet them.

The table below lists various stakeholders and their interests.

Stakeholder		**Examples of interests**
Public	**Government**	Taxation, VAT, Legislation, Low unemployment
	Trade Unions	Working conditions, Minimum wage, Legal requirements, Human rights, Fair trade, anti-corruption
Environmentalist		Involvement, Environmental issues, Compliance with environmental Principles, regulations and codes.
Pressure groups/activists		Lobbying, adhering, advocacy.
Consumerist		Consumer rights, free and fair trade

Table 1. Various stakeholders and their interests

2.5.2. Sources and Nature of organization-external stakeholders' conflicts

External conflicts emerge as a result of incompatible expectations between the primary and the secondary or primary and tertiary stakeholder. Davidson (2002) identified the expectations of the external stakeholders as 'fair treatment'. Fair treatment involves satisfying not only one party's interest, but also that of rest of the stakeholders. Tertiary stakeholders' assaults assume different dimensions and are usually, legal battles, media and publicity attach as well as direct campaigns involving: demonstrations, mob actions among others.

Since the level of interdependency between the primary and the tertiary stakeholders is wider than the primary-secondary stakeholders (See fig. 6 and 7), it can be assumed

that the frequency of frictions and conflicts could be rare. However, studies point to the opposite as the case.

According to Johnson et al (2008), stakeholders depend on the organization to fulfill their own goals and the organization, in turn, depends on them. Interdependence was identified by Rahim (2002) as the major causes of conflicts. Although internal conflicts are common, regular and frequent, external conflicts on the other hand, is occasional and more difficult to handle. The degree of pressure faced by the organization on regular bases is highly associated with regular conflicts. According to Waddock et al (2002 the "*Environmentalists consistently pressure companies for better environmental management and more sustainable practices".* Additionally, they added that "A *major* source *of pressure on companies' stakeholder-related performance (or corporate responsibility) is the numerous ratings and ranking schemes that have emerged in recent years.* In effect, they are admitting that the pressures faced by the organization are constantly emanating from the tertiary stakeholders. They enumerated some of the emerging pressures as standards, codes and principles from the external environments.

Below are Selected Sample of Emerging Standards, Codes and Principles

Environmental Principles and Standards • CERES (Coalition for Environmentally Responsible Economies) Principles • ISO 14000 and 14001 • Responsible Care Principles
Labor Standards and Principles • International Labour Organization's (ILO) Fundamental Principles • ILO Conventions • ILO's Tripartite Declaration of Principles Concerning **Multinational Enterprises and Social Policy** • Fair Labor Association Guidelines

Human Rights Standards and Principles • UN Declaration on Human Rights and the Environment • UN International Convention on Economic, Social and Cultural Rights
General Business Principles and Standards and Standard-Setting Bodies • The UN's Global Compact • OECD Guidelines for Multinational Enterprises • American Apparel Manufacturers Association • Caux Principles • Clarkson Principles for Stakeholder Management
Anti-Corruption Conventions • OECD 1997 Convention on Combating Bribery of Foreign • Officials in International Business Transactions • Transparency International Core Principles and Integrity • System

Table 2. A selected sample of emerging standards, codes, and Principles that are mounting pressures on organizations – adapted from Waddock et al, 2002.

Max Clarkson (1993) in his conclusion listed "Principles for Stakeholder Management". These Principles outlines clearly the following seven (7) directives for managers:

Principle 1

Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision-making and operations.

Principle 2

Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.

Principle 3

Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.

Principle 4

Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.

Principle 5

Managers should work cooperatively with other entities, both public and private, to insure that risks and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.

Principle 6

Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

Principle 7

Managers should acknowledge the potential conflicts between (a) their own role as corporate stakeholders, and (b) their legal and moral responsibilities for the interests of stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems and, where necessary, third party review.

All the seven (7) principles stipulate clear guidelines as to what is expected of management in terms of stakeholder management. Principle No. 7 addresses the issue of possible conflicts and how the role of management and the stakeholders can result in conflicts as well as how these conflicts should be addressed.

Moreover, most of the pressures faced by management from the tertiary environments leave the organization no option than to compromise. Such pressures often result in ‘conflicting interest’ (from management point of view) as in the case of management-employee rights, fair labor, bribery, transparency, environmental responsibility among others. These global standards and principles are the major sources of institutional pressures faced by most MNCs in recent years. Interestingly, these standards and regulations appear to be like a ‘trap’ or‘bait’ to most corporations. Naturally, organizations may want to put their interest ahead of regulations and other tertiary stakeholder interests. However, standards adopted have been very difficult for many corporations to fully comply – letting them fall into traps of various stakeholders. Media like *Asian Business,* that reports "Asia's Most Admired Companies," *Management Today's* "Britain's Most Admired Companies," and the ‘Financial *Times'* "Europe's Most Admired Companies, rank companies in terms of both economic and responsible performance. On the other hand, these journals serve as the mouth-piece of countless researchers and dissatisfied stakeholders, using them as tools to chastise irresponsible corporations. For these reasons, most companies are now shifting their priorities towards more holistic performance assessment models that encompass measures related to both different stakeholders other than financial priorities. According to Waddock *et al* (2002) such journals can easily enlist organizations performing irresponsibly at the bottom of the responsibility ranking, thus leading to less respected organizational image.

2.6 Balancing organization-tertiary stakeholder conflicts – management perspective

The concept of stakeholder management is treated in a new perspective – balancing stakeholder conflicts. The study discusses different theories that are connected to stakeholder management and advocates balancing stakeholder conflict.

2.6.1. Stakeholder mapping

Organizations approach conflicting stakeholders’ expectations using various tools and strategies. Out of these tools, ‘stakeholder mapping’ appears to be one of the most effective used by managers to evaluate the relate power-interests of the stakeholders.

This tool according to (Johnson *et al*, 2008) *"helps management to understand and select their political priorities"*. The importance of the stakeholder matrix includes:

- Understanding how interested each stakeholder group is in impression its expectations on the organization's purpose and choice of strategies.
- Whether stakeholders have the power to do so.

Below is a diagram depicting stakeholder Power/Interest matrix.

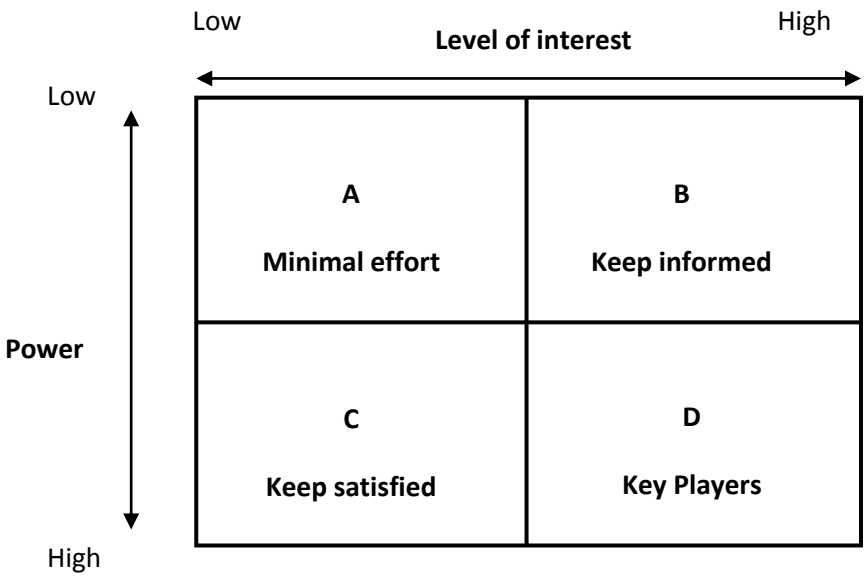

Fig. 10. The power/interest matrix. Source, Johnson et al, 2008

The matrix helps managers in thinking through stakeholder influences on the development of organizational strategies. It further implies that, managers can classify the stakeholders according the power they hold and the extent to which they are likely to support or oppose a particular strategy that they adopt.

In the matrix above, we can understand the type of relationship that an organization might typically establish with stakeholder groups in different quadrants. The degree of acceptability of the organization's strategy is clearly shown in (Segment or Quadrant D). The members of the quadrant D can likely be major shareholders or investors in the organization (key players) who support the organization's interest. The stakeholder members of quadrant C is likely to be the most difficult and disastrous, especially when their interests are underrated (the tertiary stakeholders). They hold

high relative power, with low interest in the organization's strategies and goals. When such ones are underrated, they can be very disastrous to the firm. The pattern continues in the opposite directions. Key stakeholders are highly interested in the organization's strategies but have low power, then the organization must continually, keep informing them (B). Because their relative power is low and they appear highly cooperative, they may not be sources of potential conflicts. Finally, the organization spends minimal efforts on stakeholders that have no interest in their strategies and also no power to interfere their strategies (A).

2.6.2 Conflict Management Strategies

As long as an organization does not exist as an island, interest and expectations of the organizations strategies and that of the stakeholder will conflict (Rahim, 2002). After identifying the most potentially harmful stakeholders who have little interest in the operations of the business, it is assumed that management would cooperate with them. Barki & Hartwick (2001) identified five different modes or styles of conflict management strategies. These include: assertiveness, accommodating, compromising, problem-solving, and avoidance.

Asserting: Conflict, which is considered win-lose situation. Also termed as competing, dominating and forcing.

Accommodating: Involves individuals obliging or yielding to other's positions or cooperating in an attempt to smooth over conflicts. This approach to conflict management can also be termed cooperating, obliging, yielding and sacrificing.

Compromising: The compromising approach to conflict management involves give and take behavior where each party wins some and loses some. This strategy can also be termed as sharing and splitting the difference.

Problem-solving: This occurs when individuals in conflict try to fully satisfy the concerns of all parties. This approach is also termed as integrating, cooperating and collaborative.

Avoiding: This occurs when individuals are indifferent to the concerns of either party and refuse to act or participate in conflict. This approach is also termed as withdrawal, evading, escaping and apathy.

Fynn (2008) on the other hand identified the criteria necessary for successful conflict resolution. He argues this way:

i. **Organizational learning and effectiveness:** Conflict management strategies designed to enhance organizational learning and, enhance critical and innovative thinking. Organizational members, including employees and managers, are expected to learn the process of conflict diagnosis and intervention

ii. **Needs of stakeholders:** Conflict management strategies, must be designed to satisfy the needs and expectations of the strategic stakeholders and to attain a balance among them, involve these parties in a problem solving process that will lead to collective learning and organizational effectiveness. This conflict management strategy is intended to lead to stakeholder satisfaction and confidence.

iii. **Ethics:** Conflict management must be designed to define organizational problems so that it leads to ethical actions that benefit humankind. This is referred to as ‘ethical conflict management’.

