

**Power for the People:
Sustainability and Stakeholder Engagement
in the New Zealand Power Industry**

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List of Acronyms

3M's 3Ps	3M's Pollution Prevention Pays
AC#	Community stakeholders of Power Generator A
AE#	Environmental stakeholders of Power Generator A
AI#	Iwi stakeholders of Power Generator A
AR#	Regulator stakeholders of Power Generator A
BC#	Community stakeholders of Power Generator B
BE#	Environmental stakeholders of Power Generator B
BI#	Iwi stakeholder of Power Generator B
BR#	Regulator stakeholders of Power Generator B
CC#	Community stakeholders of Power Generator C
CE#	Environmental stakeholders of Power Generator C
CEL	Contact Energy Ltd
CEO	Chief Executive Officer
CFCs	Chlorofluorocarbons
CI#	Iwi stakeholders of Power Generator C
CR#	Regulator stakeholders of Power Generator C
CSR	Corporate Social Responsibility
DOC	Department of Conservation
GEN	Genesis Energy
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
IUCN	International Union for Conservation of Nature
MEA	Millennium Ecosystem Assessment
MED	Ministry of Economic Development
MEL	Meridian Energy Ltd
MfE	Ministry for the Environment
MgW	Megawatt
MMP	Mixed Member Proportional
MoU	Memoranda of Understanding

MRP	Mighty River Power
NGO	Non-governmental organisation
NZBCSD	New Zealand Business Council for Sustainable Development
NZBRT	New Zealand Business Round Table
O ₃	Ozone
PCE	Parliamentary Commissioner for the Environment
PGA	Power Generator A
PGB	Power Generator B
PGC	Power Generator C
RMA	Resource Management Act 1991
SD	Sustainable development
SOE	State Owned Enterprise
TBL	Triple Bottom Line
TPL	TrustPower Ltd
UN	United Nations
UNEP	United Nations Environment Programme
UV	Ultraviolet radiation
WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development
WRAP	Waste Reduction Always Pays
WWF	World Wildlife Fund

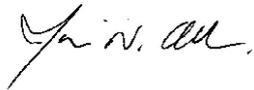
Glossary of Maori Terms

Hapu	Subtribe, clan
Iwi	Tribe
Kai moana	Food derived from the sea or freshwater bodies
Kaitiakitanga	Guardianship, responsibilities passed down from ancestors
Kaumatua	Male elder
Kawanatanga	Government
Kuia	Female elder
Mana	Integrity, charisma, prestige
Manu whenua	Rights and prestige associated with the land/environment
Mauri	Life principle, special character
Rohe	Territory
Tangata whenua	People of the land, local people, aborigine, native
Taonga	Property, treasure
Tapu	Sacred, forbidden, confidential, taboo
Tikanga	Custom, obligations
Whanau	Extended family
Whenua	Land with which a particular iwi is associated

Source: Ryan (1995)

Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning



.....
Jackie Allen

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Abstract

This research explores the nexus of sustainability and stakeholder engagement in a New Zealand business context. A grounded theory approach was used to examine the perceptions of the people involved in stakeholder-organisation relationships, particularly pertaining to sustainability, set against the background of the New Zealand power industry, focusing on the generation sector of that industry.

Three companies from this single industry sector were used as the focal organisations for this research. Ninety eight interviews were conducted with staff members of the three companies and a wide variety of stakeholders external to the companies. Data from the interviews were analysed using a thematic approach to identify trends and draw linkages with extant literature in the sustainability and stakeholder domains.

Findings confirm that stakeholder engagement has the potential to broaden companies' perceptions of issues of importance in a business decision-making context. The research offers a typology of characteristics that indicate whether stakeholder-organisation relationships are functional or dysfunctional. These characteristics are:

- the level of contact between parties to the relationship;
- the stance taken by parties to the relationship;
- the degree to which the relationship is perceived by stakeholders as engagement or management;
- the level of reciprocity in evidence in the relationship;
- the willingness of parties to be flexible with regard to developing collaborative goals; and
- the level of openness that parties display, to a wider audience, with regard to interactions between stakeholders and organisations.

At a theoretical level, this research has developed the stakeholder case for sustainability, in particular contrasted to the business case for sustainable

development, and as an adjunct to the strong sustainability model. This development is achieved by reframing the business case for sustainable development within a broader and more inclusive stakeholder perspective in keeping with a paradigm shift away from a narrower economically focused mind-set.

Although this ideal may seem difficult to achieve in practice this research also offers practical suggestions for companies and stakeholders alike seeking to successfully engage with each other over sustainability issues:

- stakeholder-organisation relationships are dynamic and must be nurtured across time and place to achieve functional longevity;
- while relationships are inter-organisational, the interpersonal interactions between the people representing the parties to relationships are pivotal;
- responsibility for maintaining stakeholder relationships should be assigned to dedicated and adequately resourced organisational staff;
- all parties to stakeholder-organisation relationships must be willing to contribute to achieving mutually agreed outcomes, successful relationships are unlikely to result when some parties are *only* concerned with what they can get for their side;
- open and informative interactions are more likely to lead to successful relationships

Engagement between organisations and their stakeholders may contribute to heightened awareness of sustainability concerns and action on some issues. However, even best practice engagement alone is unlikely to bring about significant change that could be described as reorienting organisations towards sustainability. While sustainability may accommodate the varying perspectives of organisations and their stakeholders, it does require a systemic orientation that extends beyond the parties to relationships focusing on sustaining themselves and their own interests.

Introductory note

The Who, The Why, and The What

Before launching into this thesis proper, I would like to provide a personal context to this research and outline the structure of the thesis.

Who am I?

As a citizen of New Zealand I am fortunate to live in a country endowed with wonderful natural beauty and a comparatively small human population. I grew up, in the 1960s and 70s, on a farm on the outskirts of a small rural town in the central North Island of New Zealand and have always had an affinity with the countryside, having experienced the quintessential Kiwi childhood of open spaces and the freedom to roam. New Zealand has changed a great deal during my lifetime. A quarter of the current population has been added to our numbers; the social structure of the country has shifted – particularly as a result of the economic reforms implemented during the 1980s and 1990s. There has been a significant shift in national awareness of issues concerning our indigenous population; and the people of the country seem to have morphed from citizens into consumers.

Of course New Zealand is not alone in experiencing these changes. The globalisation of trade, labour, and finance has had significant impacts on many countries around the world, but here the shift was dramatic to say the least. We changed from having a highly protected economy to one of the most deregulated economies in the world.

Why am I interested in undertaking this research?

There are growing concerns that the impacts of human society – particularly in the commercial domain – appear to be increasingly unsustainable at both local and global levels. Many people are concerned about the current trajectory of human society and

I count myself among them. I question whether our apparent obsession with economic growth at all costs is an approach that will lead to improving the lives of people everywhere (the sales pitch of capitalism), or, as seems more likely to me, whether it will lead to widespread loss of the life-supporting capacity of the planet, as we use up the natural environment in pursuit of growth, profit and consumption.

As a citizen, as a consumer, as a teacher, and as a chartered accountant I am personally implicated in this state of affairs and contribute to the good and the bad by the way I live my life: how I participate in community-life, how I shop, what I teach, and what I input into my profession. I would like that input to be positive and to that end I hope that this research can make a contribution, however small, to understanding and improving the way we conduct ourselves, particularly our business activities, as but one of millions of species that inhabit this Earth.

What is this research about?

One of the proposed contributions to solving this dilemma is that the barriers between businesses and the rest of society should be dismantled. This dismantling is to come about, at least in part, through greater input by “stakeholders” into business decision-making processes. This research project seeks to scrutinise this phenomenon by examining the interaction between a group of commercial organisations and their respective stakeholders. The research is based on an extensive programme of interviews with individuals involved in the interactions between three power generation companies and their various stakeholders, from both sides of the relationship. The conversations held during these interviews have been analysed in order to understand what actually goes on during stakeholder interactions and to what ends. Can it be said that these interactions are contributing to a more sustainable world? What follows is my interpretation of the experiences related to me by the participants in this research.

Thesis Structure

The thesis is comprised of three sections. In the first section, the sustainability and stakeholder domains are explored individually and together, examining how the latter may or may not contribute to the former. The second section of the thesis provides the theoretical and empirical contexts within which this research is located. The third and final section of the thesis presents a summary of the empirical data collected during this research undertaking, and my analysis of and discussion about that data.

Section 1

What is the issue at hand?

All research has its genesis in a question or questions. As mentioned in the preceding introductory note, I am personally concerned about the adverse environmental and social impacts that some human activities are having. These impacts are important when we consider the sustainability (or unsustainability) of current modes of human society. I was invited to participate in a Marsden Funded research programme offering a critical analysis of discourse and practice in relation to New Zealand business and sustainability. The component of the research programme that is the focus of this thesis explores a particular facet of the sustainability domain, namely the nexus between sustainability and stakeholder engagement. One of the questions posed in the Marsden Funded research programme and the primary question of my investigation is:

Does stakeholder engagement encourage organisations to pursue sustainability?

In order to answer this primary question, it is necessary to also consider four secondary questions, which have been developed as a result of the literature reviewed in Chapters 1-3 of this thesis:

What does sustainability mean to stakeholders and company¹ representatives?

What is happening in the practice of stakeholder-organisation¹ engagement?

What are stakeholders trying to achieve through their interactions with companies?

What linkages, if any, do stakeholders and company representatives make between sustainability and stakeholder engagement?

In addition to presenting the research questions upon which this project is founded, this section of the thesis also reviews extant literature on the wide-ranging

¹ I use the terms company, business and organisation interchangeably throughout this thesis. If at any point I use organisation in a different way I make that clear in the text.

sustainability and stakeholder domains. It offers the considered opinions of a range of experts which are later used to frame and analyse the views of company and stakeholder representatives interviewed in this research.

This first section of the thesis comprises three chapters.

The first chapter covers the domain of sustainability, with its broad array of definitions each proposed and supported by a group of advocates.

The second chapter outlines the development of stakeholder theory, focusing on the research outputs that are recognised as foundational in this relatively new area of organisational studies.

The third, and final, chapter in this section explores the nexus between the stakeholder and sustainability domains. It examines why the participation of a broader constituency, in business processes, appears to be a prerequisite for sustainability and what stakeholder interaction can offer.

Chapter 1

Sustainability

What's that all about?

The environmental frontier is a very long one and needs every soldier who is willing to help defend it, regardless of their reason or motive to go there.

Arne Naess²

Introduction

The purpose of this chapter is to introduce the concept of sustainability. Sustainability can be viewed from a variety of perspectives: from the global to the regional, the local, the organisational, the collective, and the individual. A particular focus of this discussion of sustainability is the existence of a wide variety of understandings of the concept. It is not the purpose of this research to try to reconcile these different understandings, but rather to explore how we might try to accommodate such varied views as we try to find a sustainable way of being.

This chapter is structured as follows. I begin by presenting *a* definition of sustainability before further exploring the issues that surround this concept. Next, I review extant literature regarding sustainability, including discussions relating to sustainability and human society in general, sustainable development, sustainability and economic development, and the business community. The chapter concludes with a discussion on the mechanisms that are proposed as solutions to the complex issues embodied in the concept of sustainability.

² Dr Alastair Gunn (personal communication, June 19, 2005) reporting on Arne Naess Keynote Address at the International Conference on Environmental Justice, Melbourne, October 1997.

What is sustainability and why should we care?

Few concepts appear to conjure up such a wide variety of definitions as sustainability does. See, for example, Holmberg and Sandbrook, 1992; Pearce, Markandya and Barbier, 1989; and Welford, 1997. It seems almost clichéd now to say that sustainability is a contested concept (Byrch, Kearins, Milne & Morgan, 2007 & 2009; Jacobs, 1999; Milne, Kearins & Walton, 2006; Redclift, 1987; Toman, 1992) but that is the situation. Much intellectual effort has gone into trying to pin down a universal understanding of sustainability over the last 20 or so years, but the debate still rages. With this in mind, I make clear my own understanding of sustainability, an understanding that underpins this research.

For something to be sustainable it must be capable of being sustained, which is to say “maintained at length without interruption, weakening, or losing in power or quality” (Merriam-Webster’s Unabridged Electronic Dictionary, 2000). Sustainability, therefore, is about maintenance, endurance, continuance, and support – concepts that can be incongruous with the rhetoric of development and economics which focuses on change, progress, profit and growth. However, sustainability does not mean static; ecosystems, for example, require dynamic diversity to flourish and survive the ebbs and flows of natural cycles (Prugh & Assadourian, 2003; Turner, 1993).

Sustainability, for me, is about maintaining the life supporting capacity of the planet, in a way that facilitates diverse human communities that are supported by and depend on a flourishing and diverse natural environment. The elements implicit in this definition are explored further in the following sections of this chapter.

