

## Company stakeholder responsibility in Finland

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### Extended Abstract

**Objective:** Company stakeholder responsibility considers stakeholder engagement to be the key to long-term firm success. The purpose of this study is to examine managers' perceptions of stakeholder responsibility in Finland, one of the world's leading countries in corporate responsibility and stakeholder engagement. The research questions are as follows: 1) How is corporate responsibility concretized in stakeholder relationships? 2) How do Finnish managers perceive company stakeholder responsibility?

**Phenomenon:** Corporate social responsibility necessarily entails stakeholder responsibility, and stakeholder engagement can be perceived as corporate responsibility in action. Thus, we use the concept of company stakeholder responsibility to understand and examine the interwoven relations among businesses, stakeholders and society.

**Theoretical Anchoring:** Freeman et al. (2006, 2010) developed the concept of company stakeholder responsibility with the main goals of creating value with and for stakeholders and of integrating business, ethics and societal considerations. To operationalize company stakeholder responsibility, this study uses and modifies the research instrument suggested by Kujala et al. (2017) to examine managers' stakeholder responsibility perceptions.

**Context:** This study was carried out in the Finnish context, which is appropriate as the concept of a stakeholder and the stakeholder engagement model have existed for decades in the Finnish management literature and practice. Stakeholders are also viewed as one of the major motivations for responsibility in Finnish companies. Moreover, Finland is one of the leading countries in the world in terms of corporate responsibility and sustainability.

**Research design:** This study examined Finnish managers' stakeholder responsibility perceptions. The research was carried out at the level of managing directors as they have a strategic role in companies' stakeholder orientations and are able to foster and control stakeholder responsibility practices. The data were collected through a census of Finnish industrial companies with more than 100 employees in 2019 (N = 475). A total of 77 responses were received, representing a response rate of 16.2%. The data were analyzed using the SPSS 27 programme. Descriptive methods, such as calculating the means of individual measures and forming sum variables based on these means, were used.

**Findings:** The results of the survey show a high level of managers' stakeholder responsibility perceptions in Finland. Stakeholder perceptions are especially high in relations with customers, employees, competitors, the public sector, financiers and the media.

**Contributions:** This study contributes to stakeholder research by offering a holistic and multidimensional understanding of company stakeholder responsibility and by showing that the concept and framework of company stakeholder responsibility are suitable for an empirical investigation.

**Keywords:** Corporate social responsibility, Company stakeholder responsibility, Finland, Managerial perceptions, Survey research

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### **Company stakeholder responsibility in Finland**

Responsibility is at the heart of decision-making in almost all Finnish companies and, as a result, corporate social responsibility (CSR) is becoming increasingly strategic and goal-oriented. Moreover, positive outcomes, such as increased sales growth and share value, have been associated with companies that have sustainability goals in their strategies (Varja & Tienari, 2022.) However, CSR remains an ambiguous concept. In this study, we use the concept of company stakeholder responsibility to understand and examine CSR and focus on how managers perceive company stakeholder responsibility and how it is concretized in stakeholder relationships.

This research builds on stakeholder theory, which stresses that companies exist to create value for and with their stakeholders (Freeman, 1984; Freeman et al., 2010). Business is understood as a way of taking care of societally important production and service tasks and of organizing related innovation and development activities (Kujala, 2001a). Business also enables different stakeholders to meet their needs, allowing, for instance, customers to obtain desired products and services, employees to acquire jobs, public authorities to generate tax revenue and owners to receive a return on invested capital (Kujala & Kuvaja, 2002). In business, responsibility is concretized in relation to different stakeholders, and, thus, CSR can be studied by examining the stakeholder relationships of companies.

The empirical data for this study were collected in 2019 through an online survey targeted to managing directors of large Finnish industrial companies. The survey items focus on stakeholder responsibility issues. The data were collected by means of a census of Finnish industrial companies with more than 100 employees (N = 475). In total, 77 responses were received, representing a response rate of 16.2%. The data were analyzed using the SPSS 27 programme. Descriptive methods, such as calculating the means of individual measures and forming sum variables based on these means, were used.

The rest of the paper is organized as follows. After the introduction, the theoretical background is outlined, followed by a description of the data collection and analysis processes. In the results section, the key findings regarding managers' stakeholder responsibility perceptions are presented. This paper ends with a discussion and conclusion, in which we synthesize the findings regarding the responsibility perceptions of Finnish managing directors.

### **Theoretical framework**

Although CSR has become a common topic in management studies and practice, its content, definition and especially measurement remain challenging. Traditionally, CSR has been understood as consisting of economic, social and ecological responsibility, but a more precise definition is left largely to companies' and managers' own interpretations. Therefore, a more concrete discussion of what comprises this responsibility is called for.