2.6.3 Pressure Response Strategies

The study of Waddock *et al* (2002) summarized the pressures that the stakeholders exert on the organization as:

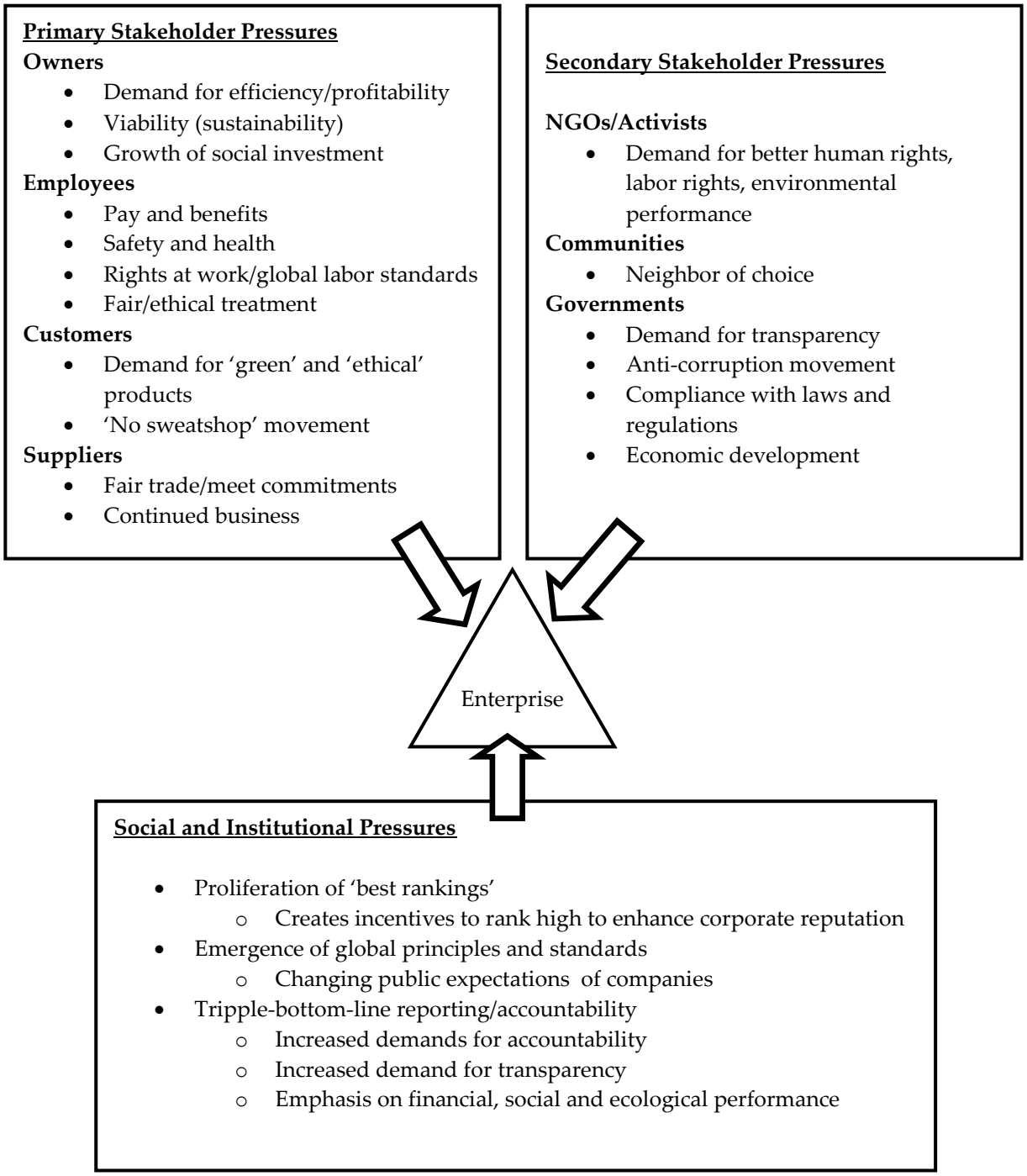

Fig. 11. Stakeholders and social pressured faced by the organization – Waddock et al, 2002

The demands of the various stakeholders lead to a form of pressure that the organization constantly faces. Since the stakeholders are many with different forms and nature of pressures, it would be necessary to consider the various response strategies available to the organization and how the organization can response to all these pressures that are mounted on them regularly.

Peng (2006) identified the tertiary stakeholders as institutions that surround the organization. He added that these institutions are made up of both the formal and informal groups. The formal institutions are fundamental whereas the informal are the pressure or the supporting institutions. According to him, these institutions regularly mount pressures on the organization. The organization however, adopts different strategies in responding to these pressures. He identified these response strategies as:

Reactive

Reactive strategy denotes that the firms often waits until there is pressure, and then respond. This strategy is often characterized by unethical business practices. Top management has little interest initially and may not act at the genesis of the complaints. The firm remains cold when the public outcries begin. Often it is the formal regulatory bodies that have to enforce firms adopting this strategy to comply. This reactive strategy is opposite to the proactive, where organizations foresee and draws plans to handle the possible consequences of their actions. For instance, manufacturing firms may know the consequences of their activities on both the environment and the health of consumers yet, they often attempt to ignore then.

The reactive strategy implies that organizations may know through ethical sense what is right and wrong, yet they often choose to treat the possible consequences with blind eyes until stakeholder pressure is mounted. A typical example is the Coca-Coca El-Salvador scandal where Coca-Cola employed child labor to work in sugarcane plantations. It was clearly stipulated within its policies that Coca-Cola will not use Child Labor in any form. Management should have known that pressure group institutions will re-act with time to this irresponsible behavior yet, the signals were ignored. The issue later became public through various human right institutions, this resulted in huge damages. The practice of combining ethics and responsibility are

often overlooked until organizations receive backlashes to activate their ethical senses. This reactive strategy is often practiced by companies that lobby the governments and authorities to regain favor and power to continue their activities. It can be viewed from a different angle that this strategy is often employed by companies that have made huge innovative investments that failed. It then tends to be justifiable for them to try to recoup their investment at all cost, thus ignoring the negative impacts of their activities. Another example is Ford Pinto fires (1999). After Ford realized that there was a technical design errors in their car that often makes the car caught fire which lead to many deaths, Ford Company remained silent for a long time and continued the business of selling the manufactured cars. This resulted in many deaths until later, management turned into addressing the problem (Ford Pinto fires, 1999).

Similar situation exist in most Oil and Extracting Industries. Due to the fact that the investment in the operations are often very high and stopping the activities would mean huge financial losses, managements of most extracting companies persist in any ‘unethical businesses’ until they have recouped their investments. In situation like this the outcries and effects of the affected stakeholders are overlooked.

Defensive

Management employs this strategy when they completely defend the negative impact of their operations. Even if they admit the harm, they tend to justify themselves. Firms that term CSR as unnecessary cost, burden and nuisance often employ this strategy. For instance, when products are defective or contaminated, organizations see no need to recall them. Also when a defective component was outsourced it often becomes the case that firms shifts the blame to the other party. Nike in the 90s was accused of bad working conditions of its workers, the use of child labor and the abuse of workers among other scandals in major parts of Asia - Pakistan, Cambodia, Vietnam, and Korea among others. When confronted by major pressure groups and international bodies management denied the allegations completely. For example, one Korean supervisor in Vietnam plant blatantly took a defensive position on behalf of Nike. A Vietnamese newspaper headlined: "Violent Acts against 15 Workers" reports: *" In defense, the Korean supervisor was quoted as saying: "It's not a big deal. It's just*

a method for managing workers." The court intervened and ensured that the supervisor be repatriated.

External pressures on the firm brought to light other specific abuses in the booming factories managed by Koreans which include:

- A woman's mouth taped shut because she was "talking during working hours."
- The incident in which 45 women were forced to kneel down and hold their hands up for 25 minutes straight.
- Sexual molestations by a supervisor who was allowed to escape on a midnight flight back to Korea.

These Nike scandals often were the case that, the blame was shifted to Korean supervisors instead of Nike accepting the blamed. Companies often practice this strategy in other to remain unblemished (Locke, 2002).

In such defensive cases, it was the media (CBS) and other Human Right groups that fought to unearth the hidden outcries of the employees. Also, when the court and the government intervened, justice was meted out in support of the unfortunate stakeholders.

Accommodative

In this strategy, management supports CSR and being responsible is seen as a worthwhile course. Organizations often accept the blame and react to comply with codes of standard. The idea of diffusion standards in CSR may be viewed as negative, instrumental or positive by others. For those that view it as negative often argue that being universal and operating along with commonly accepted standards means the firm is only following competitors in doing similar thing. For the instrumental viewers, they may conclude that CSR is a good tool for increasing profit of the organization by adopting standards instead of doing the contrary. Finally, for the positive viewer, this strategy is seen as to encourage firms to be more ethical in their businesses. In all, the accommodative strategy seeks to make firms well-behaved.

Although aligning business operations against codes, principles and regulations may at times be expensive and cost the firm financially, the sense of responsibility supersedes interests of profitability. Implying that, the long-term future benefits outweigh the current investment losses in responsible business practices. The firm can earn favorable image and enhance customer loyalty. In many parts of the world and especially where many MNCs extract oils and minerals, some firms have decided to rebuild a new city or village for communities whose lands are affected by their operations. This practice of being accommodative and accepting standardized requirements wins the heart of the stakeholders in question.

Proactive strategy

This strategy implies that companies tend to foresee the possible effects of their activities on the stakeholder and designs the best approach to meet the future before commencing operations. Naturally, it could be argued that rational thinkers should be able to foresee the future of their actions and implement responsible strategies ahead of time. In such cases having foresight can be argued as the best CSR practice in which potential harm is envisioned and reversed to win the hearts of stakeholders. To be able to achieve this strategy profitably, firms must try to get involved in policy making earlier enough and try to steer the course towards a favorable direction. Also, stakeholders must be involved and consulted for their consent prior to the establishment of the operations of the firm. Finally, firms must engage themselves in voluntary and philanthropic activities intended to win the support of most of its stakeholders (Peng, 2006)

2.6.4 Literature Summary

The literature review considered four distinct theories: the stakeholder, ethical management, conflict and conflict management. The stakeholder theories helped us to understand that the organization is surrounded by more complex parties that have a stake in its business operations. However, primary attention giving to the tertiary stakeholders helps us to identify their expectations, their potential harm and how they are related to the firm.

The tertiary stakeholder theory concludes that, within the external stakeholder groups, there are distinct groups that appear remote from the core business of the organization who virtually, have no economic interest in the firm. Unlike customers and suppliers who have direct business transactions on daily basis with the organization, which often lead to possible negotiation on corrupt practices, irresponsible and unethical behaviors, the tertiary stakeholder do not corrupt easily since their level of influence, and autonomy is high and their distance from the firm is farther away. These characteristics of the tertiary stakeholders make them highly influential but the organization cannot lobby them. The tertiary groups enjoy absolute autonomy. This state of absolute autonomy is the results of the fact that they don't engage in any direct economic activities with the firms. In turn, they rather seek to pursue justice on behalf of the disadvantaged against the firms.