Sustainability and human society

The history of the human species over the last 14,000 – 15,000 years has been one of increasing settlement, task specialisation, and technological developments. As our societies have generally transformed from relatively small hunter gatherer groups into large, urban concentrations of people, we have altered the world around us on an

unprecedented scale (Diamond, 1999; Ponting 1991). While it is true that beavers build dams in waterways to create lakes, some insects build air-conditioning into their nests, and some birds and reptiles manipulate the temperature of their incubating eggs, it is reasonable to say that humans are the only species that can significantly and consciously change the environment within which they live. We are the only species that is not constrained by the need to inhabit environments where we can survive. We have the ability to alter the conditions around us to meet our survival needs. This truly remarkable ability, however, could lead to our downfall (Diamond, 1999; Hawken, 1993; Millennium Ecosystem Assessment [MEA], 2005a; Ponting, 1991).

Some commentators are increasingly concerned that our impact on the Earth is having serious, unintended and dangerous consequences. See for example, Christoff, 1995; Colby, 1990; Hawken, 1997; Korton, 1991 & 1999; Laszlo, 2006; Stern, 2007. Since humans began to organise into cooperative, settled communities, and particularly since the start of the industrial revolution, the collective impact of human development has intensified to such an extent that there is now growing evidence and consensus that we are threatening the very life supporting capacity of the planet (Janus, 2006; MEA, 2005a; Plumwood, 2005; Redclift, 1987). As the population increases and societies around the globe are aspiring to increasingly materialistic life styles, there are concomitant increases in the removal of resources from, and the depositing of wastes into, the natural environment. The sheer scale of these activities is cause for concern. “To date, our prodigious ability to expand our own numbers and levels of material consumption has greatly outpaced our ability to understand and respond to the scope of the problems we are creating for ourselves” (Worldwatch Institute, 2002, p. xx).

On a global scale, there are concerns that human activities are causing significant depletion of arable soil, thereby threatening our access to an adequate supply of food for an ever increasing human population. The size of that population is another major concern. Human numbers are increasing exponentially and although some regions are showing signs of slow growth or stable population, many of our already most populous nations are growing at increasing rates (MEA, 2005b; Meadows, Meadows & Randers, 1992). Industrial development past, present and future is another serious concern. As the richer countries of the world enjoy affluent lifestyles and use a

disproportionate amount of planetary resources, many people in the world's poorer countries are aspiring to a similar level of material wealth. The problematic counterpoint to this situation is the recognition that poverty itself is a cause of environmental degradation. As Durning (1992) asks, "If environmental destruction results when people have either too little or too much, we are left to wonder: how much is enough?" (p. 24). These concerns relating to our impact on the planet are multifarious and interrelated. For a thorough overview of the global impacts of humanity's activities see, for example, Carley and Christie (1992), MEA (2005a, 2005c), Suzuki (1998); and the annual Worldwatch Institute, *State of the World* reports.

Even New Zealand, our so-called clean and green country, has not escaped these concerns. The first comprehensive report on the state of New Zealand's environment produced by the Ministry for the Environment (MfE) in 1997 found that although New Zealand's environment was in good condition compared to much of the world, we still have serious localised problems and worrying trends that challenge the clean and green image of which we are so proud. In New Zealand's case, the relatively good condition of our environment is due more to our low population density than to our behaviour (Parliamentary Commissioner for the Environment [PCE], 2002). In 2007 the MfE issued a follow-up report *Environment New Zealand*, which indicates that as a nation our ecological footprint increased by 15.4% between 1998 and 2004, placing further burdens on our natural environment. This increase is driven, in part, by an expanding population combined with increasing per capita consumption patterns (MfE, 2007)³.

Just as the problems that face us are numerous, so are peoples' responses to and understandings of them. Dryzek (2005a) offers a comprehensive analysis of these different perspectives, exploring the discourse surrounding the environment and environmental concerns, solutions and policies. The concept of global limits is addressed from two opposing perspectives: Survivalism and The Promethean Response. The Survivalism view is based on the belief that we live in a finite world

³ I return to a more in depth discussion of the New Zealand situation in Chapter 5, which provides the context for the fieldwork conducted for this research project.

constrained by the limited carrying capacity of ecosystems. The exponential growth of the human population means we are in danger of overshooting that carrying capacity (if we haven't already) and that we need to alter our current patterns of behaviour if we are to have any hope of survival (Meadows, Meadows, Randers, & Behrens III, 1972; Meadows et al., 1992). At the other end of the continuum, the Prometheans are confident that human ingenuity and technology will develop any solutions necessary to ameliorate any possible negative impact from human society. This perspective has faith in the market to deliver and contends that it is just a matter of getting the market signals right. As scarcity becomes obvious, prices will go up and new technologies will become economically feasible.

According to Dryzek's (2005a) analysis of environmental debates, solving environmental problems is generally said to be best left to one of three groups: the experts, the people, or the market. The "experts" are a power elite in control of privileged knowledge that will enable them to find solutions the rest of us could not come up with. The natural environment is no match for this expertise. The "people" on the other hand have the power of democracy and equality, and when they exercise this power, via democratic processes, they can effect change to halt environmentally destructive activities. Finally, the "market" is capable of delivering solutions providing we integrate the right signals into the market place. Everyone in their capacity as a "rational economic man" (or homo economicus, as Dryzek observes) can then vote with his or her wallet in favour of environmentally benign products and processes. However, as Sagoff (2005) notes, consumer and citizen preferences are not necessarily the same thing, and individuals may hold paradoxical preferences depending on which role they are playing at the time. The classic example is people's use of private cars while espousing environmental concern⁴. The "market" perspective relies on a basic denial of the possibility of significantly different social structures to those in control now, in particular that Western style democratic governments in capitalist economies is *the* best social structure (Banerjee, 2000, 2003a & 2007). In addition, the risk of widespread poverty and hardship (which would likely ensue or continue in the absence of democratic capitalism) is used in

⁴ I recognise that the use of private vehicles as opposed to public transport is the only option available for some commuters and also that some people choose to mitigate their use of cars with other environmentally beneficial activities.

support of market capitalism. There is little recognition here that the quality of a person's life may be measured by criteria other than economic ones.

There is also little recognition by the “leave it to the market” advocates of the significant part played by businesses in creating consumer desire for products that are neither essential nor environmentally benign (de Graaf, Wann, & Naylor, 2001; Korten, 2001). As Bookchin (1989) notes, “demand is created not by consumers but by producers – specifically, by enterprises called advertising agencies that use a host of techniques to manipulate public taste” (p. 22). The conscious and persistent encouragement to consume at an ever increasing rate has not come about by chance. Post World War II American retailing analyst, Victor Lebow suggested:

Our enormously productive economy ... demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfaction, our ego satisfaction, in consumption ... we need things consumed, burned up, replaced, and discarded at an ever-accelerating rate (cited in Leonard, 2005; Suzuki, n.d.).

Progress towards a sustainable state can be seen from two perspectives: sustainable development⁵ and ecological modernisation, according to Dryzek's (2005a) analysis. The sustainable development ethos offers us the prospect of environmentally benign growth, where economic structures are sensitive to the environmental impact of their activities (Carruthers, 2005; Meadowcroft, 2005). The natural environment is seen as a source of resources that must (and can) be managed by an enlightened capitalist economy. Ecological modernisation is in many ways an extension of sustainable development, with recognition of a network of interrelated complex systems. Environmental degradation is seen as a structural problem of the political economy that can be resolved through the implementation of a new and different political-economic system; this approach is still heavily reliant on technological fixes that will allow us to preserve the goals of progress and growth.

⁵ Sustainable development is explored more fully in the next section of this chapter.

Inextricably linked to the concept of sustainability is that of sustainable development. Sustainability can be seen as an aspirational goal that may be achieved through the practical application of sustainable development, to which I now turn.

Sustainable Development

One response to the challenges embodied in the sustainability domain has been the recognition, in a variety of quarters, that human development must be focused in such a way as to ensure that it is sustainable in the long term. See, for example, Welford, 1995; and Suzuki, 1998.

The concept of sustainable development (SD) has a long history and has been part of environmentalism discourse for much of the 20th century (Dryzek, 1997). In the New Zealand context, the concept has an even longer history embodied in the Maori principle of kaitiakitanga⁶ (PCE, 2002). However, it was the World Commission on Environment and Development's (WCED) 1987 publication of *Our Common Future* that propelled the concept of SD into business and academic circles. The WCED was established in 1984 to formulate proposals to deal with critical environment and development issues (WCED, 1987). According to the WCED:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organizations on the environment's ability to meet present and future needs. (WCED, 1987, p. 43)

The key concepts in this definition are frequently omitted from discussions on SD. However, they provide us with some important parameters with which to judge the

⁶ The responsibilities, passed down from the ancestors, for tangata whenua (people of the land) to take care of places, natural resources and other taonga (tangible and intangible treasures) in their geographical territory.

sustainability of development. These concepts remind us that SD should satisfy our needs, rather than our wants; that satisfying the needs of the world's most vulnerable should take precedence; and that the carrying capacity of the environment (as both a source of materials and as a repository for waste) must be taken into account. Still there are many who find the WCED definition of SD problematic. From a critical perspective, Banerjee and Linstead (2001) remind us that even needs are socially determined. Someone who is starving is in need of food; someone living in Auckland, New Zealand may feel an urgent need to own a car. While these are obviously very different – one may be a matter of life and death and the other a matter of convenience – the “need” may be felt just as acutely by both individuals. Although this example may be somewhat trite, the question is how do we assess comparative need and how do we prioritise one set of needs over another if we cannot satisfy both?

The WCED's definition of SD raises some challenging issues, in particular the concepts of intra- and intergenerational equity. SD would recognise the right of all members of human society to a reasonable standard of living – at a minimum including access to potable water, adequate shelter, nutritious food, and personal safety. These rights are recognised not only for the current generation of people but for future generations as well.

Welford (1995) describes SD as having three overarching issues, all of which threaten the status quo of business-as-usual. First, the environment must be recognised as a valued and integral component of human activities, in particular, in our economic processes. We must cease treating the environment as a free good. As Peet (1992) reminds us, we are totally dependent on the natural environment for our survival, “the environment is not another competing interest ... it is the playing field on which other interests compete” (p. 206).

Second is the issue of equity. “The gulf between the richest and poorest is now almost incomprehensible: The U.N. Development Programme reported in 2006 that the combined income of the world's 500 richest people was about the same as the income of the world's poorest 416 *million* people” (Gardener & Prugh, 2008, p. 8; emphasis original). Many of the world's people look to the economically rich and want what they have. While this situation may seem to be a pleasing prospect for

businesses selling goods, there are serious concerns that we are already living beyond the carrying capacity of the planet. By some estimates, if all of the world's people had the same standard of living as the average North American we would need three planets to support that lifestyle⁷ (Wackernagel & Rees, 1996).

Third, the issue of what Welford (1995) calls futurity relates to the need to rethink our short-term focus. The need to consider longer time scales is demonstrated by the now familiar examples of ozone depletion, atomic energy, and radiation. Consider ozone depletion. Up until the 1990s most of us used aerosol sprays without realising that the chlorofluorocarbons (CFCs) used as propellants for our air fresheners, and the like, would make their way 10 kilometres up into the troposphere and proceed to appropriate one of the oxygen molecules from ozone (O₃) and thereby deplete the ozone layer which protects us from the sun's ultraviolet (UV) radiation. One chlorine molecule (released from CFCs in the stratosphere) can break down many thousands of ozone molecules during the 120 years or so they remain stable. By comparison, the time scales associated with atomic energy and radiation run to millennia (Raven, Berg & Johnson, 1993). These examples serve to illustrate that the actions we take today may have consequences long into the future, which brings into question the adequacy of focusing on the next quarter or next year's profits, above all else. The negative impacts of CFCs and radiation also illustrate that activities in one location can have impacts in another location far removed from the source of the pollutant.

Future generations of people are unable to speak to us now and articulate their needs for themselves. So, while it is true that we cannot know with absolute certainty what future generations may want, we can be reasonably certain of some of the things they will not want to inherit from us. It is fairly self-evident, for example, that nobody would want such things as: water so scarce or polluted that life itself is threatened; soils so depleted of nutrients and so contaminated that plants will not grow; and an atmosphere that is hostile to life through pollution, ozone depletion, and greenhouse gas accumulation. We are all someone's "future generation" and with some thought most of us could probably come up with a list of human technologies or developments

⁷ In New Zealand's case, our domestic consumption is within the ecological carrying capacity of the country. Even taking into account the significant amount of land used to produce export goods, we use only 66% of the country's available biocapacity (MfE, 2007).

that we wish had never happened, of “advancements” that with hindsight seem less than prudent. The uncertainty surrounding the needs of future generations seems an inadequate reason to avoid making decisions about how we conduct ourselves now. At the very least we could adopt the approach advocated by the Precautionary Principle, whereby a lack of scientific evidence of harm should not be used as support for the implementation of technology. On the contrary, the burden of proof falls to those advocating the technology to prove its safety (Welford, 1997).