According to stakeholder theory, a business can be understood to exist in relation to its stakeholders, with the responsibility of a company extending to all its stakeholders (Freeman, 1984). Managers need to understand the role of a company in meeting the needs and expectations of customers, employees, suppliers and local communities as well as in generating profit for its owners (Donaldson & Preston, 1995; Freeman et al., 2010; Harrison & Wicks, 2013; Mitchell et al., 1997). Stakeholder theory further suggests that stakeholder consideration is at the heart of responsibility (Crane et al., 2013). As a concept, a stakeholder refers to all those groups and individuals who can influence a firm or are influenced by a firm's actions (Freeman, 1984, 46). The key stakeholders of companies are customers, employees, owners, public authorities, suppliers and distributors, competitors and financiers (Kujala, 2001b). Recently, media, NGOs (non-governmental organizations), local community

and the environment have also been included as stakeholders of companies (Heikkinen et al., 2019; Kujala et al., 2017, 2019; Laine, 2010; Sachs & Kujala, 2021a, 2021b).

Stakeholder responsibility concerns how well the interests of stakeholders are considered in business operations (Freeman, 2006; Kujala et al., 2017). Stakeholder interests cover stakeholders' value-based motivations, expectations and stakes (Carroll, 1989; Marjamaa et al., 2021; Myllykangas, 2009). Stakeholder responsibility relates, on the one hand, to how a company responds to different stakeholders' interests, needs and demands and, on the other hand, to a company's holistic approach to its stakeholders. Thus, stakeholder responsibility is concretized in a company's stakeholder relationships (Kujala et al., 2017). For example, a company must consider the diverse expectations of its customers, including product safety, quality, pricing and packaging (Carroll, 1991; Dalton & Daily 1991; De George 1990; Kujala, 2001a; Watson 1991). At the same time, employees expect good working conditions, job security, opportunities for training and development, competitive pay and an opportunity to participate in decision-making (Carroll, 1991; Dalton & Daily, 1991; Kujala, 2001; Olian & Guthrie, 1990; Riivari et al., 2019; Watson, 1991).

In this study, company stakeholder responsibility is operationalized by using a comprehensive measure, including a set of statements on different stakeholder relations originally developed by Kujala (2001a). The statements have been modified over the years to reflect changes in the business environment (Kujala, 2010; Kujala et al., 2017). Along with stakeholder responsibility, we are interested in how managing directors' stakeholder perceptions are influenced by economic interests. Consequently, we include comparisons between stakeholder interests and a company's economic interests in the measurement (Kujala et al., 2017).

### Data collection and analyses

The data for this study were collected from the managing directors of large Finnish industrial companies (employing more than 100 employees). The survey, conducted in 2019, was sent to a total of 475 managing directors, 77 of whom responded. The response rate was quite low (16.2%), which is typical for e-surveys and especially for surveys targeted to senior managers (Baruch & Holtom, 2008). However, as the survey was originally sent to all managing directors in the target group, the response rate can be considered satisfactory.

The background information of the respondents is presented in Table 1. Most respondents were men (89.6%), and the average age of the respondents was 52 years (ranging from 33 to 66). The income of almost all respondents (94.8%) was more than 100,000 euros per year, and 70.1% of the respondents had more than 10 years of managerial experience. Most of the respondents (70.1%) did not own shares of the company where they worked as directors.

**Table 1**

Respondents' background information (*n*, %)

	<i>n</i>	%
Respondents	77	16.2
Sex		
Male	69	89.6
Female	5	6.5
Unknown	3	3.9
Age		
Less than 45	7	9.1
45–54	37	48.1
More than 54	29	37.6
Unknown	4	5.2
Income (€/year)		
80 000 or less	2	2.6
80 000–100 000	2	2.6

Over 100 000	73	94.8
Unknown	0	0.0
Leadership experience (years)		
Less than 5	5	6.5
5–10	18	23.4
More than 10	54	70.1
Unknown		
Ownership		
No ownership	54	70.1
< 50% of the shares	14	18.2
> 50% of the shares	5	6.5
Unknown	4	5.2

*Source:* Compiled by the authors

The questionnaire used in this study was built on a theoretical framework of stakeholder responsibility (Kujala, 2001b). The managing directors' responsibility perceptions towards 11 stakeholder groups (customers, employees, owners, financiers, suppliers, competitors, the public sector, NGOs, the media, the environment and local community) were examined. The questionnaire included a total of 44 statements focusing on different stakeholders. The number of statements about different stakeholder groups varied from two (2) to eight (8).

Respondents were asked to rate their company's actions towards different stakeholders using Likert-scale (1 = strongly agree, 5 = strongly disagree) statements. The statements were drafted in such a way that the lower the value of the statement, the higher responsibility attitudes the managers had.