The ethical management theory on the other hand, helped us to understand that every organization is confronted with three main issues: economic, legal and ethics (Carroll and Buchholtz, 2003). However, the three are interdependent forming a nucleus of what is really ethical, legal and profitable. When the three are successfully, coordinated, they merge and lead the organization towards responsible business. The ethical management theory distinguished what is ethical from what is legal in the sense that, ethics (acting morally in line with corporate values) is natural and supersedes legal (requirements to observe the laws). This is due to the fact that, what is legal is spelt out clearly and enforced whereas what is ethical is dictated by the moral conscience and cannot be spelt out. For this reason, ethics demands businesses to reflect humanity in *all* their activities. This characteristic of ethics makes it superior to what is a legal issue which is often clear and easy to judge.

Conflict and conflict management theories addressed antagonistic behavior, incongruent and opposing interests of parties who are interdependent (Robbins, 1978; Rahim, 2002; Wall & Callister, 1995). The organization is therefore believed to play a central role within the entire stakeholder constellation. Consequently, for management to meet these vast stakeholder expectations they need to balance conflicts.

Management of the firm however has various conflict response strategies available to them. Peng, (2006) suggests that when an organization is faced by institutional

pressures management have four response approaches to choose from: proactive, reactive, accommodative and defensive response strategies. Barki & Hartwick (2001) identified five different modes or styles of conflict management as well: assertiveness, accommodating, compromising, problem-solving, and avoidance. The objective of the study is to help identify how management adopts some of these strategies to balance conflict between them and the tertiary stakeholders. These were touched in the literature review section.

All the four theories in part will be suitable for reaching the objective of the study. The tertiary stakeholder theory, the theory of conflict management and the various strategies adopted by management will be investigated in the methods section. Although not every detail part of the theories would be relevant for the studies, the two outstanding theories that will permeate in the methods and conclusion section involve conflict response strategies and the tertiary stakeholder theories.

It is noteworthy in the stakeholders' theories that different studies pointed to similar conclusion, for instance, Rhenman (1968) and Freeman's (1984) theories of stakeholders. Although the expressions used vary, the broad categorization of internal (primary) and external (secondary) stakeholder leaves us no doubt that these are harmonious. Similarly, Rahim (2002) and Wall and Callister's (1995) theories of conflict management suggested the same definitions and reasons (incongruent and opposing) interests. Finally, Barki and Hatwick (2001) and Peng's (2006) theories of conflict management and response strategies of the firm resulted in a harmonious conclusion.

Barki and Hartwick (2001)	**Peng (2006)**
Accommodating	proactive
compromising, problem-solving,	accommodative
assertiveness, Avoidance	defensive and reactive

Table 3. Summary of conflict management and response strategies

The methods section will help us to conclude by knowing which of these response strategies are suitable for balancing organization-tertiary stakeholder conflicts.

Finally, the framework for the study is deduced by considering the various theories under the umbrellas of CSR and conflict management. Depicted below is the conceptual framework for the study.

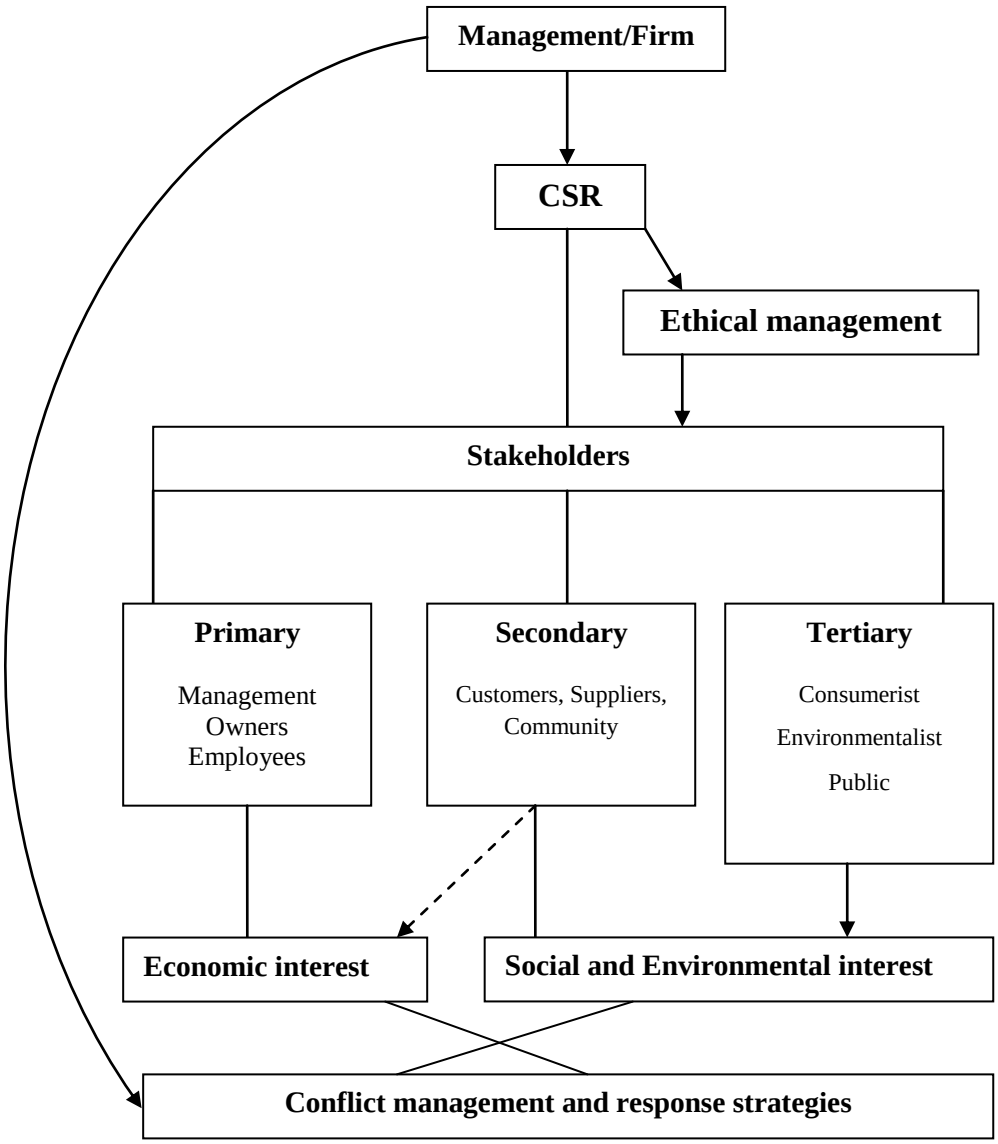

Fig.12. Conceptual framework and summary of literature review

CSR as an umbrella leads to the theories of stakeholders and ethical management. Conflict theories however, relate to types and nature of conflicts, conflict management and response strategies. Sometimes, the Secondary stakeholders may

partially be involved in the economic interest of the firm – denoted by the broken arrow. Example, suppliers may have interest in the economic performance of the firm because they expect the firm to be able to pay their supplies on time. Thus, certain stakeholders within the secondary groups may have similar interests as the primary stakeholder. This phenomenon may not be the case with the tertiary groups since they do not depend on the primary stakeholder's economic performance for survival, thus being completely autonomous. Their interests are expressed in environmental and social issues. These various interests become the sources of most conflicts. However, these expectations/interests need to be balanced by management in other to ensure cooperation and mutual integration of all the stakeholders. Conflicting interests is represented by crossed lines that demands attention of management from the top – represented by a long line (arc).

2.6.5 Conclusion of Literature Review

The alternative stakeholder model helped us to establish sound criteria for identifying the tertiary stakeholders. The relevant criteria addressed are: the degree of autonomy, degree of influence and the degree of proximity will help in the gathering of the empirical data. These tertiary groups were identified as stakeholders who can affect the organization enormously in the sense that, they can use their outmost autonomy and power to prevent the organization from pursuing its business interests or from operation entirely. Example of this case is Enron and Arthur Andersen. These two businesses were forced to stop operations. The US Federal Government (SEC) and the Public Company Accounting Oversight Board (PCABOD) enforced the termination of the business operations of both companies after their operations were considered unethical and irresponsible (Cunningham & Harris, 2006). Due to their degree of influence, autonomy and less interest in both companies, their actions meant harm to both firms.

It is clear already that the tertiary stakeholders also include: the ILO, the EU, the OECD regulations. Also, they include: the legal systems and structures, the ethical enforcement organizations, the environmentalist, the consumerists groups and the broad categories of NGOs that operate around the businesses. It is easy to assume that a firm that wants to reasonably integrate and align (balance) these stakeholders must

use either one or a mixture of the following conflict management strategies: accommodation, compromising, problem-solving and more importantly, being proactive. The reasons are that: if one conflicting party has more power than the other, the one with less power must compromise. Also, if an external party is virtually autonomous and can yet influence the firm in a more negative sense, the firm needs to comply with that party's demand. Finally, if a firm wants to gain proper publicity, it must be proactive in its business activities. However, these assumptions demand a study in a real-world situation to help establish concrete conclusion. These lead us to the gathering of data and the empirical section of the study.

3. RESEARCH METHODOLOGY

The research method section introduces major activities – the research strategy and the research design. The different elements within the research strategies and approaches will be discussed. Additionally, this section will touch on the empirical data collection and analysis. The empirical data collected is analyzed and subsequently discussed.

3.1 Research Strategy

Research strategy also termed research approach, involves two separate processes: quantitative and qualitative. Both approaches have their pros and cons. The choice of research strategy is solely left to the researcher's own discretion. Often the nature of the study, the purpose of the study and the research questions at hand may dictate a suitable approach. This study for instance, seeks a deeper understanding of the nature of conflict between the firm and the tertiary stakeholders and the sort of strategies that managements adopt in balancing conflicts of such nature. The main research questions for this study are:

RQ1. To what extent is the firm affected by the tertiary group of stakeholders?

RQ2. What are the main conflict management and response strategies adopted by management when dealing with organization-tertiary stakeholder conflicts?

These enquiries are contextually oriented and seek interpretation and explanation, which suggests the use of the interpretive methodology (Yin, 1994).

3.1.1 Qualitative research

Qualitative research allows the subjects being studied to give much 'richer' answers to questions put to them by the researcher, and may give valuable insights which might have been missed by any other method. Not only does qualitative research provide valuable information to certain research questions in its own right but there is a strong case for using it to complement quantitative research methods. Quantitative research on the other hand involves a structured questionnaire and a large sample of respondents. Question like "why, what difference…", are best used by qualitative research since they seek opinions and answers provided may vary greatly according the respondents, thus giving insight and balanced overview of the subject.

Qualitative research involves three discrete activities: Direct observations, In-depth interviews and focus-groups. Other methods used in qualitative methods of research also include:

- **Diary methods -** The researcher or subject keeps a personal account of daily events, feelings, discussions, interactions etc.
- **Role-play and simulation -** Participants may be asked to play a role, or may be asked to observe role-play, after which they are asked to rate behavior, report feelings, and predict further events.
- **Case-study -** This is an in-depth study of just one person, group or event. This technique is simply a description of individuals.

For instance, when a research involves a case study, qualitative methods are often recommended. An observation also demands the use of qualitative approach since reactions; attitudes, perceptions and behaviors can only be integrated but cannot be quantified. Data can be collected by an external observer, referred to as a non-participant observer or the data can be collected by a participant observer, where the researcher involves himself. In this type of study the researcher aims to become immersed in or become part of the population being studied, so that they can develop detailed understanding of the values and beliefs held by members of the population.