As I mentioned at the outset of this chapter, there is no generally-accepted definition of sustainability. However, the WCED definition of sustainable development (above) has wide acceptance, although it is open to numerous interpretations.

Differences of opinion centre around what should be sustained and what kind of development should be pursued. Some of the options are:

- economic development (read economic growth) should be infinitely sustainable;
- spiritual development should be the focus;
- “traditional” cultures should be preserved;
- specific special interests should be sustainable⁸; or
- sustaining the life-supporting capacity of the planet should take precedence.

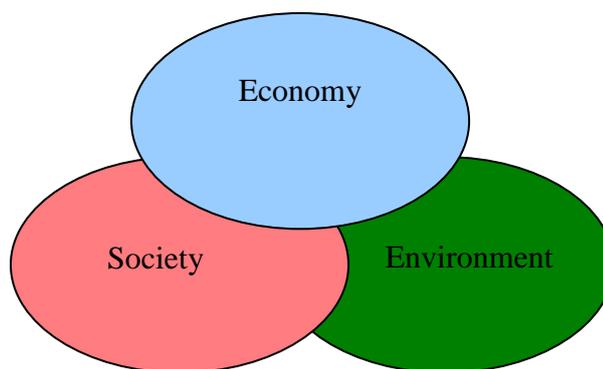
From a human perspective, sustainability is seen as having three dimensions. These are the three pillars of sustainable development: the economy, society, and the environment. This triptych was popularised in John Elkington’s Triple Bottom Line model (1998). The interplay between the economic, social, and environmental dimensions can be considered using the two main strands of sustainability that have emerged, termed “weak sustainability” and “strong sustainability” (PCE, 2002; Turner, 1993).

Weak sustainability assumes that the three dimensions of sustainability can be traded off against each other. This model of sustainability is generally based on the premise that the economy is of paramount importance and that sustainability will be achieved

⁸ For example, “...sustainable transport [means] satisfying current transport and mobility needs without compromising the ability of future generations to meet these needs” (Amaeshi & Crane, 2006, p. 246)

only through the health of the economy, which in turn will support the health of society and the environment (Schmidheiny, 1992a, 1992b). The weak sustainability model is in keeping with the Promethean perspective discussed above. From a neoclassical economics perspective, the three kinds of capital (economic, social, and environmental), represented in Figure 1.1 are almost completely substitutable and so long as the total capital remains constant, we are in a sustainable state.

Figure 1.1: Weak sustainability



Source: PCE (2002, p. 34)

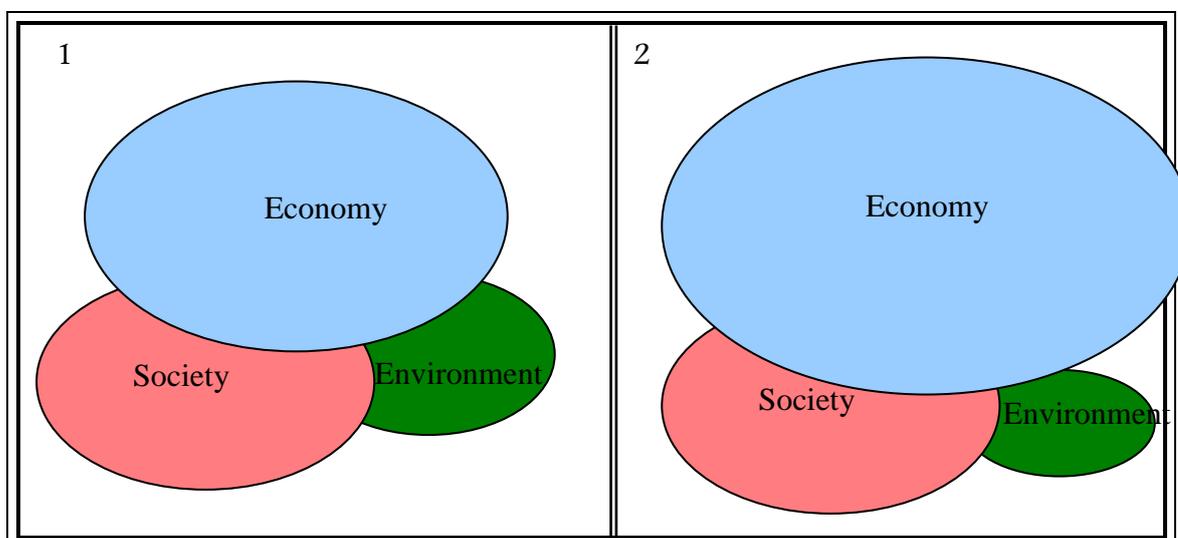
Underpinning the weak sustainability model and sustainable development is the view that economic development and growth must continue so as to bring about social progress, and must be achieved before we can afford the luxury of environmental protection. This form of sustainability is the foundation for the “business case” for sustainable development. The business case for sustainable development (Day & Arnold, 1998; Schmidheiny, 1992a, 1992b) is based on the premise that operating a business in a ‘sustainable’ manner is advantageous to the business. The advantages proposed are: that businesses will receive/maintain their licence to operate; that costs and potential liabilities will be reduced; that customer and staff loyalty will be forthcoming; and that new markets for sustainable products will present lucrative opportunities⁹. While this form of sustainability may be more palatable to the business community, there are other commentators, often emanating from a more

⁹ The business case for sustainable development is revisited later in the chapter.

critical or radical perspective, who see it as an inadequate response to the pressures that face the planet.

If we consider the situation that may arise from relying on the weak version of sustainability, where economic capital, in particular, has been increased by a reduction in environmental capital, we could (il)logically arrive at the situation depicted in Figure 1.2. As the economic section of the model becomes progressively bigger, so the environmental section becomes progressively smaller. This eventuality can hardly be considered sustainable into the future, especially when we consider the environment as both the life supporting basis of existence and as a finite entity rather than primarily as an economic input. In this illustration (Figure 1.2) I have kept the size of society constant, for the sake of simplicity. However, an argument could be made that some sectors of society are also being sacrificed for the sake of the economy, as discussed above.

Figure 1.2 Weak unsustainable development

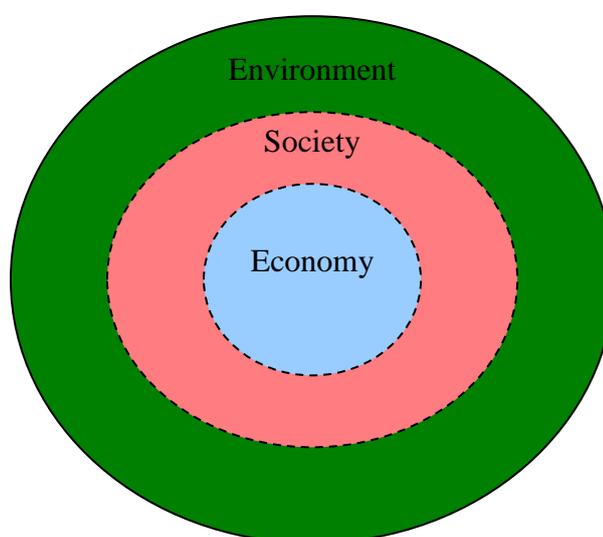


Source: Original

The alternative view – strong sustainability – recognises that the economy is a social construct, a subset of human society and not somehow separate from it. See Figure 1.3. This view also recognises that human society is but a *part of* the wider environment rather than *apart from* it. Strong sustainability recognises the open-

systems nature of the interactions between the economy, society and the environment. For example, our economy does not exist without society – all of a business’s customers and employees are members of society. Equally crucial is the environment – directly or indirectly the inputs into our production processes come from the environment, and all of our waste products are eventually deposited there. The other major point, illustrated by this model, is that both the economy and society are constrained by the capacity of the environment to support them.

Figure 1.3: Strong sustainability



Source: PCE (2002, p. 35)

Strong sustainability does not accept that economic, social, and environmental capital are infinitely substitutable. Constraints exist within this model which recognises that:

- the economy cannot outgrow society or dominate all aspects of it – there are facets of human society which are important, even vital, that do not involve economic activity (Waring, 1988);
- human society cannot outgrow the environment (Meadows et al., 1972); and
- the Earth is a finite entity; there is a limited number of fish, mammals, plants, and amount of oil, etc – if we “use up” these things faster than they can be replenished then they will run out.

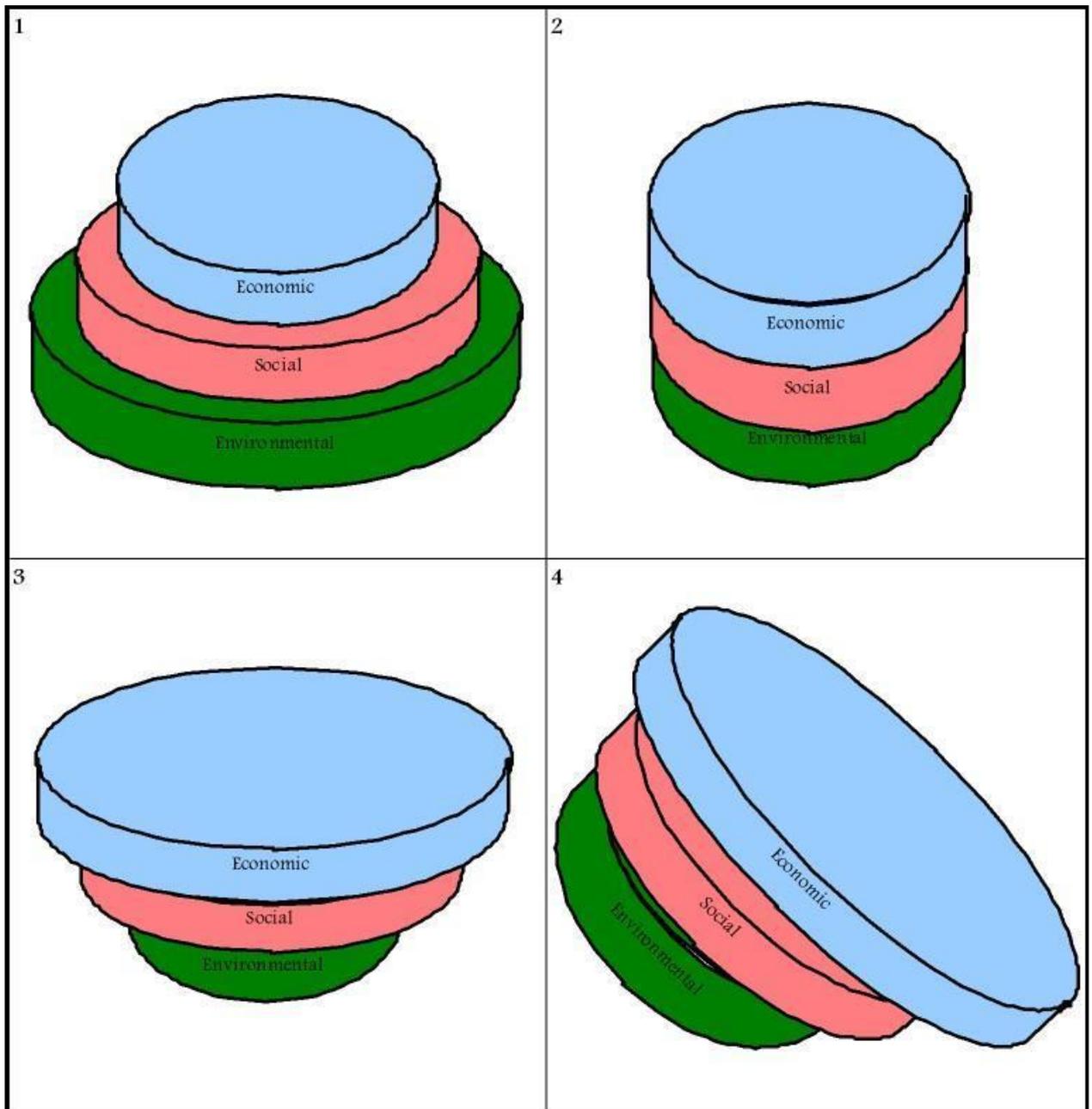
The above interpretation of the strong sustainability model is in stark contrast to the views expressed by the business lobby group, the New Zealand Business Round Table, that is, “to a large extent, though no doubt not entirely, both ‘social’ and ‘environmental aspects can be subsumed under ‘economic’.” (Henderson, 2001, p. 22).