The respondents were also asked to compare stakeholder responsibility to the economic interests of their companies using pairwise comparisons. In the questionnaire, one pairwise comparison statement was included for each stakeholder group, totalling 11 statements. The response rate varied from one (1) to seven (7); the lower the value, the stronger the stakeholder responsibility compared to the economic interest.

The data were analyzed using IBM's SPSS 27 software. Mean values were calculated for the individual statements and sum variables.

## Results

A mean value was calculated for each stakeholder statement. A sum variable for company stakeholder responsibility (stakeholder index) was constructed by summing all stakeholder statements together and dividing the sum by the number of statements. The mean value for the stakeholder index and the mean values for the individual stakeholder statements are presented in Table 2.

**Table 2**

Stakeholder index and stakeholder responsibility in stakeholder groups (mean)

<b>Stakeholder index (mean of all variables)</b>	<b>1.73</b>
Cronbach's Alpha ( $\alpha$ )	0.87
Number of items	44
<b>Community and government</b>	
Compliance with law	1.13
Good citizenship	1.17
Tax base	1.91
<b>Competitors</b>	
Bribery	1.10
Tacit agreement II	1.13
Tacit agreement I	1.14
Fair play	1.19
Healthy marketing practices	1.21
Denigration	1.22
Honourable competitive methods	1.62
Co-operation	2.84
<b>Employees</b>	
Working conditions	1.19
Hiring policies	1.25
Development possibilities I	1.27
Education II	1.31
Right just wage	1.39



Development possibilities II	1.42
Education I	1.57
Employees' right to participate	2.13
<b>Suppliers</b>	
Co-operation	1.39
Paying the bills	1.49
<b>Customers</b>	
Product safety	1.26
Customer satisfaction	1.31
Product quality	1.51
Pricing	1.96
Packing	2.21
<b>Financiers</b>	
Long-term relations	1.62
Co-operation	1.71
Returns	2.10
<b>The environment</b>	
Pollution	1.43
Environmental friendliness	1.44
Product recycling	1.62
Protecting the environment	2.05
Extinction of species	2.75
<b>Media</b>	
Transparency	1.68
Openness	1.78
Information	2.17
<b>Local community</b>	
Human rights	1.68
Participation in decision-making	2.19
Improving circumstances	2.23
<b>Owners</b>	
Dividends	2.31
Retained earnings	3.19
<b>NGOs</b>	
Influence	2.81
Dialogue	2.82

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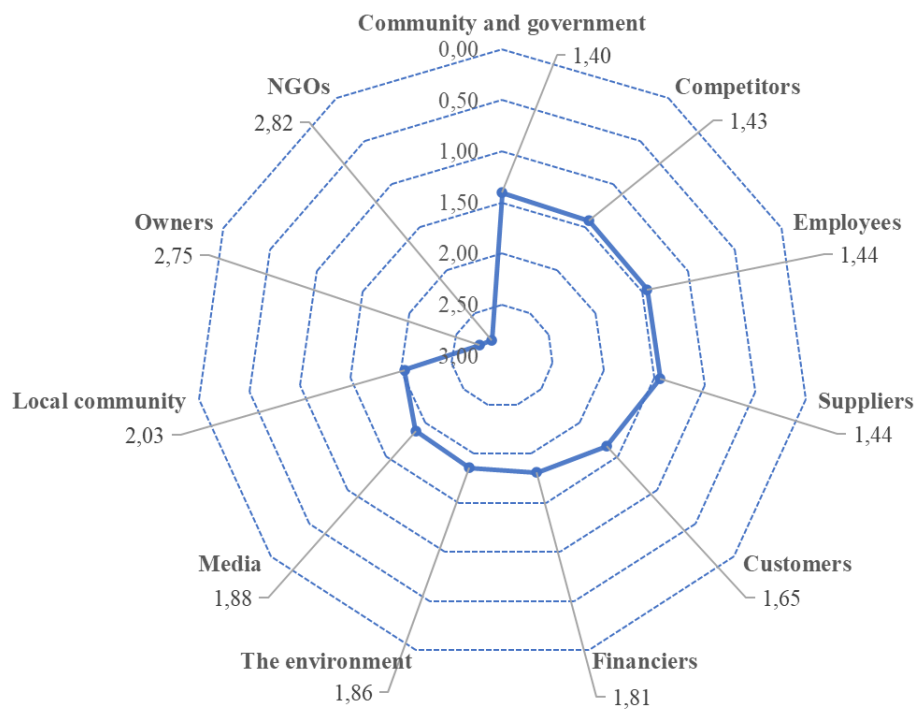
*Source:* Compiled by the authors

The mean value of the stakeholder index was 1.73, indicating strong stakeholder responsibility perceptions among the studied managing directors. Overall, the mean values for statements concerning community and governance, competitors, employees, suppliers and

customers were rather low, which demonstrates that the managing directors have a strong sense of responsibility towards these stakeholder groups. In contrast, based on the mean values for the local community, owners and NGOs, it can be concluded that these are not key stakeholder responsibility groups for the studied managing directors.