For this reason, ‘open-ended’ questions that demand different opinions and judgments by respondents are employed. Focus groups and in-depth interviews are suitable as well when a researcher adopts the qualitative approach in his or her study. Interviews use the same principle as a focus group, but subjects are interviewed individually, ideally in the respondent’s own office. Interviews in qualitative research are usually wide ranging, probing issues in detail. They seldom involve asking a set of predetermined questions, as would be the case in quantitative surveys. Instead they encourage subjects to express their views at length. One particularly useful technique is the critical incident study, in which subjects are asked to comment on real events rather than giving generalizations. This can reveal more about beliefs, attitudes and behavior. The researcher may be able to obtain more detailed information for each subject, but loses the richness that can arise in a group in which people debate issues and exchange views.

In this study, qualitative approach was employed. Respondents are asked ‘Open-ended’ questions which attracted broader and diverse understanding of their organization’s relationship with the tertiary stakeholders. This approach allowed managers to freely express their opinion in a divergent way. Questions used for this study didn’t restrict opinion. Additionally, the study tried to compare the response received with other existing studies in the same field of organization-tertiary stakeholders’ conflicts.

3.1.2 Case study approach

Case study is a research approach that involves gathering empirical data within a real-life situation using various sources of evidence (Yin, 1994:3). This study investigates a case of one Finnish MNC that manufactures pulp for the rubber industry. The purpose of the study is to help identify practical situations that the firm faces with the tertiary stakeholders on a day-to-day basis. The theories discussed were tested to help establish their practical application that might lead to further analysis.

The research questions developed were purely qualitative that gave broader view of the situation from management perspective. Managers were asked to explain how they deal with conflicts that arise between them and the tertiary stakeholder as well as

which conflict management strategies that they employ when responding to pressures and conflicts. There are many reasons for selecting that particular firm for this study. One, the firm was a multinational, operating in different countries and in different environments. For that reason, it automatically qualified to face conflicting expectations from its numerous international stakeholders. Two, the company is regularly confronted with stakeholder expectations, and managers have the experience in dealing with such conflicts on a regular basis. Finally, the firm takes its raw material (woods) from the natural resources or environment and it is believed that companies dealing directly with the natural environment are often attacked by the environmentalists and other members of the tertiary stakeholder who regulate the environment. Therefore, selecting this company can help gather reliable data for the study.

Upon contacting the vice president of communications, she agreed to involve her company in the interesting and timely study. It was my strong conviction that the study could contribute to what they already knew and was practicing. Although the study initially targeted using multiple companies in the study, it appeared that workforce reduction and the impact of the global financial crisis destabilized most companies leading to their inability to contribute towards this all-important study. Therefore, an attempt to focus on a single company and other collected data (secondary sources) became necessary.

3.2 Research Design

Research design involves the gathering and analysis of data. It also involves establishing the validity and reliability of the study. The purpose of the research design is to establish the connection that exists between the research questions, the data gathered and the conclusion to be established (Yin, 1994).

In the research design, methods used in the study are specified as well as the processes used in gathering and analysis of the data. In this study, the interview was conducted using the open-ended and telephone calls. Questions used attracted different response from various managers in the case company which was finally narrowed down for an ultimate conclusion. The guide used in formulating the

questions was based on the literature reviewed which gave particular attention to organization-stakeholder conflict management strategies. Relevant stakeholders of the organization and various conflict management strategies were identified and used as the basis to construct the interview.

3.2.1 Data collection:

Research data exists in two forms – primary and secondary. Primary data is often non-existence and gathered for the first time use. Often, primary data required that the researcher goes to the core of the issue, investigate and record his findings for the purpose of the study that he or she is conducting. Primary data is very suitable for studies like this where a new model is being investigated and proved empirically. On the other hand, secondary data is usually an existing data that has been collected or gathered by other researchers and attested to be valid. Secondary data may not necessarily be collected for the same purpose or study at hand, but may have been collected for other purposes of unrelated study. Sources of secondary data may include: annual reports, publications like books, journals, electronic sources like the internet etc.

This study combined both primary and secondary data sources. Information about the CSR issues of the firm, background, and most current practices as well as its stakeholders were collected from the company's corporate website and published journals available online. Both primary and secondary data sources are scientifically valid for such a study. The primary sources of this study relied purely on qualitative research approach. Managers from the company participated in responding to the study. A range of investigative questions were used (See Appendix 1) as it is in any other interviews. The vice president of communication selected appropriate managers who have insight on the issue to participate. The response received showed that, these managers have experience in managing stakeholder conflicts.

Questions used covered areas of the organization's inter-dependence or relationship with the tertiary stakeholders, the nature of regular confrontations that they encounter with the tertiary stakeholders, how they rate the potential threat that the tertiary stakeholder meant to them, and the pressure response strategies used by the

firm. The questions used were purely in English to help managers understand the objective of the questions asked. The thesis supervisor assisted in ensuring that the questions reflected the true objective of the study and are sound and relevant to the study. The questions were purely open-ended and demanded different opinions from the interviewees. Up to 9 questions were used of which one of the questions demanded that they rate on the Likert Scale the degree (0-5) to which they see the tertiary stakeholders as influential on their business practices.

3.2.2 Data analysis:

This study relies on the content analysis method. Yin (1994:103) argued that data analysis gives compelling reasons to reduce bias and to assist the study to make fair analytical conclusions that rules out misinterpretations. This process helps to convert gathered response into descriptive interpretations. Descombe (2000) argues that data analysis helps the researcher to synchronize the data collected against the meaning or implication of the study being conducted. Miles & Huberman (1994), also concludes that data collection involves three parallel flows of events: reducing the data, presentation (display) of the data, verifying and drawing conclusions.

Data reduction helps the researcher to discard irreverent materials gathered, for better focus on relevant materials and help organize the data appropriately for practical conclusion. Data presentation however deals with how the reduced data is presented either by the use of graphs or table etc. to help verification and analysis leading to simplified conclusion. The conclusion aspect deals with the final analytical conclusion by the researcher. The researcher can now stipulate the implication of the study, explain it and empathetically conclude his finding as, this is it or that is it.

This study followed similar pattern as described above. Content analysis incorporates the analysis of documents, research reports as well as an examination of newspaper reports. Documents and reports have been selected based on the following criteria. First, they must either confirm interviewees' opinions or otherwise express extremely different opinions, and as such provide grounds for further explanation and interpretation. Second, they must express or include the opinions of those who are

actively involved in, or at least close to, decision-making circles with respect to the firm's public relations and conflict negotiation strategies.

Finally, they must be published and accessible. For the purpose of achieving better understanding of the research issues, semi-structured interviews were carried out. Interviews allowed interviewees to provide their views through a free-flowing discussion. Accordingly, the order, in which research questions are presented, is altered depending on each interviewee views while keeping the underlying aim of the research intact. The content analysis method was used in this study and findings were presented in a tabular form.

3.3. Validity and Reliability of the study

The term validity defines the degree of stability and consistency that permeates the conclusion drawn from the study (the case) which is likely to be confirmed by a different researcher (Yin, 1994:36). Often the work must be ascertained by the researcher that when he carries out the same work, the conclusion will not differ and that similar conclusion can be drawn on a repeated case study. A reliable study can be verified if the following questions can clearly be answered: Firstly, will the same results be achieved when the study is replicated at other occasions? Secondary, will similar observations be made by different researchers? Thirdly, are the conclusions made in the study transparent? (Saunders et al, 2003).

In ensuring that a study is reliable, a researcher is attempting to evade bias and to confirm that similar conclusion is possible when the study is replicated. Saunders et al (2003) identified the impediments to a reliable study as: participant error, participant bias also, observer error and observer bias. The first two emanates from the interviewee's reactions and the results produced from them. The last two however, may be caused by the interviewer in how he/she approaches the questions used during the study and his/her interpretation of the result.

To prevent these treats to the reliability of the study to occur, most parts of the study relied on various authors during the literature review section. Comparisons of various conclusions made by various studies were carefully examined. Most of the literatures consulted in the study are those that addressed issues related to CSR, ethical

management, stakeholders, and conflict management theories. Interviewer-interviewee bias was reduced since the questions used demanded real-world situations that are happening. A common language was used (English) which prevented interpretational errors. The formulating of the questions were close in the sense that they are linked together so that even avoiding to provide an accurate answer will yet lead to similar question subsequently - this led to chain-reaction. Interviewees used are those that were international stakeholder communication representatives and right at the core of the study, which of course leads to the fact that they have control over the English language. Questionnaires designed for the work was reviewed by the thesis supervisor, the language used in designing the questions was discussed, and interaction with the respondents was made prior to selection them in other to ascertain the degree to which they have mastery over the language. Questions used were clear and simple and interviewees were not guided by the questions.

A valid study attempts to reveal issues that were discussed in the theory. Questions used in such a study should aim at achieving the objective of the study. The conclusion must be tied with objective, the goals and the questions raised in the study. Yin, (1994:33) identified validity as the basis for generalizing the findings in the study. He argues that, the main types of validity are the internal construct and external validity. Internal construct refers to the connections between theories and practicalities which lead to a chain of events but not merely isolated events described (Yin, 1994:35-36). External validity on the other hand defines the extent to which a study leads to generalization, which in turn, means how the researcher can make broader claims based on his analysis of the study. The nature of the questions used in this study ensured that valid response is obtained. Respondents were not guided to say what the questions expected. The questions used in the study were completely open-ended and demanded that respondents describe a real-world situation and how they meet these situations. In conclusion, the responses were compared to the theories discussed in the study to see how they reflect in the company's setting.

In order to enhance the degree of validity various sources of evidence are necessary. In this work, various sources were contacted. The activities of the organization as published in its website were monitored, personal interactions with the interviewees were made and responses from the study were compared to the wide-range of the

company's publications published in their website. Results from existing studies were also compared to the results obtained from this study.

4. CASE DESCRIPTION AND ANALYSIS

This section relates to the background of the company used in the study and compares the empirical data gathered from the respondents of the company.

4.1. Background of Case Company - Metsa Botnia

Oy Metsä-Botnia Ab uses the marketing name Botnia. The company was founded in 1973. It manufactures high quality bleached pulp grades under the name Botnia. There are different shareholders of the company. These include: M-real Oyj, Metsäliitto Osuuskunta, and UPM-Kymmene Oyj. The company's pulp mills are located in Joutseno, Kemi, Rauma, Äänekoski and Fray Bentos, Uruguay. The company is highly recognized in Scandinavia for the following reasons: the use of innovative technologies, sound operational policies and as well, its stakeholders. The company's products are known to be quality and are branded on the world market. Their main products include: bleached softwood, birch, and eucalyptus pulp. **(Source: www.botniametsa.com)**

4.2. Corporate Social Responsibility

CSR as discussed in the literature review involves an effort by the organization to act responsibly towards its stakeholders. Also, corporate responsibility demands that firms embark on 'ethical businesses'. In the chapters to follow, critical overview of Botnia – the case company's corporate responsibility issues are discussed.