If we consider the strong sustainability model in profile, see Figure 1.4, we can also envisage an unsustainable course of development. I have reconfigured the nested systems of the strong sustainability model in order to illustrate that there is an element of support inherent in strong sustainability. The economy is supported by society which in turn is supported by the environment. Again the size of society has been kept constant for the sake of simplicity. The development portrayed in Figure 1.4 again sees a progressive (in the sense of change rather than improvement) diminution of the environmental base for society and the economy, through panes 2 to 4. The shrinking of the environmental section of the strong sustainability model occurs through the same processes as depicted in Figure 1.3, that is, the continual conversion of the environment into money or money’s worth. At some point this course eventually leads to a tipping point at which society and the economy collapse. I would like to stress that portraying the strong sustainability model in this way should not be interpreted as depicting a hierarchical pyramid, with the economy holding the privileged position “at the top”. Rather the profile serves to stress that the economy is only part of human society, that human society is only part of the wider environment, and that both the economy and society are supported by the layers below.

Whether we prefer the weak sustainability model to the strong, or vice versa, it is ultimately our behaviour that will determine whether or not human society advances in a sustainable manner, however sustainability is interpreted.

As discussed above, the issues and concerns embodied in the sustainability domain are complex, as are the drivers contributing to unsustainability. I now turn to the elements of economics and business that are implicated by these concerns.

Figure 1.4: Strong unsustainable development



Source: Original

Sustainability, economics, and the business community

Economic development as a human aspiration and activity is compellingly implicated as a contributing factor to the unsustainability of our current social structures (Brown, 2005; Leopold, 1989). As with all issues surrounding sustainability, the role of economic development is complex. Growth driven capitalism is said to be the dominant social paradigm of our times, with the economy/market having achieved such a state of influence and reach that it is seen to rival nation states as the dominant social structure (Banerjee, 2007; Bookchin, 1989; Korten 2001). Under this paradigm, it is not sufficient for businesses to receive more in revenue than they spend each year; they must also achieve ever increasing profits year after year:

... growth (making an economy bigger) is not always consistent with development (making it better): the nearly fivefold expansion of global economic output per person between 1900 and 2000 caused the greatest environmental degradation in human history and coincided with the stubborn persistence of mass poverty (Gardener & Prugh, 2008, p. 6)

At its extreme, the economic growth goal is seen by some as pathological (Achbar, Abbott & Bakan, 2003) or as analogous to a cancer which devours its host in an uncontrolled (some fear uncontrollable) march that converts more and more of the natural environment into “stuff” (Bookchin, 1989; Dryzek, 2005b; Schumacher, 1973).

One of the implications of this state of affairs is that huge amounts of resources are controlled by a small number of people on the world stage. These individuals and the commercial organisations they represent control such power and resources that they can influence governmental policy development in sovereign states by the promise of investment or equally by the threat of investment withdrawal (Banerjee, 2007; Korten, 2001; Pepper, 1996). The reason this situation is problematic for many is that the elite in this context are unelected officials who are not subject to public scrutiny and accountability, and they are often relatively invisible (Banerjee, 2003b; Elkington, 2006; Steingard & Fitzgibbons, 1995). In addition to commercial organisations, other

international institutions such as the World Bank and the World Trade Organisation are subject to the same criticism. Critics see these institutions as contributing to social dislocation and environmental degradation, while espousing a development agenda particularly in the “developing nations” of the world (Banerjee, 2000; Cleaver, 2001; Shiva, 2005a, 2005b). These countries can amass crippling debt that is used to fund (sometimes) environmentally harmful development projects, which in turn can disrupt traditional ways of life and leave the local population at the mercy of a remorseless international market for their newly developed industries. After switching to market based economies these countries can find their people impoverished when competitive forces or market preferences abandon their commodities in favour of another supplier or product. Traditional subsistence based lifestyles, which had been supporting the people for many hundreds or thousands of years, have been swept aside in the push for development and progress. The impacts of development are, of course, not wholly negative. Increased access to health and education services is generally experienced by countries that undergo significant economic development (Sitarz, 1994; World Commission on Environment and Development [WCED], 1987).

There is recognition in some quarters that the business community is somewhat constrained to behave as it does by socioeconomic norms. If companies do not pursue profit maximising strategies they will be punished by the market and will quite possibly cease to exist (Korten, 1999; Shellenberger & Nordhaus, 2004) – an outcome that may not be problematic from all perspectives. The implication of this concern is that if we continue to measure and reward the performance of businesses primarily in financial terms we cannot expect significantly different behaviour¹⁰. As Bookchin (1989) notes, “Growth is each enterprise’s defence against the threat of absorption by a rival” (p. 21). For-profit business organisations aspire not only to make a profit each year, but also to make consistently increasing profits. Investors are advised to “... reward companies with consistent returns on capital, and punish those with volatile profits” (Morningstar, 2006).

¹⁰ There are business practices emerging that indicate changing attitudes in the areas of corporate social responsibility and stakeholder engagement, in particular. These topics are discussed in Chapters 2 and 3.

In addition to the *type* of problems manifest in the world today there are also the issues of *scale* and *speed*. We are impacting the environment today at a rate unprecedented in the planet's history – human assisted species extinctions over the last few hundred years are estimated to be between 100 and 1,000 times greater than the background rate¹¹ of extinction (MEA, 2005b). The reach of human-generated pollution is also now greater than ever before – chemical residues are being found in animals that live in environments never directly exposed to the chemicals in question.

Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, and fibre, and fuel. This has resulted in a substantial and largely irreversible loss in diversity of life on Earth. (MEA, 2005b, p. 2)

While a few voices can still be heard denying that there are problems that need to be addressed, it is fair to say that there is now a general consensus that human activities are having significant and detrimental impacts on the planet. There is still a level of debate about the details but most sectors of the community (scientific, governmental, NGO, business, and the general public) recognise that all is not well with the world, and that we as a species need to alter our behaviour to avoid uncertain, but quite possibly disastrous, consequences. Climate change has become just such an environmental issue (Monbiot, 2006; Stern, 2007). The level of potential problems is significant and the level of uncertainty about both causes and effects remains a barrier to finding solutions to climate change issues.

One of the difficulties we face in trying to address these problems is the level of uncertainty surrounding our impacts and the consequences of them. We can, however, look to our history for examples of the collapse of human civilisations that occurred at least in part due to the over-use and abuse of the natural environment (Ponting, 1991).

It would seem foolish on our part to respond to such catastrophic possibilities by continuing on our current path while trying to run ever faster down it.

¹¹ The background rate refers to the rate of extinction typical over the planet's history.

Unlimited growth is pushing back the evolutionary clock. Soil is being turned into sand; forests into moonscapes; rivers, lakes, and oceans into sewers (Bookchin, 1989, p. 21)

While no one sector of the human population can be held solely accountable for the difficulties we face, the business community is a major contributor (both directly and indirectly) to environmental degradation and social upheaval (Banerjee, 2007; Egri & Pinfield, 1996; Hawken, 1993; Shiva, 2005a, 2005b, Welford, 1993, 1995, 1997). Achieving sustainability will, therefore, require a response and participation from the business community, among other sectors of society.

The response that is likely to emanate from weak sustainability is a tweaking of the existing dominant paradigm – growth-oriented capitalism. This response would see environmental and social issues considered in business decision-making, but they are unlikely to carry equal or greater weight than do economic considerations.

Organisations such as the World and/or New Zealand Business Council for Sustainable Development (W/NZBCSD) are ardent advocates of this approach to sustainability. They see the business community operating in a global free market as the best way to deliver sustainable development and have developed a comprehensive “Business Case for Sustainable Development” (WBCSD, 2001) to support their arguments. The business case platform rests on several integrated themes, as shown below (New Zealand Business Council for Sustainable Development, 2005; Porter & van der Linde, 1995; Schmidheiny, 1992b; Smith, 1991).

- Doing well, by doing good – businesses that integrate social and environmental considerations into their decision making will outperform those that do not. This positive outcome is to be achieved through activities that:
 - reduce costs by reducing pollution;
 - protect an organisation’s “licence to operate” by satisfying community concerns about its operations;
 - gain competitive advantage by designing innovative products that are less harmful to the environment; and

- take a long-term view of business operations and profitability.
- Advocating for an open, competitive, rightly-framed international market that honours legitimate comparative advantage, recognising:
 - this is a necessary requisite for wealth creation, especially for countries that suffer high levels of poverty with often accompanying political unrest.
- Advocating for light-handed government policy to support the market through:
 - encouraging the development of market instruments and discouraging use of ‘command-and-control’ regulation;
 - taxing bads (such as pollution) instead of goods (such as investment); and
 - developing a strong ‘rule of law’ and property rights.
- Reflecting the worth of the earth through:
 - monetising the resources and services provided by nature.
- Eradicating poverty, recognising:
 - the poor cannot be active participants in the market place, and that lack of participation is not good for business.

The business case for SD does make some compelling arguments and may well be a step in the right direction, but it is unlikely to deliver a sustainable future because at its core it relies fundamentally on profit-oriented growth – and that growth ultimately comes via the use of more and more of the natural environment (Hawken, 1993; Sachs, 1997). An oft repeated goal of the W/NZBCSD is to improve the quality of life, especially for the world’s poor. “Economic growth in all parts of the world is essential to improve the livelihoods of the poor, to sustain growing populations, and eventually to stabilize population levels” (Schmidheiny, 1992b. p. xi). Therefore we are to improve the lives of the less well off, not by providing education and health services, but by bringing the developing world into the “consumer fold” which in turn will ensure that we will all be better off. Not everyone agrees with this vision, however; see in particular Banerjee (2007). What is missing from this vision is the recognition that approximately one fifth of the world’s population live in materially luxurious circumstances compared with the other four fifths; and that there may need to be some serious redistribution of the collective resource pie, rather than believing that we can continue to grow the size of that pie indefinitely.

Strong sustainability, on the other hand, demands a much more radical response – one that questions (and perhaps overthrows) economic growth, profit maximisation, competition and efficiency as primary business goals. It is frequently proposed that a paradigm shift involving quite radical and fundamental changes to current modes of organising is required to genuinely achieve sustainability. See for example, Catton and Dunlap, 1978a, 1978b; Egri and Pinfield, 1996; Gladwin, Kennelly and Krause, 1995; and Suzuki, 1998.

However, any such radical change in the way we organise human society will have to be done with some level of acquiescence and/or consensus by peoples around the globe. Any likely solutions to sustainability problems will be multifarious reflecting not just the diverse nature of the problems that face us but also the diverse nature of the people who inhabit the planet. As Shellenberger and Nordhaus (2004) remind us, without cooperation between labour, capital, environmentalists and civil society we will be stuck on the tension-filled course with different groups pulling in different directions. Human beings are intent on the survival of the species, as are other species. While this desire for survival may be a subconscious drive, it is inherent in most of us. Our behaviour, however, is full of paradoxes. Perhaps one of the most ironic examples of the paradoxical behaviour we are capable of is the existence of a small radical environmental movement called the Voluntary Human Extinction Movement (Dryzek, 2005a).

Increasingly people throughout the world are concerned that we are having a serious detrimental impact on the natural environment. While these concerns have been around for centuries (Pepper, 1996), in the last few years acceptance of the nature and potential scale of our impact has become widespread. At the beginning of the 21st century one issue in particular has crystallised in the public domain – climate change. Three recent publications, in particular, have galvanised public opinion that ‘something must be done’: Al Gore’s *An Inconvenient Truth* (2006, book and documentary), The Intergovernmental Panel on Climate Change’s (IPCC) Fourth Assessment Report: Climate Change (2007) and The Stern Report (2006). Al Gore’s work presented a story on climate change that was understandable and credible to a wide ranging layperson audience. The IPCC used its strongest language ever to assert that climate change is no longer just theoretical, but is now a reality:

Warming of the climate system is unequivocal, as is now evident from observations of increase in global average air and ocean temperatures, widespread melting of snow and ice, and rising global average sea level. ... Most of the observed increase in globally-averaged temperatures since the mid-20th century is very *likely* due to the observed increase in anthropogenic GHG concentrations (IPCC, 2007, pp. 1 & 5, emphasis in original).

Equally emphatic were the words of Sir Nicholas Stern, former World Bank Governor, in the opening of *The Stern Review: The Economics of Climate Change*:

The scientific evidence is now overwhelming: climate change presents very serious global risks, and it demands an urgent global response. ... There is still time to avoid the worst impacts of climate change, if we take strong action now (Stern, 2007, pp. i & iv).

The impact of Stern's work was particularly forceful because it emanates from the discipline of economics, rather than the physical sciences or the environmental arena. By focusing on the potential monetary costs of climate change, *The Stern Report* is couched in terms that are meaningful to the business community in a way that other harbingers of this message have not been in the past.

