



<input checked="" type="checkbox"/>	Master's thesis
<input type="checkbox"/>	Licentiate's thesis
<input type="checkbox"/>	Doctor's thesis

Subject	International Business	Date	5.7.2007
Author(s)	Anna Ellala	Student number	
		Number of pages	121
Title	Stakeholder approach for reducing tensions in firm's societal relationships in foreign operational environments. Case: The opposition in Argentina against Botnia's pulp mill		
Supervisor(s)	D. Sc. (Econ. & Bus. Adm.) Esa Stenberg and M. Sc. (Econ. & Bus. Adm.), MA Pia Lotila		

Abstract

The study researches political risk in business and society relationships. The probability of tensions rising from the interaction between market, state and civil spheres that pose risks for firm's operations is higher in foreign environments for their complexity. The socio-political context of the investment environment is one of the most prominent sources of political risk. McLarney and Dastrala (2001) suggest that achieving cultural congruence through a strategy that attains a fit between firm's internal dynamics and the local socio-political structures is critical for effectiveness and long-term success. Core cultural values are most dominant in these structures rendering them country specific and unique. The study suggests the strategy of stakeholder approach for cultural congruence and for reducing tensions between business and society that could lead to political risks.

The main research problem is *"How a foreign firm may reduce tensions between business and society that pose risks for its operations by adopting stakeholder approach for cultural congruence?"*, which is investigated through the sub-problems of *"How firm's failure to understand the core cultural values underneath the foreign investment environment may contribute to the development of political risk?"*, *"How changes in the relevant external stakeholder groups' importance may contribute to the development of political risk?"* and lastly, *"How corporate social performance perceived by the relevant external stakeholder groups may contribute to the development of political risk?"* The study is conducted by qualitative research methodology and carried out with single-case study method. The case instance is the opposition in Argentina against Botnia's pulp mill. The main theories in the study are the dynamic model by McLarney and Dastrala (2001), the model for stakeholder identification and salience by Mitchell, Agle and Wood (1997) and the issue-contingent model of corporate social performance by Husted (2000).

The study suggests that the appreciation and incorporation of the local core cultural values is important for not triggering of developments that could lead to political risks due to that firm's relevant stakeholders perceive its behavior to be against the established ways of social interaction. More powerful stakeholders such as regional or national governments could be allied with when the probability of political risk is greater. Building trust is crucial by demonstrating responsibility through reciprocal dialogues and by giving stakeholders representation in decisions that affect them. Proactivity and anticipation ensure that society's values and expectations are known and aligned with. Stakeholder approach enables context sensitivity, deep understanding of the investment environment, follow-up of changes, turning threats into opportunities and reducing the probability of risks arising from collision between the values, interests and objectives of business and society.

Key words	Business and society, political risk, core cultural values, stakeholder approach/management, corporate social responsibility/performance
Further information	