4.2.1 Botnia's Corporate Social Responsibility Issues

The company has resolute commitment to corporate responsibility and corporate citizenship. A sample of an extract from the company's existing publications reads this way: *"Oy Metsä-Botnia Ab is committed to promoting sustainable development in its business operations, to the continuous improvement of its activities and to conducting business responsibly. We take account of economic and social viewpoints as well as the environment. Our aims are to secure long-term business success for ourselves and to our*

partners, to improve people's well-being through our products and our services, and to minimize the environmental impact of our activities. We support the principles behind the UN's Global Compact[7] *relating to human rights, labor, environment and anti-corruption. We have undertaken to promote these principles within our own sphere of influence. Botnia lays down specific concrete principles in support of its commitment to social responsibility and oversees their implementation".*

A closer look at the corporate responsibility principles of the company involve: Business responsibility, economic responsibility, social responsibility and environmental responsibility. The company's business responsibility principles include long-term cooperation with their stakeholders, to act according to legislation, and to create value for its shareholders among others. Under the economic responsibility they declare that "we do not tolerate corruption and bribery" especially, in their operations and they embark on truthful accounting and reporting policies. Human rights, management-employee relationship, child labor or forced labor, zero level tolerance of discrimination, flexible job design and employee safety are the major pillars Botnia's social responsibility issues.

The environment is one of the prior concerns for the company. The company declares itself to be proactive towards the environment and adopts technology that has minimum impact on the environment. Decreasing carbon emission is on top of the agenda and the improvement of energy efficiency is also a matter of concern. Finally, the preservation of forest biodiversity and the judicious use of materials from the natural environment is an issue of high interest within the company's CSR programs.

4.2.2 Discussion of Botnia's CSR issues

This review outlines unique CR environment that surrounds the company. The company has resolute plans to be proactive in its operations. Being aware of the 'eyes' of the tertiary stakeholders on their operations, they have adopted various principles and resolutions aimed at promoting sustainable business. The adopting of the UN Global Compact implies that: they are being proactive and are engaging the

[7] UN *Global Compact is a joint initiative by the United Nations and business to encourage good corporate citizenship in support of ten universal principles in the areas of human rights, labour, environment and anti-corruption*. For details, visit: http://www.unglobalcompact.org/AbouttheGC/TheTENPrinciples/index.html

expectation of the immediate tertiary stakeholder. Engaging the expectations of the tertiary stakeholder implies the use of accommodative and proactive conflict management strategies. It implies further that, the company does not underrate the potential harm of the tertiary groups. Minimizing environmental impacts of their operations and the conduction of responsible business imply that they practice responsible and ethical business.

A section of Botnia's statement (declaration) reads: *"The environmental interest groups most important to us are, in fact, the inhabitants of the mill site and neighboring communities, our own personnel, our customers, and the environmental officials".* Clearly, the *environmentalists* are one of the active members of the tertiary stakeholders. The communities are not left out as well, likewise the environmental official – the public group of stakeholders (authorities) who ensure compliance of the companies to environmental regulations.

With regards to integrations and open communication with the tertiary groups especially, Botnia claims that: *"an active, open, and anticipatory approach to environmental communications is an integral part of responsible management of environmental issues".* This statement denotes that the company fuses responsible business, environmental issues and the stakeholders' interests together through open dialogue.

4.3 Conflict Management Strategies

This section addresses the theories of conflict management previously discussed. The response received from the case company and analysis of existence studies are tied in here to help us understand the way the organizations respond to conflicts with the tertiary stakeholders. At least, two existing studies are analyzed along the empirical data received from the case company – Botnia Metsa.

4.3.1 Assessing Botnia's Conflict Management Strategies

As discussed in the Data Collection section (3.2.1) of this study, the gathering of the empirical data combined both primary and secondary research approach. In the primary data collection process, the vice president of communication was initially contacted via telephone and later emails. She agreed to participate. After demanding

to know the nature of the study and the questionnaire, she requested for sample of the questionnaire. She and her team of managers from various relevant departments participated in the study. Their response clearly points to the level of experience that the management have in dealing with stakeholder conflicts.

Secondary sources were necessary to buttress the primary data gathered from the case company – Botnia. For example, CSR issues and the company's information were collected from the company's corporate website and published journals available online (www.metsabotnia.com). More than necessary publications were available for the study in Documents and Portable Document Formats (PDF).

It was clear in the study and from published data that the company is confronted with various forms of stakeholder expectations. As noted by Rahim (2002), in instances where expectations vary, it is likely that such expectations may be incongruent with that of the organization's strategic goals. When asked if the company faces some conflicting stakeholders pressures the response was:

In the past, there has been strong discussion related to the bleaching methods. At the moment there are issues ongoing related to the wood from Northern Finland that influences us as well, as some of our mills use wood raw material from the disputed sources.

This claim clarifies the point that both in the past and present, the organization is continually dealing with conflicts with one group of stakeholders or the other. It appeared that, the environmentalist group of the tertiary stakeholders is the most active to the operations of the company. However, record pulled from the company's published data also points out that, the special interest groups (public stakeholders) also have their standards which they expect the firm to comply with. Some of the standards, regulations, principles and directives that have been awarded to the Botnia include:

Bothnia's Operational Certificates

Quality management system ISO 9001

- Environmental management system ISO 14001

- Occupational health and safety management system OHSAS 18001
- Food Safety Management System 22000

Botnia mills in Finland:

- Chain of custody PEFC with PEFC logo use rights
- Renewable energy certificate system RECS
- Kosher certificate, Äänekoski mill
- FSC Chain Of Custody BW-COC-953926-A (also for Svir Timber)

Botnia S.A.:

- Chain of custody FSC SGS-COC-003861

Forestal Oriental:

- Eucalyptus plantation forestry system
- Forest Management SGS-FM/COC-0606
- Chain of Custody FSC SGS-COC-1703
- Forest Management / Chain of Custody FSC SGS-FM/COC-2240

(Source: www.metsabotnia.com)

It is worthy to note that these awarded certificates were mostly from the public groups of stakeholders. This group constantly monitors and evaluates the firm's practices to ascertain compliance and conformity towards their expectations. To Botnia these, are forms of guidelines to comply with in other not to engage expensive legal battles and confrontations with these tertiary stakeholders. These are examples of some pressures that firms regularly encounter. Such pressures demand 'balancing' or alignment of organization-tertiary stakeholder expectations for the organization to be able to achieve its strategic intents.

On issues related to the degree of influence of the tertiary stakeholders on their operations, management was asked to select 'the degree to which they perceive the tertiary stakeholders as influential using the scale of 0-5'. *The respondents selected 4,* which mean very high. Further question was put as to the exact 'extent to which the tertiary stakeholder can pose threat to their economic interest', the response was:

The demands for the products where pulp is used come through the entire value chain, which ends up with consumers. The environmental groups and other stakeholders can have a great influence on the end-consumers, which also has impact on the pulp producer. Therefore, they can be a threat of quite high degree.

In effect, the company agrees that they perceive the environmentalist as very harmful and the harm cuts across to all the members of the firm's value chain – from the sources of the raw material down to the end-users. The influence of the environmentalist on the end-customers might mean that although the organization primarily may perceive the environmentalist as the main source of pressure, they are also aware that pressures might occasionally rise through the customers and from the sources of its raw materials through to the environmentalists. Such pressures from the end-users might include boycotts and possibly switching to other producers. They perceive the environmentalist as possible catalyst to pressures from such sources.

The consumerists on the other hand appeared to be less harmful to the firm's strategic objectives. Response of the possible impact of the consumerists group pointed out that:

Consumer groups are not significant as pulp is always an intermediate product, going to other products.

In this response, we can conclude that it is a matter of which product (industry) that an organisation operates in that attracts a particular type of tertiary group. The only group of tertiary stakeholder that appeared less harmful to the organization was the consumerist.

Meanwhile, the organization agrees that pressure from the sources of their product – the natural environment is very high. In response to potential threats from the tertiary groups, the respondents agreed unanimously that: *the sources from where they extract the raw materials, that is, the natural environment leads to the firm meeting strong antagonistic expectations from the relevant stakeholders.* Again, the environmentalists' actions on the firm appear to be the major sources of pressure. This might lead us to argue that, the environmentalists are very active among the tertiary groups.

4.3.2 Discussion of Botnia's Conflict Management Issues

In grading and identifying the various relative strengths of the tertiary stakeholders, the managers responded that *"They do or perform stakeholder analysis and mapping".* As discussed in the literature, the benefits of adopting the stakeholder power/strength matrix is to analysis and identify which stakeholder have high relative power and less interest in the organization's goals. Within the four quadrants, those that appear to be very harmful was the quadrant (C) which denotes those stakeholders that are very influential and shows less interest in the firm's strategies (Refer to Fig 10). In conclusion, the environmentalists hold high power among the tertiary stakeholder. The public groups appear a bit calm and sober although their relative strength cannot be ignored. The reason could be that, the public group of stakeholders, often sets standards which all ethically responsible firms intuitively seeks to comply, thus leading to less action from this group. It was noted that, the case firm had many awards from the public groups denoting a high sense of compliance in responsible business practices (Refer to Botnia certificates in the previous pages).

With respect to the strategies adopted by the management to balance conflicts that are constantly surfacing, five conflict management strategies were outlined of which management were asked to select which strategies they often adopt against a particular type of tertiary stakeholders. These five conflict management strategies were listed vertically and numbered in table against the various forms of stakeholders, column-by-column (See appendix 1 below; also Table 5). Management unanimously agreed that, they adopt *accommodative and problem solving strategies* in dealing with the environmentalist and the special interest groups of the tertiary stakeholders. This supports the assumption raised earlier in the study that in situations where a particular group of stakeholder(s) is/are more influential, highly autonomous and has/have no low interest in the firm, management has no choice than to accommodate them and to balance their expectation(s) through a problem-solving strategy.

The question demanded whether there were other reasons or further comment over the choice of these strategies the response was:

Consumer groups are not significant as pulp is always an intermediate product, going to other products. In the other two we gave two different approaches, as it depends a lot on the group as well. For example, some environmentalist groups cooperate with companies, others have a philosophy of not doing it at all, so with them, the problem-solving approach is not possible.

This response indicates clearly that it depends on the nature of the industry in which an organisation is operation that attracts particular groups of tertiary stakeholders. As it was in the pulp products and all companies that extract their raw materials from natural sources, the environmentalist groups and the other public or special interest groups have so much interest in ensuring that the activities of those organisations are harmless to the ecosystem and that the organisation complies with standards. It was clear that the consumerists groups have less interest in such a case. The fact being that the consumerists act on behalf of the consumers but not the natural environment. Thus, the consumerists are less influential in that particular industry since the industry does not deal directly with consumers.

In comparison with Peng's (2006) response strategy which was omitted in the questions used for the study entirely[8], it was clear that management usually try to be proactive as the assumption in the study puts it. When asked how they respond to concerns raised by the tertiary stakeholders, the answer received was:

We try to be very proactive and have a dialogue with the groups that are relevant to our business. When specific concerns arise, we try to answer their questions openly and be transparent.