Mechanisms in pursuit of sustainability

Throughout the preceding discussion I have mentioned or alluded to a variety of mechanisms that are offered as potential solutions to sustainability issues. Here I summarise those mechanisms before focusing on one in particular (stakeholder engagement) in the following two chapters. Solutions to sustainability problems can be seen as being driven by different sectors of human society, namely the marketplace, governments, or the civil sector. It should be noted that the different drivers, discussed below, are not mutually exclusive or inconsistent with each other,

and that durable solutions to sustainability problems are more likely if all three sectors work in concert.

Market mechanisms

Sustainability solutions derived from market mechanisms are based on the business case for sustainable development discussed above. This perspective suggests that the business community can and should contribute to sustainability by harnessing the innovative power of economic enterprise and trade, which will in turn produce sustainable products for consumers to choose.

Government mechanisms

Sustainability solutions that may stem from government leadership will occur as a result of the likes of “cap and trade” or “command and control” legislative schemes, and/or national standards which dictate minimum performance requirements in areas such as discharges to land, water, and air. Active involvement, with the business community, by representatives of regulatory authorities will be a requisite of these mechanisms.

Civil society mechanisms

Sustainability solutions that emanate from the civil society sector may take a form of protest against business activities or advocacy in favour of particular activities or organisations. Members of society may promote sustainability by purchasing products perceived to be environmentally and socially beneficial or at least benign. Alternatively members of the broader public may pursue a strategy of direct involvement with business organisations through partnerships or stakeholder engagement, seeking to promote sustainability. It is this final mechanism, stakeholder engagement, which is the focus of this research.

Conclusion

It is the contention of this thesis that the primary objective of sustainability should be to protect the life-supporting capacity of the Earth, not just for the human species, but for all flora and fauna. While some may struggle with the notion that plants and animals have the right to survive, this view can easily be accommodated from an anthropocentric perspective – humans cannot survive without the other living species on the planet. At the most basic level other species provide us with the food we eat; they also provide us with many of the resources we use to make our world habitable – timber for shelter, and plant and animal products for clothing, for example.

This chapter has introduced the concept of sustainability and how it relates to human activities in general and in the business context in particular. One of the important recurring themes in the literature on sustainable development and sustainability is that the traditional barriers between business organisations and the communities they operate in must be rethought. For example, see Beaulieu and Pasquero, 2002; PCE, 2002; Sitarz, 1994; WCED, 1987; Welford, 1995. The idea that organisations are somehow separate from the communities and environments in which they operate is no longer a tenable argument. There is a need, therefore, for organisations to develop, strengthen, and expand relationships with people and groups outside their corporate boundaries. As a result of growing pressure from various sources, there has been a proliferation over the last 30 years of academic publications on the subject of stakeholder relationships with organisations. This research has seen the emergence of stakeholder theory, to which I now turn.

Chapter 2

The Stakeholder Concept

We're all in this together

Some are born to stakeholderhood, some achieve stakeholderhood, and some have stakeholderhood thrust upon them.

With apologies to William Shakespeare

Introduction

Over the last 30 or so years, the idea that stakeholders should be an important part of the business landscape has captured the imagination of both the academic and practitioner communities. Support for the stakeholder concept has steadily gained momentum, with numerous scholarly articles being published and several comprehensive stakeholder engagement frameworks becoming available. This chapter outlines the core components of the stakeholder concept. I discuss the theoretical development, as evidenced by the burgeoning academic literature, focusing on the central concepts surrounding the interactions that may occur between an organisation and its stakeholders.

After tracing the evolution of the stakeholder concept, I discuss the development of the various strands of stakeholder theory, beginning with the question of “Who or what is a stakeholder?” There is a significant academic debate about what entities should be included in the stakeholder concept and what entities should be excluded. I also explore what is actually considered to be “at stake”. Following on from these fundamental concepts, I consider the questions of why and how organisations respond to their stakeholders before turning to the other sides of these relationships to examine why and how stakeholders become involved with businesses. The next section of this chapter explores some of the criticisms that have been levelled at stakeholder theory. Finally, I discuss the intersection of stakeholder theory and network analysis, which

has implications for reimagining an organisation's position from it being a central focal point to being a node within a more organic web of relationships.

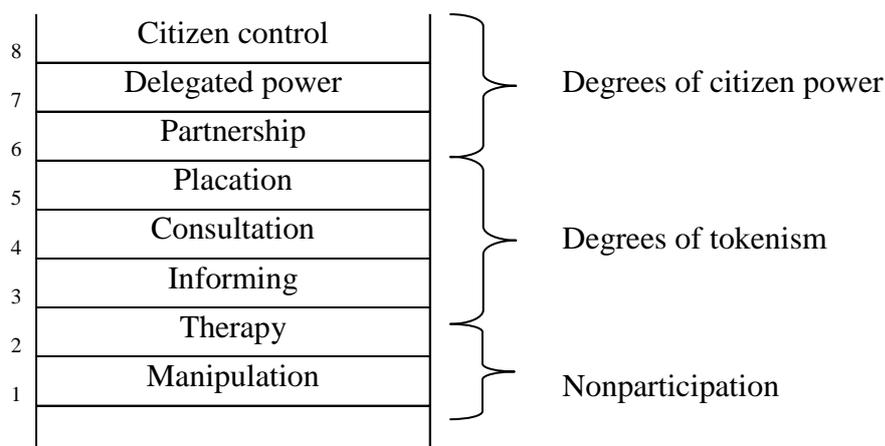
Throughout this chapter, reference is made to the concept of sustainability; however, the sustainability stakeholder nexus is covered in more depth in Chapter 3.

The stakeholder concept

As the concerns discussed in the previous chapter have grown, business practitioners and academic scholars have sought to contribute to possible solutions to the problems we face. One such proposed solution has been the concept of stakeholder engagement, especially in the context of business decision-making. Stakeholders encompass a wider range of people than a traditional view of a firm would encourage decision-makers to consider. A neoclassical economic view leads us to believe that the only body of people to whom a firm owes allegiance is its owners – the shareholders or stockholders. However, as many people around the world experienced the harsher impacts of the economic reforms of the 1980s and 1990s, a growing level of unease developed that corporate activities conducted in the pursuit of profit maximisation were having severe impacts on other groups of people and that perhaps the firms had a responsibility to take these impacts into consideration when making decisions (Phillips, 1997). For an even longer time (especially since the publication of Rachel Carson's *Silent Spring* in 1962), there has been significant public concern that corporate activities were, and still are, having serious negative impacts on the natural environment, and that these impacts, too, should be considered in corporate decision-making.

Expressions of public concern and involvement have been evident in development literature for some time. Arnstein (1969) developed a "Ladder of Participation", which analysed the ability of citizens to be involved, in particular, with urban development programmes. Arnstein was especially interested in the impact of relative power between citizens and government, and the resulting hierarchy of types of participation from "Citizen Control" through to "Manipulation" (of citizens). See Figure 2.1.

Figure 2.1 Eight Rungs on a Ladder of Citizen Participation



Source: Arnstein, 1969, p. 217

The manipulative end of the scale is illustrated by the French student poster (right), which translates as: I participate; you participate; he participates; we participate; you participate ... **they profit.**²³ Interestingly, while Arnstein's (1969) focus was on socio-political participation, she did foreshadow a move to socioeconomic participation as a likely sphere of contestation:

... big business which is likely to be next on the expanding list of targets. The underlying issues are essentially that the same – “nobodies” in several arenas are trying to become “somebodies” with enough power to make the target institutions responsive to their views, aspirations, and needs (p. 217).



²³ This poster originates from political unrest in France in 1968, and “highlights the fundamental point that participation without redistribution of power is an empty and frustrating process for the powerless” (Arnstein, 1969, p. 216).

The first use of the word stakeholder, in a business context, has been traced back to the Stanford Research Institute in 1963. In an internal memo, stakeholders were identified as “those groups without whose support the organization would cease to exist” (as cited in Freeman, 1984, p. 31). Freeman’s 1984 landmark book, *Strategic Management: A Stakeholder Approach*, is credited with propelling the stakeholder concept into the mainstream of managerial thought and academic research. As he notes in the opening line of the preface: “Managers in today’s corporation are under fire. Throughout the world, their ability to manage the affairs of the corporation is being called into question” (1984, p. v). This initial treatment of the stakeholder concept was proposed as a framework to improve strategic management within firms by broadening management’s decision-making horizons, to include a wider range of people than only the organisation’s shareholders. As a result of some of the issues discussed above – growing public concern over the state of the environment, and the escalating power and lack of public accountability of corporations – businesses are operating in an increasingly complex and pressured environment. Freeman’s work can be seen as a response to this increasing pressure and complexity. Stakeholder theory, as originally articulated by Freeman, was instrumental in nature (Post, Preston, & Sachs, 2002a). Freeman’s fundamental argument was that if businesses wanted to survive in these turbulent times, then they should be cognisant of their stakeholders’ concerns. Since the publication of Freeman’s book there has been an explosion of research in this area seeking to refine the stakeholder concept and to establish it as a mature and alternative theory of the firm.

From concept to theory

While stakeholder theory is a relatively new addition to the collection of research covering theories of organisations, and is still in its developmental stages, it has an old and venerable ancestry in the 18th century work of Adam Smith (Andriof, Waddock, Husted & Rahman, 2002). Linking the stakeholder concept to Smith may not be well received by advocates of Smith’s invisible hand guiding the market place, but neoclassical economics has often been selective in its use of Smith’s work, largely ignoring the grounding of his writing in moral theory. In his 1759 and 1776 works,

Smith talks of the symbiotic relationship between economic and ethical interests and of the role businesses have as social institutions (Andriof et al, 2002; Freeman, 1984). Therefore, we find in Smith's writing the earliest hint of the notion of stakeholders to corporations – a body of people beyond the corporate boundaries who have interests or rights relating to the activities of the entity. However, as mentioned above, Freeman's work is widely seen as the pioneering text on stakeholder theory. In this text, Freeman (1984) states:

A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives (p. 46).

I find two problems with this definition when we consider sustainability. First, the definition focuses on the intended activities of an organisation. It does not adequately include stakeholders who are subject to unintended or accidental effects of an organisation's operations. For example, it would be hard to argue that the residents of, and folk deriving a living from, Prince William Sound, Alaska were not stakeholders of the Exxon Shipping Company, as a result of the significant effects imposed on them by the oil spill from the Exxon Valdez in 1989. Similarly people associated with the Gulf of Mexico have been significantly impacted by the BP Deepwater Horizon oil leak in 2010. Second, Freeman's definition does not allow for non-human stakeholders²⁴; from a sustainability perspective the nonhuman environment may be a stakeholder of many, if not all, businesses. See for example, Clarkson, 1994; Jacobs, 1997; Mitchell, Agle and Wood, 1997; Starik, 1995.

There has been significant work since the publication of Freeman's book, refining and developing stakeholder theory. However, stakeholder theory has not developed without growing pains. A variety of views have been expressed and a variety of approaches have been taken in the literature. A mark of the maturing status of stakeholder theory is that we are now seeing the appearance of second-order theory publications on the subject, theorising about the theory itself.

²⁴ Freeman does consider sustainability issues in later work, for example Freeman and Reichart (2000), which is discussed in the following chapter.

Donaldson and Preston's (1995) influential work explores the development of stakeholder theory and the diverse threads of research that have been followed. Donaldson and Preston conclude that while descriptive, instrumental, and normative aspects of the theory are distinct and seek to explore different aspects of a stakeholder approach to management, they are interrelated and support each other.

Following Donaldson and Preston, Jones and Wicks (1999) discuss the variety of justifications for stakeholder theory presented in the literature to date, and the tendency for some authors to leave implicit the underpinnings of their work. Jones and Wicks' review of stakeholder literature provides them with a basis to classify extant research into one of two camps – social science or normative ethics. The social science perspective focuses on instrumental and descriptive research seeking to investigate what goes on in practice in business-stakeholder interactions and what strategies businesses or stakeholders should adopt in order to bring about certain desired outcomes. The normative ethics perspective naturally focuses on normative research that posits what businesses or stakeholders should do, because it is inherently right. Jones and Wicks contention is that these two approaches can be brought together into a “convergent stakeholder theory” which will progress best by focusing on the instrumental and normative aspects of the theory, while leaving the descriptive aside.

In response to Donaldson and Preston's and Jones and Wicks' observations, Freeman (1999) reiterates his 1984 contention that stakeholder management is first and foremost an instrumental approach to management. He argues “if organisations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organisation's purposes” (p. 234). Freeman posits that any normative core to stakeholder theory must be dependent on the instrumentality built into stakeholder management as he conceives it. Freeman (1999) believes we do not need a convergent stakeholder theory but a divergent series of narratives that provide “accounts of the roles of such concepts as trust, enactment, sustainability, hierarchy, and so on, and their instrumental relationships to organizational and stakeholder performance” (p. 235). Freeman's point is that there is no “one best way” for firms to approach stakeholder relationships and we need narratives that describe a variety of cause and effect relationships. Freeman is

steadfast in his call for diverse narratives that recognise the multiplicity of stakeholders and their interactions with the business community, reaffirming this point in two recent retrospective volumes: *Stakeholders*, (Phillips & Freeman, 2010) and *Stakeholder Theory: Impact and Prospects*, (Phillips, 2011). Freeman advocates for stakeholder theory to be used to make sense of organisations and to bolster a revised view that sees the fundamental objective of business as creating value for stakeholders (Freeman, 1994; Phillips & Freeman, 2010).