Of all 44 stakeholder statements, the lowest mean value was for bribery (mean = 1.10), indicating that Finnish managing directors take bribery very seriously and strongly oppose it. The highest mean value was for retained earnings (mean = 3.19), which illustrates that Finnish managing directors emphasize investing most retained in the future of the company and that owners are not perceived as a more important stakeholder group than others in terms of stakeholder responsibility.

We continued the analysis by forming a sum variable for each stakeholder group. The sum variables were structured by summing the statements of each stakeholder group together and dividing the sum by the number of the statements. The mean values of the sum variables are presented in Figure 1. The lowest mean values were for community and government (mean = 1.40), competitors (mean = 1.43), employees (mean = 1.44), suppliers (mean = 1.44) and customers (mean = 1.65), indicating that the managing directors held the highest responsibility attitudes towards those stakeholder groups. The mean values concerning financiers (mean = 1.81), the environment (1.86) and media (1.88) were slightly higher, and the highest mean values concerned local community (mean = 2.03), owners (2.75) and NGOs (mean = 2.82).



**Figure 1**

Mean values of stakeholder sum variables (*Source: Compiled by the authors*)

Respondents were also asked to compare stakeholder responsibility with the economic interests of the company. Lower mean values indicate higher emphasis on stakeholder responsibility. The results show that stakeholder responsibility was particularly emphasized in terms of customers (mean = 2.00), society (mean = 2.36), financiers (mean = 2.39) and employees (mean = 2.58) (Table 3). The weakest stakeholder responsibility was related to NGOs (mean = 5.23), local community (mean = 5.13) and media (mean = 4.84). The mean value of the overall stakeholder responsibility (the sum variable of the 11 statements) was 3.44, demonstrating that stakeholder responsibilities were considered slightly more important than the company's economic interests.

**Table 3**

Stakeholder responsibility compared with economic interest (mean)

Stakeholder responsibility scale 1–7	
Overall	3.44
Cronbach's Alpha ( $\alpha$ )	0.82
Customer satisfaction	2.00
Societal responsibility	2.36
Informing financiers	2.39
Employees' working conditions	2.58
Fairness in supplier relations	2.99
Fair play in competitor relations	2.99
Informing shareholders	3.62
Environmental friendliness	3.70
Openness in informing media	4.84
Engaging local community	5.13
Acknowledging NGOs' opinions	5.23

*Source:* Compiled by the authors

### Discussion and conclusions

Our study demonstrated that Finnish managing directors' perception of company stakeholder responsibility was particularly high in relation to customers, employees, competitors, the public sector, financiers and media. When stakeholder responsibility was compared to economic interests, it was considered more important than economic interests, especially in relation to customers, employees, society, financiers, suppliers, competitors and the environment. Stakeholder responsibility was weakest in relation to NGOs and the local community.

The results suggest that stakeholder responsibility can no longer be overlooked in companies. Instead, it is seen as an equal and often even more important issue than a company's financial interests. That is, if it was previously thought that a company cannot exist without financial performance, it is now thought that financial performance cannot exist without company stakeholder responsibility. However, this view seems to apply only to

traditional and easily identifiable stakeholders, such as customers, employees, financiers and society, with economic interest continuing to precede stakeholder responsibility in relations to NGOs, media and the local community.

In Finland, the current systemic shift towards a more responsible and sustainable business underlines the importance of different stakeholders. For instance, contemporary challenges in the business environment, such as labour shortages and problems with the supply of raw materials, are likely to strengthen the sense of stakeholder responsibility towards employees and suppliers. The general social climate has also changed so that responsibility is understood as an important part of business, and companies are expected to act accordingly. For companies to succeed in a transparent and open business environment, the different views, expectations and wishes of stakeholders must be considered and respected.

This study was conducted before the onset of the Covid-19 pandemic and the war in Ukraine; thus, it may not fully reflect the current managerial understanding of company stakeholder responsibility. Whether recent changes in the global business environment have affected managers' stakeholder responsibility perceptions remains a challenge for future research. Future research could also investigate stakeholder responsibility in Finnish small and medium size companies as well as in the service sector. It would also be interesting to examine how the stakeholder responsibility perceptions of middle management and/or employees differ from those of managing directors.

### **Acknowledgements**

The authors gratefully acknowledge the financial support of the Strategic Research Council at the Academy of Finland (decision numbers 320194 & 320206).

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