Being very proactive implies that the firm after conducting the stakeholder mapping and analysis (to determine which groups are relevant to their business) identifies who their potentially harmful stakeholder could be in any strategy that they want to implement. The integration process often adopted by management was clear in the same response giving that *"they hold dialogue with the relevant stakeholders and*

[8] See how Peng's response strategies are compared to Barki and Hartwick (2001) in Table 3. The similarities in these strategies were the basis for selecting a single set of response strategy used in designing the questionnaires instead of both.

tries to answer any of their questions (expectations) openly and in a more transparent manner. This is in line with Peng's (2006) argument that management usually try to combine proactive and accommodative strategies when stakeholder concerns are raised. Of course, being proactive was pointed out clearly. The firm's management agreed that "*we keep up the dialogue and monitor the issues on their agenda".* Thus, proactive and accommodative response strategies appeared to be relevant to the study if management want to integrate, align or balance the expectations of the tertiary stakeholder.

Stakeholder mapping appeared to be one of the most important tools used by management in analyzing the strength and interests (expectations) of the tertiary stakeholder groups. In response to the question 'How do you perceive and analyze what the various stakeholder expectations are?' The response was: "*We do a stakeholder analysis and mapping, it includes evaluation of the stakeholder group's concerns and expectations and how we manage them.* After conducting this useful analysis and identifying the relative power and interest of the stakeholders, the next stage is integrating or balancing the goals of the organization against the interests identified (See Fig. 10). Although it was identified earlier that management was often proactive and accommodative through dialogue and monitoring, it is also interesting to know that stakeholder mapping is one of the tools that helps managers to better attune the numerous tertiary stakeholders expectations.

A more comprehensive organization-tertiary stakeholder 'alignment' strategy that was identified in the study was that management of the organization attempt to invite the stakeholders for a facility visit and the firm in turn engages in cooperative projects with the tertiary groups. About the way that the firm responds to pressures from the tertiary groups, the response was, "*We try to engage in cooperation projects with the ones willing to do so and also invite them to visit our operations to see what we do and how we operate".* Cooperating with the stakeholder in joint-projects is indeed necessary to break tensions down, increase organization-stakeholder chemistry and to prove that the organization is proactive, a friend and a partner. Also, inviting the stakeholders to the facilities and the operation centre proves to be a practical way of aligning the interest and also being proactive instead of reactive. In doing so, the tertiary groups can be convinced of what they witnessed.

As identified in the proactive strategies discussed in the literature, for management *"to be able to achieve this strategy profitably, they must try to get involved in policy making earlier enough and try to steer their course towards a favorable direction. Also, stakeholders must be involved and consulted for their consent prior to the establishment of the operations of the firm."* When potentially harmful stakeholders are invited for a facility visit, their consent is sort, their involvement and opinions are welcomed and their contribution in comments appreciated. They are convinced about what they see, especially, operation procedures and certificates awarded. This can lead to the company 'manipulating and steering' the interest of the potentially harmful stakeholders. Positive image is created in the mind of the visited stakeholders and the environment in which the business operates is planted in their mind impressing to the stakeholders that, the organization is naturally proactive and responsible and may not deliberately become unethical in its operations.

4.3.3 Comparison of empirical data from secondary sources: Balancing organization-tertiary stakeholder conflicts.

Empirical data from secondary sources were investigated to help benchmark the primary data collected from the case company. These secondary sources of data were necessary since the study originally intended to collect empirical data from more than one company. However, most of the companies contacted could not participate in the study. In all, about 8 MNCs companies in Finland were contacted. Also, two members of the environmentalist groups denied. Review of published works by other researchers who conducted similar study was necessary to help generate contrasting viewpoints and results that could add impetus to the study for validity and concrete analysis.

The findings of Prof. Minna Halme and Dr. Maria Joutsenvirta proved relatively relevant for the study and analysis. Professor Halme's study was about "How firms learn to incorporate environmental values in their decision-making". Her study investigated what is termed as 'a shared world view that consists of core beliefs, basic assumptions, and the values of the firm's managers regarding the relationship of its activities to the natural environment'. She gathered her empirical data from two Finnish firms – Walki-Pack and UPM-Kajaani (these two firms were under serious

environmental pressures during the time of her study. She identified the pressures faced by these firms as, one, the pressure to use recycled fiber in its products and to reduce the amount of solid waste - Walki-Pack's. On the other hand, forest biodiversity demands were faced by the UPM-Kajaani unit, from the market-side, i.e. environmental organizations and customers. Both companies faced pressures from the tertiary environment – The EU, the environmentalist and the consumerists.

She used semi-structured questions for the data collection process. Her findings underscores the same fact that in managing organization-external stakeholder conflicts, firm move ahead to integrate, accommodate and become proactive in their practices. The table represents the summary of her finding, first at Walki-Pack.

Paradigm/dimension	***Former paradigm in the 1980s: traditional management***	***Prevailing paradigm: environment related management***
Concept of the product	Corrugated board box	Corrugated box as part of the product life cycle from raw material to disposal.
Industry	Packaging industry is a growth industry	Packaging is not likely to increase in the Western countries
Competitive advantage	Reasonably priced corrugated board of high quality	Managing the environmental aspect of company activities: using recycled fiber as raw material and managing the collection of corrugated board

Relationship between the product and the environment	Corrugated board is environmentally friendly because it is made with renewable resources, it is biodegradable and its manufacture does not pollute	Packaging and packaging waste cause environmental problems
View of economy and nature	Environmental protection only creates additional costs.	Interdependence of economy and ecology: environmental consciousness and sound business practices are not mutually exclusive
Interdependence of economy and ecology: environmental consciousness and sound business practices are not mutually exclusive	Environmental protection is a task of government officials and legislators	Businesses must take part in solving environmental problems
Environmental policy	Environmental concerns are extra-business concerns	Environmental considerations are a part of business and product policy decisions

Table 4. Previous and current environmental management paradigms at Walki-Pack. Source –Minna Halme, 2002.

Extract of the findings in the table above are taken for analysis below:

1. *Interdependence of economy and ecology: environmental consciousness and sound business practices are not mutually exclusive.*

2. *Businesses must take part in solving environmental problems*

3. *Environmental considerations are a part of business and product policy decisions.*

All the three conclusions show that management in recent times attempt to incorporate environmental consciousness into their strategic plans (proactive). Unlike it used to be traditionally, companies sought to maximize profit assuming that *"Environmental protection only creates additional costs (see table 4).* Incorporating environmental consciousness into the organization's plans demands proactive and accommodative strategies through the integration of the environmentalists' expectations. This proactive business practice was identified in the case of Botnia, the case company who "*keeps up the dialogue and monitors the issues on their agenda"*.

Point two *"Businesses must take part in solving environmental issues"*. This is in harmony with the integrative approach of conflict management. In *'taking part'*, companies try to align their interests, balance their stand against that of the interest groups and cooperate in problem solving especially in environmental issues. In Botnia, similar endeavor was *established "The firm engages the tertiary group in cooperative projects".*

Finally, point three *"Environmental considerations are a part of business and product policy decision"* carry the same sense that corporate policies must not underrate the environmentalists' concern. Balancing the policies and that of the interest groups is essential in the resolving organization-tertiary group conflicts.

In a different study, the Forestry Manager of UPM's northern areas of Finland reports about how their organization collaborate the external pressure group's interest. In his response, he concludes that *"if we hadn't actively started to think about these issues, we might have found ourselves in different kinds of problematic situations; the external pressures could have thrown things from one extreme to the other"*.

It is evident however; that both companies agreed that balancing their organization's interest and that of the tertiary (external) was paramount in the organization's strategic objectives, as the Forestry Manager reported "*actively started to think about these issues"*. It further points to the fact that, the pressure groups or the tertiary

stakeholders have enough strength and power to cause harm to businesses that underrates them.

The researcher concluded that *"both organizations seemed to go further in their environmental improvements than required by the external stakeholders. For instance, the company decided to start converting private forest owners to the small-scale methods. For the consolidation to occur it was important to have a certain emotional response, such as a sense of tightness and satisfaction, at least among members whose perspectives had been incorporated and relief resulting from 'doing the right thing'.*

In a different study, Dr. Maria Joutsenvirta examined environmentalism and environmental activism especially, its rise and peak in Finnish context from 1920 to early '90s and also between Enso and Greenpeace. She focused on "conflicts that arise between *confrontative* environmentalist groups and companies" (Joustenvirta, 1997). Her finding was relevant for this study although she focused on only the environmentalist groups in a narrowed sense whereas this study focused on the 'tertiary' group at large. Since the environmentalist appears to be one of the most active groups within the tertiary stakeholders her findings is highly relevant. Examples of these environmentalist groups within her study include: Greenpeace and some 'grassroots' groups, as she termed it such as Koijärvi and pielisjoki[9] movements in Finland. She concludes this way *"Environmental groups represent stakeholders that have during the past two decades of growing environmental concern become more important because of their increasing power to affect negatively companies' image and activities".*

She added that *"some companies have begun cooperating with the environmentalists. They have realized that finding cost-efficient alternatives is better than combating regulations and poor environmental images, and green alliances are seen as feasible long-run strategies".* She argues further this way *"alliances prevent attacks from environmental groups and the government as well as provide more equitable*

[9] In a footnote she described the two grassroots movements as: Pielisjoki was composed of people who gathered together to fight against a company that polluted the local Pielisjoki river whereas Koijärvi movement arose to prevent the drying up of the local bird lake (koijärvi).

solutions than reactive responses to regulations. Sometimes green alliances also help firms develop contingences for environmental disasters".

She made another relevant argument that corresponds with the response of Botnia. Her conclusion was that *"not all environmental groups accept cooperative relationships with businesses".* She claimed that, according to the environmentalist *"green alliances make them 'lapdogs' instead of 'watchdogs' and these groups continue to advocate adversarial relationships with businesses".* Citing examples, she added that "Greenpeace and Friends of the Earth have been against cooperation with companies and donations from them. Botnia, the case company on the other hand concludes this way "some environmentalist groups cooperate with companies, *others have a philosophy of not doing it at all,* so with them, the problem-solving approach is not possible".

Her study adds that Greenpeace is not a cooperative body but has earned international recognition as the most powerful environmentalist for its direct-actions, courageous, high-profile campaigns and confrontativeness. She made another interesting finding *"environmental grassroots movements have often cooperated, more or less, with the larger environmental organisations".* Perhaps due to the fact that 'grassroots' environmentalists possess little power, cooperating with larger bodies appears to be an effective strategy for them to achieve their interests. She claimed that "from a company's point of view, environmental groups form a mixed body of actors whose demands vary from group to group. Some of the groups are committed to persuasion and cooperation, rather than confrontation, whereas others use more radical tactics against companies.

Botnia agrees that, cooperation (accommodating) strategies really work for their company. The table below is the summary of the conflict-response strategies that Botnia adopts.