Another second-order analysis of the stakeholder theory literature differentiates stakeholder theory based on whether or not priority is given to the interests of shareholders over those of non-shareholders (Kaler, 2003). This typology distinguishes between those stakeholder theories that posit responsibilities owed to stakeholders as being general (those that apply to everybody) and those responsibilities that are role-specific (those that apply only under certain conditions). Kaler identifies a spectrum of stakeholder theories on a continuum from weak to strong; the weak which are most closely aligned with conventional stockholder theory, through to the strong, which offer more radical redefining of the purpose of organisations. We can see here an echo of the weak and strong sustainability models. Another characteristic of stakeholder theory that is resonant of sustainability “is that it crosses, and occasionally ignores completely [interdisciplinary] boundaries” in search of mechanisms that may further its purpose “irrespective of disciplinary or ideological silos” (Phillips & Freeman, 2010, p. xii).

Finally, in this section, I turn to Steurer (2006) who examines the development of stakeholder theory from an essentially corporate-centric field of research through to a more complex and varied investigation of business-society relations. Steurer believes that the second-order theoretical developments discussed above do not do justice to the breadth and depth of stakeholder theory research to date. According to Steurer, stakeholder theory research can be remapped extending the “aspect” distinctions of normative, instrumental, and descriptive to also consider the perspective from which the research is articulated either from a corporate perspective, or from a stakeholder perspective, or from the perspective of a particular concept. These aspects and perspectives combine to give us a three by three matrix with nine possible points of focus for research relating to business-society relations. See Figure 2.2. Any one

particular piece of research may be appropriately placed in more than one of the cells of this table. Lawrence (2002), for example, examines the dynamics of the relationship between Royal Dutch/Shell and two NGOs from both the corporate and stakeholder points of view. Her research fits equally well in the Corporate/Normative; Corporate/Descriptive; Stakeholder/Normative; and Stakeholder/Descriptive cells of the table.

Figure 2.2: Triple-perspective typology of stakeholder theory

		Stakeholder theory perspectives		
		Corporate	Stakeholder	Conceptual
Stakeholder theory aspects	Normative	Interprets the function of the corporation regarding the wider society and stakeholder relationship management.	Interprets the function and legitimacy of stakeholders and their claims.	Interprets the normative characteristics of concept X and its significance for stakeholder relationship management/stakeholder theory.
	Descriptive	Describes corporate characteristics and behaviours regarding stakeholders.	Describes stakeholder characteristics and behaviours regarding corporations.	Describes how particular issues of concept X play a role in stakeholder relationship management/stakeholder theory.
	Instrumental	Analyses the connection between stakeholder relationship management and traditional corporate objectives.	Analyses the connection between a stakeholder's strategy and its ability to meet the stakeholder claims.	Analyses the connection between stakeholder relationship management/stakeholder theory and the realization of concept X.
	Overall	Corporations and stakeholder relationship management.	Stakeholders, claims and stakeholder relationship management.	Concept X and stakeholder relationship management/stakeholder theory.

Source: Adapted from Steurer, 2006

The research undertaken for this project fits most clearly into Steurer's conceptual perspective, focusing on the relationship between stakeholder-organisation interactions and sustainability, denoted by "concept X" in Figure 2.2. The sustainability stakeholder nexus is the theme of Chapter 3 which follows. Prior to that discussion, however, I next examine some of the elements of business-society relationships that have been the focus of stakeholder research to date.

Who are stakeholders?

Identifying who or what should be considered a stakeholder by an organisation is a complex issue. Much effort has gone into trying to identify who stakeholders are and why they should be worthy of consideration by organisations. See for example, Agle, Mitchell, and Sonnenfeld, 1999; Andriof et al., 2003; Clarkson, 1994; Donaldson, 2002; Donaldson and Preston, 1995; Freeman and Reed 1983; Mitchell et al., 1997. Conventional stakeholders are shareholders, customers, suppliers, government agencies, and employees. All of these groups have a direct relationship with organisations and that relationship can usually be defined in financial terms. Stakeholder theory seeks to expand the scope of groups with whom an organisation has significant relationships to include indirect/nonfinancial relationships as well. Progressive workings of the theory have expanded the concept of stakeholders to include communities that lie within the sphere of operations of the organisation, and from a sustainability perspective the nonhuman environment, and lobby groups such as environmental and human rights organisations (Nutti, 1997; Orts, 1992; Sharma & Starik, 2004; Starik, 1995; Winn, 2001).

Accordingly, one of the primary challenges for businesses is the identification of their stakeholders. While it may be possible to argue that almost everybody is a potential stakeholder, doing so is not a practical or helpful line of reasoning for managers trying to respond to the call for greater recognition of, and response to, the needs of stakeholders. To recognise everybody would result in a form of corporate paralysis that helps no-one and quite possibly harms several stakeholder groups including employees, suppliers, and customers. A variety of papers have been published providing classification systems for stakeholders. Most notable among these are the work of Carroll (1993); Clarkson (1994, 1995); Goodpaster (1991); and Mitchell et al. (1997), discussed in more detail below.

Clarkson (1994), using a risk-based approach, identifies stakeholders as either voluntary or involuntary. The premise here is that voluntary stakeholders have consciously (voluntarily) entered into a relationship with a business that places something of theirs at risk, for example, property or money. Involuntary stakeholders,

on the other hand, are subjected to the risk but have not consciously entered into the relationship. Clarkson's Risk-Based Model of Stakeholder Theory has much to offer in that it helps to delimit the scope of who should be considered a stakeholder of a corporation while still recognising that some individuals are adversely affected by corporate activity and that they have not willingly placed themselves in harm's way. Clarkson also recognises that accidental or negligent acts by corporations give rise to responsibility to stakeholders affected – something missing from Freeman's original definition (discussed above). However, Clarkson (1995) is also at pains to point out that the scope of who should be considered a stakeholder should not be unlimited:

Stakeholder theory should not be used to weave a basket big enough to hold the world's misery. Justification for stakeholder theory should not be sought on the grounds of solving pressing problems of poverty and disease. This approach can result only in statements of pious hope, unrelated to reality (p.10).

Alternatively, Clarkson (1995) uses the descriptors of primary and secondary to classify stakeholders. Here the premise is that primary stakeholders (such as shareholders, employees, customers, and suppliers) are vital to the survival of the organisation. Secondary stakeholders (such as the natural environment, future generations, and nonhuman species), on the other hand, are "those who influence or affect, or are influenced by or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (p. 107). The upshot of this classification system is that while businesses should pay most attention to their primary stakeholders, they cannot afford to ignore their secondary stakeholders.

Another viewpoint on how to describe stakeholders is provided by Goodpaster (1991). Goodpaster's discussion is centred on why businesses would consider stakeholders and he arrives at the conclusion that it is likely to be for one of two reasons. In his view, stakeholders are considered for either strategic reasons or for moral ones. The argument for a strategic focus is familiar from Freeman's (1984) work, but the moral argument extends the idea of stakeholders to include those that may be affected by an organisation's operations but are not in a position to affect the organisation, which is

compatible with Phillips (1997) discussed below. As Goodpaster (1991) put it: “Moral concern would avoid injury or unfairness to those affected by one’s actions because it is wrong, regardless of the retaliatory potential of the aggrieved party” (p. 60).

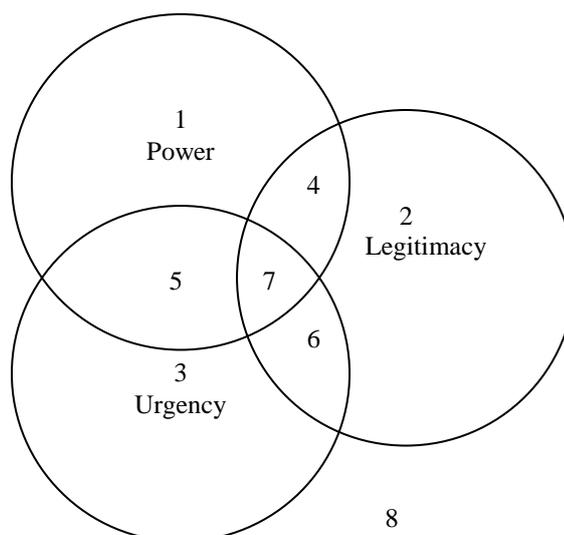
One of the most practical frameworks has been developed by Mitchell et al. (1997). These authors provide a typology framework that helps managers categorise stakeholder groups and identify which groups they should be paying attention to. Their research seeks to clarify ‘who and what really counts’ via the concept of stakeholder identification and salience. Mitchell et al. identify three attributes that may be possessed by stakeholders, and that dictate whether or not stakeholders have salience. The three attributes are:

1. the *power* to influence the firm;
2. the *legitimacy* of the stakeholder’s relationship with the firm; and
3. the *urgency* of the stakeholder’s claim on the firm.

Mitchell et al.’s (1997) fundamental proposition is that “stakeholder salience will be positively related to the cumulative number of stakeholder attributes – power, legitimacy, and urgency – perceived by managers to be present” (p. 873). The model is illustrated in Figure 2.3, where salience is most established at the intersection of all three circles (point 7).

Other sections of the diagram present different combinations of the attributes perceived (by managers/decision-makers) to be held by stakeholders. Mitchell et al. (1997) have labelled these points with the alliteratively appealing appellations as follows:

1. Dormant stakeholder (one attribute: low salience ‘latent’ stakeholder)
2. Discretionary stakeholder (one attribute: low salience ‘latent’ stakeholder)
3. Demanding stakeholder (one attribute: low salience ‘latent’ stakeholder)
4. Dominant stakeholder (two attributes: moderate salience ‘expectant’ stakeholder)
5. Dangerous stakeholder (two attributes: moderate salience ‘expectant’ stakeholder)
6. Dependent stakeholder (two attributes: moderate salience ‘expectant’ stakeholder)
7. Definitive stakeholder (three attributes: high salience)
8. Non-stakeholder (no attributes: potential stakeholder)

Figure 2.3: Qualitative characteristics of stakeholders

Source: Mitchell et al (1997 p. 872)

Mitchell et al. point out that theirs is a dynamic model, and that the typology is useful only if managers are mindful of the fact that stakeholders will move into and out of the various positions on the diagram. The obvious corollary is that most attention should be paid to any definitive stakeholders. However, the dominant category of the expectant stakeholder group should warrant attention as well, as it is only a lack of urgency that prevents them from moving into the definitive category. Dangerous stakeholders also require attention, because their lack of legitimacy will not necessarily stop them from having a significant impact on the firm. Dependent stakeholders are those that are likely to be engaged with out of a sense of altruism or through their association with more powerful stakeholder groups.

The work by Mitchell et al. was tested by an empirical study by Agle, Mitchell and Sonnenfeld (2000). This research confirmed that the salience framework described above was confirmed by the study, finding that the attributes of power, legitimacy and urgency affect the degree to which top managers give priority to stakeholders.

Further expansion of the Mitchell et al. model was conducted by Eesley and Lennox (2006). Their research explored the proposal that salience is really exhibited by a firm's actual response to its stakeholders' requests for action rather than by a

perception of importance. Eesley and Lennox focus on firms' actions towards Clarkson's (1995) secondary stakeholders and propose that in addition to Mitchell et al.'s power, legitimacy, and urgency triptych, three other factors influence the likelihood of a positive firm response:

1. the relative power between the firm and its stakeholder, in that the power of the stakeholder is moderated by the power of the firm;
2. the legitimacy of the request being made by the stakeholder is important, legitimate stakeholders may make non-legitimate requests and, therefore, be ignored by the firm; and
3. the urgency of the request is more vital than the urgency of the stakeholder group, in that a request for action from a stakeholder is more likely to elicit a response if it relates to existing operations than if it relates to proposed future operations (Eesley & Lennox, 2006). Eesley and Lennox's empirical testing supported their propositions.

In addition to research on who should be included as a stakeholder of an organisation, some effort has also been focused on who should be excluded as a stakeholder. One of the controversial aspects of Freeman's (1984) work was his discussion of terrorists as possible stakeholders. They fit within his definition but do not fit well with the notion that businesses should develop a relationship with their stakeholders.

Subsequent working of the stakeholder concept has sought to reconcile this dilemma. See for example, Carroll and Buchholtz, 2003; Clarkson, 1994, 1995; Newton, 2005; Phillips, 2003. The primary method of eliminating terrorists from the list of potential stakeholders has been the work by ethicists scrutinising the foundations of stakeholder theory.