	Type of strategy use	**Type of stakeholder**		
		Environmentalist	Consumerist	Public (Special Interest Groups)
1	Assertive			
2	Accommodative	X		x
3	Compromising			

4	Problem-Solving	X		x
5	Avoidance			
6	Other			

Table 5. Botnia's Conflict Response Strategies

The table below compares all the findings discussed about organisation-tertiary stakeholder conflict response strategies.

	Conflict Response/Management Strategy Used		
Type of Tertiary Stakeholder	**Botnia**	**Halme, M.**	**Joustenvirta, M.**
Environmentalist	Accommodative, Problem Solving, Proactive	Problem-Solving, proactive, integrative	Alliance, Proactive
Consumerist			
Special Interest Groups (Public)	Accommodative, Problem-Solving	Cooperation	Proactive, Alliance
Other			

Table 6. Summary of findings on organisation-tertiary stakeholder conflict response strategies.

In harmony with the Joutsenvirta's findings, different types of the tertiary groups adopt different 'attack' or pressure strategies depending on their intentions, purpose of the attach and the type of stakeholder that they are (i.e. either consumerist, pressure group, environmentalist or public). She listed some of the attach strategies as: direct attack – confrontative, cooperation, persuasion, high-profile campaigns among others.

It is very interesting to note that none of the studies gave attention to the organisation-consumerist pressure response strategies. However, Joutsenvirta's finding touched on the consumerist narrowly which gave an overall picture of how the consumerist operates. She claims this way "Environmentalist groups spread information among consumers by, for example, publishing reports, distributing press releases, taking part in public discussions and developing special educational programs". She listed some of the publications of the environmentalists for consumers as 'shopping for Better World', 'The Green Consumer Supermarket Guide' and lunching certification programs such as 'Green Seal', 'Green Cross' and 'WWF-Panda'. She concludes that *"All these aim at making the public (*especially, the consumers) *aware of environmental issues"*

In effect, she claims that the environmentalists instigate the consumers into action. She argues this way "they spread information among the *consumers to boycott purchases* with the firms. She added *"One such direct action tactic is the case of 'Shell Oil and Brent Spar'. Strong public campaigning by Greenpeace against Shell Oil's plan to dump a worn-out oil-storage platform at sea resulted in a consumer boycott, which was especially strong in Germany. People learned about Shell Oil's plans through the media, and many stopped buying oil from Shell. As a consequence, the company's sales fell dramatically". (*Joutsenvirta, 1996:22).

She didn't touch on the pressure-response strategies that the firm adopt when dealing with the consumerist. However, in this example we can conclude this way – meeting the expectations of the environmentalists can possibly avert consumerist actions. Therefore, the same conflict management strategies that the firm adopts for one member of the tertiary group can likely be replicated to the rest of the same group. Possibly, because they share the same characteristics; have similar expectations and adopt virtually the same pressure tactics. It is likely that because organisations are increasingly enhancing their quality standards and producing to meet the consumer/customer's needs (Hernon et al, 1999), consumerist actions are seemingly less and the few ones are often instigated by the radical environmentalists. All the findings reflected one underlining conclusion - common response strategies adopted by all the firms - Proactive, Accommodative and Problem-Solving**.**

5. DISCUSSION

The expression that stakeholders are those who can ***affect*** or ***be affected*** by the organization implies that the tertiary groups must be taken seriously, especially the environmentalists who appear to be more dynamic, radical and active within the group. There are various instances where the environmentalists have won successful legal battles (For example, Greenpeace and FoE). Such battles have led to organizations paying huge sums of compensations for their victims or the affected stakeholders on whose behalf the tertiary stood. In the light of this, the behavior and attitudes of management when their interest conflicts with that of the external stakeholders must be quick-response.

The assumptions made earlier in the study that *"whenever a stakeholder has a potential power enough to influence the firm and the same stakeholder in question has less interest in the operation of the firm, the firm might employ accommodative and problem-solving strategies"* appeared supportive in the study. All the studies- both the primary and the secondary sources made similar conclusion (See Table 6).

Secondary, the assumption that "*organizations tend to be proactive instead of reactive to be able to avert pressures from the tertiary environment"* appeared to be supportive - both assumptions supported the study. However, the reactive, the assertive and the avoidance strategies appeared to be less relevant or less used by most companies when dealing with stakeholder conflicts. Perhaps this is due to the fact that organizations are beginning to embrace 'ethical and responsible businesses'. One other likely reason could be that organizations do not see manifested conflicts as 'something attractive enough to swallow', thus leading to firms being proactive. Finally, firms are likely beginning to reason that, they have little chance-to-succeed conflicts with the tertiary groups. The stakeholder mapping tools is really 'working' for most self-conscious firms. Arguably, these among other reasons explain why most firms attempt to be proactive, accommodative and problem-solving when balancing organization-tertiary stakeholder conflicts - for win-win and equitable results.

Likely, organizations are beginning to think that cooperating with stakeholders whose influence and degree of autonomy are very high can pave way for their objectives to

thrive. Organizations tend to acquaint themselves with the nature of the stakeholders, their expectations and the sort of 'attack' strategies[10] that they employ ahead using stakeholder mapping and analysis tool. These help the firms to adopt a suitable 'strategic-response-mix' that will result in balancing their expectations with that of the tertiary in order to achieve the organization's goals.

Carrillo (2007), argued that sometimes "stakeholders' interests can be interpreted as opposing shareholders rights to obtain fair revenue for their investment". For this reason, it is worth noting that sources of organization-stakeholder conflicts are not merely on the basis of frictions from interdependencies but also through incompatible expectations or incongruent interests (Rahim, 2002; Wall and Callister, 1995). It was noted in the study that the organization and tertiary have no direct inter-dependencies therefore conflicts are *not* due to regular frictions as may be in the case of for instance, organization-suppliers. However, conflicts between the organization and the tertiary groups are due to firstly "cause-and-effect" factors and secondary, irresponsibility from the part of some organizations. ***This implies that, unless the corporations become responsible, practice ethical and responsible business and attempt to balance their interests against that of their stakeholders else, they will face regular conflicts.*** Adopting the suggestions above implies that, organization must be proactive, and especially, accommodative with the expectations and the laid-down principles of the tertiary groups.

The problem-solving strategy becomes necessary only when the conflict had already ignited. However, the many sources of conflict between these two are the results of: unmet expectations, fighting for one's interest (me-first) on the part of the organization and (me-too) on the part of the environmentalist. In situations like this, one actor always loses. However, the environmentalist loses nothing comparative to the organization in the sense that the environmentalist are not interested in image like the organizations do, neither are the environmentalist interested in economic gains like profit nor aims to survive through winning customers' loyalty and having strong

[10] Joutstenvirta (1996), identified the following as the attack/pressure tactics used by the environmentalists: direct actions, monitoring, demand change and consumer boycotts, publicity and lobbying governments. Joutstenvirta, M. (1996:41)

competitive edge – these are the primary interests of the organizations that are lost when they come across the paths of the tertiary groups. For these reasons, any battle between the environmentalist and the organization goes to the detriment of the organization – the organization always has something to lose. Hence, a prudent firm adopts proactive, accommodative and problem-solving strategies all the time. Managements for these reasons are coerced to revisit their dealing and perceptions of the effect that the environmentalists and the tertiary group at large can cost to their (organization's) interests.

The study helps us to understand that the potential danger of a particular stakeholder to the firm depends on the sort of industry and the nature of business in which a firm practices. Additionally, in general, the tertiary stakeholder possess relatively strong power, their interest in a firm will depend on the nature of the business or industry of the firm. For instance, conclusion made from the case company, Botnia revealed that, the most potentially harmful stakeholders to their business operations is the Environmentalist and the Public Groups. The consumerist groups are relatively less influential and have no direct interest in their operations.

On the other hand, it is clear that the firm is not as autonomous as the tertiary groups are. Although decision making and strategic objectives are set by management, they are completely liable to whatever consequences their resolutions result in. The firm at one point needs the consent of the tertiary groups and at other point has to monitor whether the tertiary groups are dissatisfied in some way. When that is achieved, quick actions are resorted to help balance any dissatisfaction(s) detected to help convert threats into opportunities. This can be achieved when mutual interest is pursued and the firm in question is noted as responsible - perhaps appearing in one of the international journals as a responsible organization. Meanwhile, the tertiary stakeholders are totally autonomous. In the case of interdependencies, the successful operations of the firm hinges greatly on meeting the interests of the tertiary groups.

Moreover, CSR has been branded as a tool used by organizations to 'throw-dust' into the eyes of their stakeholders. (Christian Aid, 2004). Some also argue that CSR is a mere public relation tool for developing favorable image *all-talk-no-action* (Riddleberger and Hittner, 2009). Most dissatisfied stakeholders, usually the tertiary

type view MNCs as not doing enough to discharge their responsibilities. More than the usual demands put on MNCs in the discharge of their CSR activities is the demand that MNC's rather pursue more balanced triple-bottom-line (Economic, Social and Environmental) responsibilities so that all the members of the organization's numerous stakeholders can achieve at least some level of satisfaction rather than pursuing one-sided bottom-line interest - economic (Peng, 2006).

On the more positive note however, CSR is seen as a tool that goes a long way to serve its stakeholders interests. More recent trends in the performance of socially responsible organizations are seen in the following area: MNCs can influence the economic, political, social conditions of its stakeholders. MNCs are even being held accountable for making the working conditions of their workers unfavorable. The economic developments of most nations are directly related to the operations of MNCs within most emerging economies. Within the light of globalisation trends, organisations are becoming powerful actors for change implying that MNCs are contributing positively and on global scale especially, through their CSR activities.

In balancing organization-stakeholder conflicts, it is appropriate to map and analyze the various groups to ascertain how close or how far a stakeholder is to the firm. This mapping confirms the level of distance (proximity) and the degree of autonomy as well as influence on the organization that the tertiary stakeholders possess. Although most managements assume that the tertiary groups fall outside their operational boundaries (Harrison and ST. John (1996), this study concludes differently. The physical distance of the tertiary groups to the firm is merely literal and imaginary but does not exist in practice - real organization-tertiary stakeholder *relationship*. Most organizations hardly underrate or ignore the expectations of the firm within their strategic or corporate plans. Some firms even attempt to design programs that purely focuses on satisfying and integrating the expectations of the tertiary stakeholders as in the case of the case company "*We try to engage in cooperation projects with the ones willing to do so and also invite them to visit our operations…*"

6. SUMMARY AND CONCLUSION

The study is concluded by summarizing the various theoretical and empirical findings. Next, the contributions of the study to theory and literature then followed by implications of the study to management. Finally, possible gaps left in this study will be analyzed in the section 'future studies' to pre-empt further future studies around this subject.

2.7 Theoretical and empirical findings

The study further discusses the focal questions raised as "how does the organization depend on the tertiary stakeholders and how can management balance the conflicting expectations between the firm and the interest group of stakeholders effectively?" It was indeed a matter of research to be able to find empirical facts that will help answer this question. Furthermore, the objective of the study was: *"understanding how management can successfully integrates the tertiary stakeholders into their strategic goals"*

Since different theories were discussed, further attempt to narrow the materials down to achieve an overall picture was necessary. The relevant areas where emphases were made include: the tertiary stakeholder model and conflict management/response theories proposed by Barki & Hariwick, (2001) and Peng, (2006). These conflict management theories were different from those proposed by Rahim (2002) and Wall and Callister, (1995). Their theories were considered in the study to give an overview of the nature of conflicts, the causes of conflicts and relevant debates about conflict management and resolutions. Out of those theories the expression "incompatible interests" permeated which served as the basis for argument about causes of organization-tertiary stakeholder conflicts. It was necessary to adopt the former conflict management strategies which empathetically, enumerated various approaches adopted by management in two succinct perspectives – before (proactive) and during (cooperative) and after the problem has occurred (problem-solving) strategies.

Moreover, the study further hinges on two main stakeholder paradigms proposed by, Rhenman (1970) and Freeman (1984) that served as the basis for adopting the alternative stakeholder model – the tertiary stakeholders. Freeman's concept of

‘internal and external’ stakeholders led to the assumption that tertiary stakeholders must then exist. After carefully considering the theory, three criteria were adopted as a basis for classifying all stakeholders to help determine whether a stakeholder qualifies to be primary, secondary or tertiary. These bases were:

1. The degree to which a particular stakeholder is distant from the organization’s boundaries (proximity)
2. The degree to which a stakeholder is influential
3. The degree of autonomy possessed by a particular stakeholder.

These concepts were explained in detail in section 2.4 - 2.4.3 of the study.

It was evident in the study that, the tertiary stakeholder groups were highly autonomous and possess more power (influential). This implies that although most organizations are still operating peacefully without pressures from this group, they do not underrate the potentials of the tertiary group to undermine their business interests. For this reason, most organizations are routinely on the guard, monitoring, analyzing and complying with the demands of these groups – using stakeholder mapping tools.

The research questions developed were based on an assumption formulated that *managers will want to cooperate when they have conflicting expectations with stakeholders who are more powerful (influential) and autonomous.* Finally, the assumption and the questionnaire led to the empirical part that aimed at trying to resolve the research questions and objective.

Notwithstanding the fact that most organizations perceive themselves to be in their own shells, the empirical data gathered pointed out that organizations perceive the tertiary stakeholders as very influential. Consequently, most companies reason with the tertiary groups by seeking their consent, balancing their expectations and strategies and continuously seek common grounds. Still, the tertiary groups are perceived to be very harmful when they are underrated. Also, it was evident that some tertiary stakeholders will not cooperate and will pursue their interest no matter how much effort the firms put in place. Some may even object an invitation for facility visit and joint projects. However, it turned out that other tertiary stakeholders

are willing to cooperate with the firms. This implies that, when the stakeholders feel accepted and incorporated, they turn to become partners rather than 'fierce watchdogs'.

The study assumed that successful 'interdependency' also implies integration, aligning and balancing of conflicting interests as termed by Barki and Hartwick, (2001) as 'cooperation'. When the concept of organization-tertiary stakeholder 'interdependency' is given much attention by the firm, there will be lasting cooperation between the firms and relevant members of the tertiary stakeholders.

2.8 Theoretical contributions.

The theories discussed in the literature involve CSR, ethical management, stakeholders and conflict management. Managers were enlightened as to how to combine these theories under the umbrella of 'Responsible and ethical Business' that have been the pursuits of successful businesses in recent times. The assumption that the tertiary stakeholders are autonomous and hold strong power/influence was presented in this study to serve as a 'wake-up-call' to managers who are 'sleeping'. The following can be summarized as the theoretical contributions of the study:

1. That stakeholder theory is more extensive than internal and external (Rhenman, 1970) and primary-secondary (Freeman, 1984). Stakeholders go further to involve the tertiary groups [consumerist, environmentalist and Public groups] which sprung out of the secondary or external groups. These groups were identified in the study as very autonomous and influential on businesses than virtually all other stakeholder groups since their power is enormous and yet they have little or no interest in the organization's strategic and economic goals. The organizations most consider them as treacherous when underrated and try to develop opportunities from the fact that these stakeholders can be harmful.

2. That the organization attempt to manage and resolve conflict (Wall and Callister, 1995; Rahim, 2002) was considered as too narrow and traditional. Rather, the study proposes 'balancing' conflict especially in multi-party setting and more importantly when the conflict has to do with stakeholders that have extreme power to affect the organization's goal. Additionally, when the particular stakeholder

expresses little interest in the business's goals but have power to influence the businesses goal, the organization has no choice than to 'balance', align, attune or integrate their [stakeholder's] expectations.

3. It was clearly unveiled in the study that the main conflict management strategies left for organization when dealing with the tertiary group of stakeholders involve proactive, accommodative and using problem-solving (Barki and Hartwick,2001; Peng, 2006). The rest of the strategies demand further study to prove where they fit.

4. The study theorized the "degree of interdependences" between the firm and the tertiary groups in a sense that management cannot underrate the real-impact of the tertiary stakeholders on their strategic objectives and goals. Also that, the firm and the tertiary is not literally interdependent. The interdependency comes into play only 'through the notion of cause-and-effect'. Implying that unless the firm become irresponsible or plies carelessly on the path of the tertiary groups, they will have no conflicts. The only source of interdependency therefore becomes organization-tertiary group (expectations, principles or codes) that the firm must on regular basis adhere to, but are sometimes overlooked. The degree to which the objective of the organization hinges upon tertiary stakeholders clearly shows that responsible management sees the tertiary group as connected (interdependent) to their organization as do other relevant stakeholders like the primary and other members of the secondary groups are to the firm, example, and organization-supplier relationship.

2.9 Managerial implications:

The study has produced tangible action-oriented viewpoints and insight to help managers re-think their dealing with the external stakeholders in general.

1. The research focuses on an alternative theory that throws more light on tertiary stakeholders and the potential power they possess that can harm any organization that underrates them. The level to which management perceives this group is heightened and buttressed.

2. The assumptions developed in the study about conflict management strategies suitable for organization-tertiary stakeholders proved to be very positive. This implies that management must continually enrich these three strategies (proactive, accommodative and problem-solving) to enable them successfully integrate their stakeholders. This when done can help the organization realize its goals peacefully.

3. That management should enrich their stakeholder mapping and analysis tools so not to lose sight of who has more power *but being underrated* as they continuously modify or pursue the organization's interests. When able to satisfy the needs of the tertiary groups, the company can enjoy peaceful operations and achieve good competitive advantages.

4. Since the organization needs to comply with the expectations of the tertiary groups on day-to-day basis management should try to balance their (tertiary) stakeholder's expectation right from the beginning when setting the organization's strategic objective.

5. The tertiary stakeholder concept helps managers to understand the three key concepts that:

    a. The tertiary stakeholders are more influential.

    b. The tertiary stakeholders are closer to their operations than the traditional 'out-of-our-boundaries' notion previously and still held by some managers.

    c. That the tertiary stakeholder being autonomous implies that they are more powerful and that the organization has less power in relative sense to 'harm' them back. For this reason, the suitable solution for dealing with them is for management to enhance their CSR and ethical stance along with more proactive strategies.

6.4 Future studies

It is a matter of additional study to prove to the truthfulness of the fact that achieving one set of stakeholders (shareholders) interest can lead to better organizational performance, increased profitability and satisfaction for and by the rest of the stakeholder constellation (Lazonick and O'Sullivan (2000). Furthermore, the study pointed out that *not* all the members of the tertiary stakeholder may enforce their expectations in a single company at a time. Stakeholders expressing their interest in a particular firm will depend on the *nature* of the business or *industry* in which a firm operates. For instance, it was clear that the consumerist had not interest in companies manufacturing pulp.

Consequently, it is a matter of study to be able to know whether there are companies that are affected (Freeman, 1984) by all the tertiary stakeholders, and if so, in which industry, why and how are those companies connected to all the tertiary stakeholders at any point in time? Additionally, it is unclear in the study whether management at all perceives the defensive, reactive, assertive and the avoidance strategies as part of their 'strategic response-mix'. If so, when and how do they employ those tools effectively? However, it was established in the study that most of the strategies that managements often employ when dealing with the tertiary groups' conflicts were: proactive, accommodative and problem-solving. Therefore, which of the strategies are used when dealing with the internal stakeholder conflicts? This question demands additional study.

In totality, this work covered four insightful theories:

1. Corporate social responsibility (Johnson et al, 2008)
2. Ethical Management (Carrol and Buchholtz, 2003)
3. Stakeholders (Rhenman, 1970; Freeman, 1984; Peng, 2006; Waddock et al, 2002)
4. Conflict management and strategies (Rahim, 2002; Wall and Callister, 1995; Barki, H & Hariwick, 2001, Peng, 2006)

In principle, integrating and narrowing all these theories into one study was a difficult task. This implies that the theories can still be revisited in connection with similar studies. Furthermore, the relationship between conflict management and the tertiary stakeholders can assume a different light in the sense that, a new study into how the tertiary stakeholders also try to integrate the organization or how they also see themselves as not completely 'an island' but exist because the companies do will be an interesting focus. This implies further that, the existence of the tertiary stakeholders may not be possible, if the companies do not exist and for that matter, the tertiary stakeholders must also see the 'companies as their stakeholders' as well. Due to financial constraints and also the companies proving virtually impossible to grant access to intensive study, it would be necessary if this study is replicated someday as supporting study for wider and more insightful analysis by researchers who are interested in conflict, ethical and responsible business, as well as stakeholder-related issues.

Finally, a deeper study into the consumerist groups will help. This is necessary because virtually no organization was found during the study that calls itself the consumerist. Unlike the environmentalist groups (Friends of Earth, Greenpeace etc), the public stakeholders (EU, OECD, ILO etc) and the pressure groups (the media at large), the following questions are extremely difficult to answer concerning the consumerist groups. How influential and active are they as the renowned environmentalists are? How do they operate? Do they have specific codes and standards? These questions merit further study.

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APPENDIX I

QUESTIONNAIRE

Please, kindly mark (X) below the strategy, which best reflects your company's strategy vis-avis tertiary stakeholder expectations:

	Type of strategy use	**Type of stakeholder**		
		Environmentalist	Consumerist	Public (Special Interest Groups)
1	Assertive			
2	Accommodative			
3	Compromising			
4	Problem-Solving			
5	Avoidance			
6	Other			

Comments:

Specific Questions

1. How influential is the tertiary group of stakeholders on your business practices?

   low 1 2 3 4 5 *high*

2. To what **extent** do you perceive the external stakeholders as potential threat to you business or economic interests (the degree)?

3. In what ways do you consider them as potential threat to your business?

4. Have you encountered any confrontation with any tertiary stakeholders? Can you state if possible?

5. On what basis do you grade the relative importance (strength) of your stakeholders to your business or organization's goals?

6. How do you respond when tertiary groups raise their concern about your activities?

7. What are some of the more constant/regular pressures that you face from the tertiary groups?

8. Do you integrate or align the external stakeholders in your business plans in some ways, if so, which ways?

9. How do you perceive and analyze various expectations and requirements of the tertiary stakeholders? (your opinion on the stakeholders' expectations)