Phillips' (1997) work on stakeholder theory and a principle of fairness seeks to address three problems he identifies in the literature on stakeholder theory to date, namely:

1. the lack of a coherent justificatory framework; and
2. the problem of adjudicating between stakeholders; and
3. the problem of stakeholder identification.

Phillips' (1997) work is firmly normative. As an ethicist, his concern is with the principles that underpin any conception that a firm may owe additional moral obligations to certain groups. This research puts forward the principle of fairness as the foundation for stakeholder theory. Fairness involves the existence of six features: mutual benefit; justice; benefits accrue only under conditions of near unanimity of cooperation; cooperation requires sacrifice or restriction of liberty on the part of participants; the possibility of free-riders exists; and voluntary acceptance of benefits of a cooperative scheme. These features have a great deal to offer the stakeholder debate. Particularly important are the ideals of cooperation and voluntary acceptance. Phillips' work has the advantage of dismissing two groups often referred to as problematic stakeholders – terrorists and a firm's competitors (Freeman, 1984) – who have neither a cooperative nor voluntarily relationship with the firm. Fairness is also a principle that is compatible with the moral underpinning in Smith's (1797) early work on the constituencies of businesses. Fairness as the keystone principle of stakeholder theory is also in keeping with the notion of sustainability, with its foundational goal of equity (Welford, 1995). Phillips' (1997) argument provides general guidance for managerial decision making in “that the effect of a decision on stakeholders must ethically be considered in the decision” (p. 65). However, the desires of stakeholders and the details for consideration can only be understood by entering into discussions with the stakeholders.²⁵

For the most part, the research reviewed above focuses on stakeholders from the perspective of the organisation, the normative/corporate perspective, using Steurer's stakeholder theory mapping framework. This preference is unsurprising given that most of the literature drawn on above does stem from the management and organisation studies genres. I now move to why organisations would enter into relationships with stakeholders, especially those beyond groups with direct financial links with the organisation.

²⁵ While communication between organisations and their stakeholders is a prerequisite for mutual understanding of issues of concern, communication is by no means a guarantee to successfully finding common ground or consensus.

What is a stake?

When we consider the term shareholder, we understand that a share represents a parcel of ownership in an entity for which the share is held. However, when we consider the term stakeholder, what is the stake that is held?

The nature of the “stake” that a stakeholder “holds” is an area of some debate in the literature. In the simplest (and broadest) of terms, stakeholders have some sort of interest in the activities of the focal organisation. There is a significant variety in the literature regarding the nature of stakes with, as yet, no overall consensus as to the exact nature and basis for the stakes that are held. However, while a variety of nouns are used to describe the “stake”, the underlying foundation upon which a stake might be claimed can be roughly split into two camps, dependent on whether the authors lean towards a strategic basis for stakeholder theory or an ethical basis.

Stake:

noun

4 a: something that is staked for gain or loss; especially a sum of money or its equivalent risked

b: the prize set in any contest often used in plural

6: something that may be gained or lost (as by the turn of events); something at stake; a permanent interest (as in an enterprise or community) “have a stake in the country”

transitive verb

7 a: to back financially; support (as a person or enterprise) in order to further chances of success

b: to advance (as money or supplies) to assist in or in expectation of future success

(Source: Merriam-Webster’s Unabridged Electronic Dictionary, 2000).

From a strategic perspective, the stake is based on a risk. See for example, Carroll, 1989; Clarkson, 1994 & 1995; Cornell and Shapiro, 1987; Freeman, 1984; Hill and Jones, 1992. Stakeholders own or control or are attributed some sort of legal rights. These rights are at risk from the effects of the organisation’s activities. This risk may be as straightforward as land suffering from downstream polluting effects of a manufacturing plant, or as intangible as a negative impact on a neighbouring business

because of incompatible proximity. For example, consider the probable negative impact on a vegan restaurant of a butchery opening up next door. Stakeholder theory dictates that the impact on the rights of stakeholders should be taken into account in decision-making by the focal organisation. Stakes of this nature are generally quantifiable (monetisable), which can enable organisations to financially compensate stakeholders for the risk or damage they are subject to.

Alternatively, from an ethical perspective, the stake is based on a moral obligation owed by the organisation to its stakeholders. See for example, Carroll, 1989; Donaldson and Preston, 1995; Freeman and Evan, 1990; Langtry, 1994. This basis is far more challenging for organisations. Morality by its nature should not be monetisable, and therefore, solutions to moral dilemmas should not be able to be bought, which of course, does not mean that solutions will not be expensive to find or implement. As can be seen from the above references, the same authors have asserted both types of stake at different times in their writing.

Given that stakeholders have something at stake, whether it is defined as an interest, an effect, or a risk, it is not difficult to conceive of why stakeholders become involved with organisation. Why organisations become involved with stakeholders is a more complex issue, to which I now turn.

Why do businesses respond to stakeholders?

The driving force behind an organisation's dealings with various stakeholders can be said to be driven by one of two types of motivation: an affirmative course seeking to promote or advance something; or a defensive course seeking to forestall or avoid something.

From an affirmative stance, we have motivations that seek to enhance the performance or reputation of a focal organisation. Interaction between this organisation and its stakeholders can facilitate smarter growth and enhanced profitability. Wheeler and Sillanpää (1998) take an historical perspective and say that

stakeholder-inclusive enterprises have been some of the most successful over the last 200 years, particularly when compared with the stakeholder-exclusive approach that dominated the corporate restructuring of the 1980s. Wheeler and Sillanpää base their argument on the premise that companies that align their values with those of their stakeholders will achieve commercial success as a result of the cooperative environment that alignment engenders. Stakeholders are also seen as a source of learning and inspiration, which can lead to competitive advantage (Hart, 1995; Lawrence, 2002). The thinking here is that stakeholders can bring to organisations a breadth of ideas that the organisation would not itself be able to generate; the result is a synergy that can lead to enhanced organisational performance (Hart & Sharma, 2004). Stakeholder interaction can also engender trust and cooperation (Jones, 1995), creating an easier operating environment for the organisation than might otherwise be the case.

Another affirmative stance is the notion of “enlightened self-interest”. The reasoning behind enlightened self-interest is that what is good for the stakeholder is good for the firm (Low 1988; O’Dwyer, 2003). Underlying both of the above affirmative motivations is the core concept of maintaining organisational profitability and growth. The business case for stakeholder consideration/inclusion is not dissimilar to the business case for weak sustainability (discussed in Chapter 1). By contrast, motivations that spring from a more ethical foundation are underpinned by a more philanthropic or altruistic bent.

The ethical or morally based foundations for stakeholder theory are closely related to the corporate social responsibility (CSR) literature. See for example, Andriof and Waddock, 2002; Banerjee, 2007; Carroll, 1991, 1999, 2004; Clarkson, 1995. Stakeholder engagement can be seen as a way to operationalise CSR (discussed further below) and improve the governance of organisations (Benn & Dunphy, 2005a, 2005b; Birch, 2001; Newton, 2005).

There are a variety of focuses available to the ethical and moral debates. Rights based arguments can stem from a theological perspective (Dyck & Schroeder, 2005); a fairness based perspective (Phillips, 1997, 2003); and in pursuit of the “common good” (Argandona, 1998; Goodpaster, Maines & Rovang, 2002). The primary

challenge to these debates is how to differentiate any duty or responsibility that may be owed to stakeholders that is different from, and in addition to, duties or responsibilities that may be owed to them as general members of society (Windsor, 1999, 2001). Marens and Wicks (1999) point out that difficult resource allocation decisions made by managers fundamentally involve moral choices. The discretion to make these choices is allowed for by existing laws and need not impinge on duties owed by managers to shareholders.

Overall, the moral and ethical foundation for why organisations should consider stakeholders in their decision-making processes is recognition of the position of organisations as social entities and as social actors. This recognition is fundamental to the perspective of business **in** society as opposed to **apart from** society (Orts, 1992, 1997; Banerjee, 2003b).

I now turn to the more defensive motivations for interacting with stakeholders.

Organisations may seek to interact with stakeholders when they feel threatened, for example when their continued profitability is at risk. As discussed in Chapter 1, the business community is being held at least partly responsible for many of the environmental and social problems that are afflicting the world today. In response to this phenomenon many businesses are ‘under siege’ from stakeholders (Bendell, 2000a, 2004) and are (or are seen to be) forced to interact with them in an effort to survive. This need to respond can especially be the case when an organisation has experienced a concerted assault from NGOs (for instance) over corporate behaviour or decision-making. High profile examples include the criticism levelled at Royal Dutch/Shell over its Nigerian oil extraction operations (Banerjee, 2007) and over the decommissioning of the Brent Spar oil storage platform (Dryzek, 2005b), and Nike over sweatshop labour conditions in its supply chain. Organisations on the receiving end of such attention can find their reputation and legitimacy severely damaged. Engaging with stakeholders may be a strategically viable alternative to seeking legitimacy from the market or the State (Rodgers, 2000) to protect or recover their reputation and reduce the risk of financial loss (de Leeuw & Krozer, 2004).

Stakeholder interaction is also a mechanism to promote voluntary self-regulation. An organisation that can claim to have taken into account the concerns of stakeholders

may be able to ward off command and control regulation by the State (Bendell, 1998; Bendell & Murphy, 1996). If stakeholders are involved in the development of voluntary codes of practice, this argument can be an especially powerful (Banerjee, 2007; Levy & Egan, 2003; Newton & Harte, 1997).

The reasons why organisations might interact with their stakeholders are not universally accepted as anything other than ultimately self-serving. This counter opinion is discussed further later in this chapter and in the next. After considering who stakeholders might be, and why companies might engage with them, I now turn to how companies might go about engaging.

How do businesses respond to stakeholders?

Stakeholder theory is frequently alluded to (either implicitly or explicitly) in the corporate social performance/responsibility/responsiveness literature. One of the early, much-cited works is Carroll's 1979 *A Three-Dimensional Conceptual Model of Corporate Performance*, which seeks to bring together three variables of philosophy of social responsiveness, social responsibility categories, and the social issues involved. In this article Carroll seeks to address three questions:

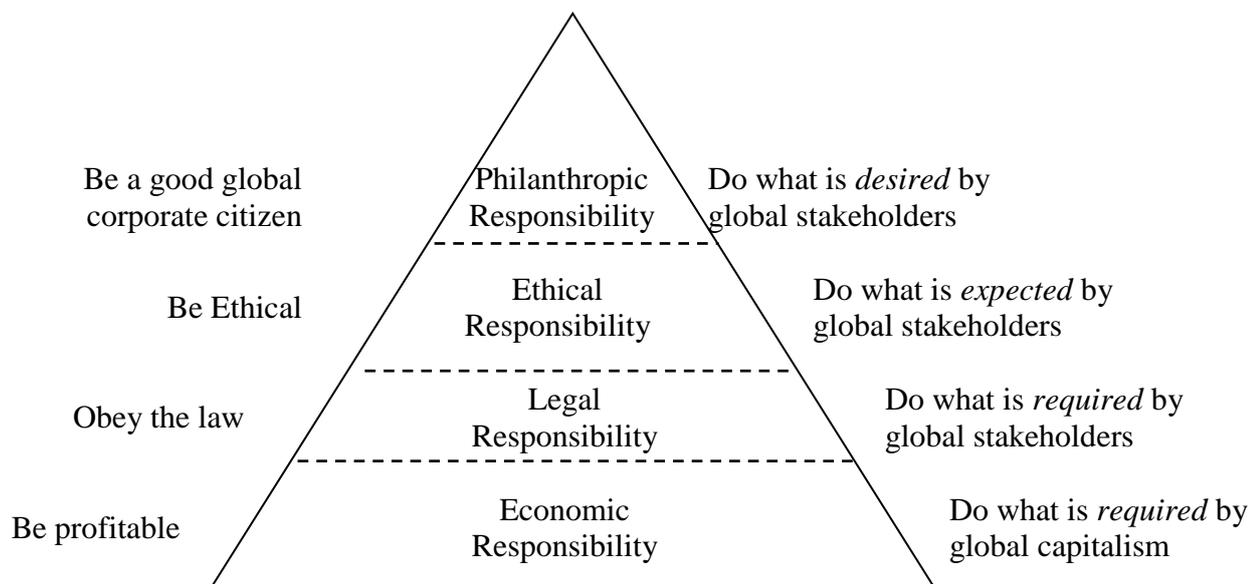
1. What is included in corporate social responsibility?
2. What are the social issues the organisation must address?
3. What is the organisation's philosophy or mode of social responsiveness?

Of particular interest in this research are his findings on the third question. Here Carroll brings together the earlier work of Wilson (1975), McAdam (1973) and Davis and Blomstrom (1975). The range of possible responsive stances taken by organisations lies on a continuum that Carroll labels within the extremes of 'do nothing' to 'do much'. See Figure 2.4.²⁶

²⁶ During the 1980s and 1990s there were similar models or typologies proposed with regard to environmental management and sustainability concerns. See, for example, Carley and Christie, 1992; Ekins, 1993; Elkington, 1998; Hopfenbeck, 1993; Roome, 1992; Weizsacker, Lovins and Lovins, 1998.

stakeholders. Clarkson proposes that corporate social responsibility is desirable but that it is best evaluated by investigating the management of stakeholder relationships rather than the concepts of corporate social responsibilities and responsiveness.

Figure 2.5: Pyramid of Global Corporate Social Responsibility and Performance



Source: Carroll, 2004, p. 116

Again investigating actual (as opposed to possible) behaviour, Fineman and Clarke (1996) explore the response of four UK industry groups to “green” pressure using a stakeholder framework. Their research investigates the role of managers as the filter through which stakeholder influence is passed, and the part they (the managers) play in forming the stakeholder relationships that are pursued by organisations. Contrary to the perceived wisdom on the wide range of stakeholders that influence organisational behaviour, this study indicated that only two stakeholder groups – campaigners and regulators – actually had an impact on organisations’ pro-environmental responses. The other traditional stakeholder groups (customers, creditors, employees, and environmental accreditation schemes) were either marginalised or rejected in the situations investigated.

A distinction is drawn between two different types of relationships between organisations and their stakeholders. On the one hand, we have stakeholder

management and, on the other, stakeholder engagement (Andriof & Waddock, 2002). Stakeholder management is a more traditional risk-management approach to stakeholder relationships; it implies emphasis on one-way communication from the organisation to stakeholders more akin to public relations exercises than any sort of dynamic relationship. Some critics have seen stakeholder management as placing stakeholders in the position of being “receivers of consultation” rather than as partners in a collaborative process (Banerjee 2000, 2003a; Elkington & Fennell, 2000). Stakeholder management is an organisation-centric approach that seeks to protect the reputation and, therefore, profitability of an organisation. In addition, a stakeholder management approach ensures control remains in the hands of the organisation and is not delegated to the stakeholders. If addressing stakeholder concerns would negatively impact profitability, then such concerns are unlikely to overturn corporate goals in this type of relationship.

Stakeholder engagement, by contrast, denotes relationships that, while if not always between equals, are, at least, between parties that both have an opportunity to contribute to the discussions and to influence outcomes. This type of relationship is far more about two-way communication, companies listening as well as talking to their stakeholders in a process of constructive dialogue and stakeholder empowerment (Birch, 2001). These relationships have been described as proactive partnering techniques in pursuit of the achievement of common goals (Ansett, 2005; Harrison & St John, 1996). Stakeholder engagement also recognises the interrelatedness of stakeholder groups, rather than treating each stakeholder (group) as a discrete entity with no ties to other stakeholders (Andriof & Waddock, 2002; Phillips, Berman, Elms & Johnson-Cramer, 2011).

Andriof and Waddock’s (2002) exploration of the theoretical underpinnings of stakeholder engagement brings them to the conclusion that the theoretical strands of “Business in society, stakeholder and strategic relationships theories comprise the conceptual foundations and key issues used to construct a framework with which stakeholder engagement can be analysed” (p. 41). The weaving together of various theories is consistent with the diversity inherent in both the stakeholder and sustainability concepts. As Freeman and Reichart (2000) say, “This is the truth: there is no one truth about the environment” (p.144).

Compatible with the recognition of interrelatedness inherent in the concept of stakeholder engagement is the recognition of reciprocity. As several authors have pointed out, responsibility in stakeholder-organisation relationships is a reciprocal obligation (Elkington & Fennell, 2000; Goodstein & Wicks, 2007; Elms, Johnson-Cramer & Berman, 2011; Jones, 2011). It is common to think in terms of the responsibilities that organisations have to their stakeholders, but stakeholders too must shoulder some of the burden. All parties should enter into relationships with honest intent and fair-dealing in mind (Bendell, 2003; Hartman, 2011; Phillips et al., 2011).

Recognising that stakeholder-organisation relationships are about two parties, I now turn to discussing the motivations stakeholders have, and the techniques they use, to interact with organisations.

Why do stakeholders participate?

Stakeholders become involved with organisations in an attempt to achieve some objective. An organisation has behaved in some way that has prompted stakeholders to involve themselves (Bendell, 2000b; Goodstein & Wicks, 2007). That action (by the organisation) may be part of on-going operations or may be a proposed new development. When considering the drivers that motivate organisations to interact with their stakeholders we tend to think in generalities such as to protect profitability or to enhance the common good, as discussed above. However, when we consider the drivers that motivate stakeholders to become involved then we are just as likely to encounter motivation around a specific issue – the impact of an organisation's activities on a particular community or ecosystem, for instance (Harrison & Freeman, 1999; Harrison & St. John, 1996; Winn, 2001).

Stakeholders rally around a common interest, with shared objectives (Winn, 2001). Acting in concert does not, however, mean that stakeholders are a homogeneous amalgam. Different stakeholder groups have different interests and agendas, as do

different individuals within stakeholder groups (Ali, 2000). At perhaps the highest level of differentiation, stakeholder motivation may derive from either a desire to be part of a project, or alternatively a desire to see a particular result from a project. Obeng (1994) identifies these as “process” or “outcome” stakeholders, respectively. A process stakeholder wants to be part of what is going on, whereas an outcome stakeholder is focused on the end result.

There can be enormous variety in the motivation for individual stakeholders or stakeholder groups, but ultimately action by stakeholders is driven by a desire to be involved with a particular organisation, in a particular activity, or for a particular cause. Following from what motivates stakeholders is *how* stakeholders might go about interacting with organisations.

How do stakeholders participate?

Stakeholders have a range of strategies open to them when considering how to interact with organisations, and they experience a range of constraints on their (the stakeholders) ability to interact. Frooman (1999) investigates the strategies that stakeholders use to influence firm behaviour. See Figure 2.6. He does so using resource dependence theory, which examines the power relationship between the parties based on who is dependent upon whom, and the relative access to resources that each party has.

According to Frooman, the resource relationships between the firm and its stakeholders will determine the influence strategies available to the stakeholders. Where the balance of power lies with the firm, stakeholders will only be able to use indirect strategies, say via an associate. Alternatively, where the balance of power lies with the stakeholders, they are able to use direct strategies. Frooman considers the basic tools available to stakeholders as being withholding or usage. Stakeholders can choose to withhold resources from the firm, or can choose to continue to supply resources to the firm, but with conditions. For example, employees on whom a firm is highly dependent can withhold their labour unless the employer meets certain

conditions. This is a direct withholding strategy. Frooman's typology is summarised in Figure 2.7.

Figure 2.6: Firm-stakeholder resource relationships

Typology of Resource Relationships			
		Is the stakeholder dependent on the firm?	
		No	Yes
Is the firm dependent on the stakeholder?	No	Low interdependence	Firm power
	Yes	Stakeholder power	High interdependence

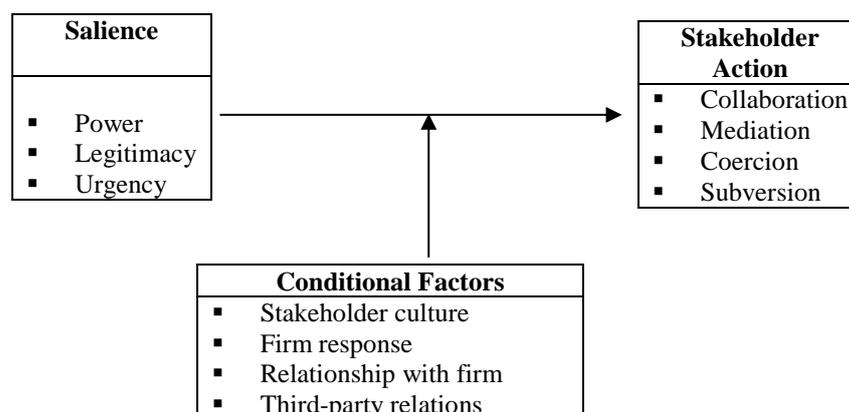
Source: Frooman (1999, p. 199)

Figure 2.7: Stakeholder influence strategies

Typology of Influence Strategies			
		Is the stakeholder dependent on the firm?	
		No	Yes
Is the firm dependent on the stakeholder?	No	Indirect/withholding (Low interdependence)	Indirect/usage (Firm power)
	Yes	Direct/withholding (Stakeholder power)	Direct/usage (High interdependence)

Source: Frooman (1999, p. 200)

Mattingly and Greening (2002) combine Mitchell et al.'s (1997) stakeholder salience model (See Figure 2.3, above.) with Frooman's (1999) resource dependency model (see Figures 2.6 & 2.7 above), and extend both to develop a framework highlighting the combination of stakeholder salience attributes with conditional factors that influence a stakeholder's chosen strategy. See Figure 2.8.

Figure 2.8: Conditions of stakeholder action

Source: Mattingly and Greening (2002, p.273)

Stakeholders may choose actions based on collaboration, mediation, coercion, or subversion. Which strategy they choose will depend on a combination of their own power, legitimacy, and urgency, plus a range of factors in evidence for the particular stakeholder group. These factors are listed below.

- ◆ The culture that exists within the stakeholder group:
 - How strong is their group identity?
 - Are members of the group conflicted by membership to other (perhaps incompatible) groups?
- ◆ The firm's response to stakeholder action:
 - A stakeholder group is likely to respond in kind to a firm. If an aggressive stance is taken by the firm the stakeholder group is likely to react aggressively. Alternatively if a collaborative stance is taken by the firm the stakeholder group is likely to react more collaboratively.
- ◆ The firm-stakeholder relationship:
 - What experience has the stakeholder group had with the firm in the past?
 - What are the expectations of future associations between the firm and the stakeholder group?
- ◆ And, third-party relationships:
 - Stakeholder groups have relationships beyond those with the focal organisation. Stakeholders lacking in the salience attributes of power and

legitimacy (in particular) may choose to align themselves with another more powerful or legitimate stakeholder (of the same firm) in order to piggy-back or present a united front in their dealings with the firm.

Mattingly and Greening (2002) present a convincing framework that provides a picture of the complex landscape surrounding stakeholders and the choices they must make when interacting with organisations.

Green and Hunton-Clarke (2003) develop a typology of stakeholder participation for company environmental decision-making. The authors draw on previous research into typologies of participation and develop a matrix which describes companies in terms of the level of involvement they allow (or encourage) from society. The two axes of the matrix are the nature of participation and frequency of participation. Companies may be described as ‘informative’, ‘consultative’ or ‘decisional’ depending on the level of community participation they engage in. Frequency of participation runs from ad hoc to on-going. This typology sits well with Carroll’s (1979) model, discussed above, looking at the range of response stances that organisations may take. Green and Hunton-Clarke tentatively place sustainable development at the intersection of on-going and decisional participation, while recognising the practical difficulties such levels of community input into a business would involve.

When do stakeholders participate?

Closely related to the “how” of stakeholder participation is the “when”. What are the factors that will convert thought into action for stakeholders? Rowley and Moldoveanu (2003) develop a model to predict when stakeholder groups will mobilise to action. They build on the interest-based motivation for stakeholder action and add the dimension of identity-based action. These two characteristics of stakeholders can be in conflict for some individuals whose interests indicate one course of action, while membership of a group (important to the individual) may indicate another course of action. For example, a shareholder in a company may also

be a member of an environmental group that proposes action against a company. Such stakeholders would have to decide whether to support their own financial interests over their environmental commitment or vice versa. However, when interests and identity combine, they create strong drivers for action.

The concept of stakeholder theory has been enthusiastically embraced by a wide range of scholars, as discussed above. However, the concept is not universally accepted nor viewed as optimistically as may be construed from the preceding arguments. I now discuss some of the criticisms that have been levelled at the concepts of corporate social responsibility, stakeholder theory, and stakeholder-organisation interactions.

What are the limitations of stakeholder theory?

A strong critical voice against any idea of accommodating stakeholders and any form of corporate social responsibility comes from advocates of the neo-liberal free market ideology. Perhaps the most notorious critic of corporate social responsibility is Milton Friedman (1962) who noted that:

Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine (p. 133).

Friedman believed that the diversion of corporate profits, away from shareholders, towards discretionary spending on philanthropic causes was tantamount to theft. In his view, shareholders should be left to make any socially responsible donations they see fit, and that it is not the place of business leaders to make those decisions on their (the shareholders') behalf. Accordingly, "The social responsibility of business is to increase its profits" (Friedman, 1970, p. 32).

Also firmly in the Friedman camp is Elaine Sternberg (1997), who denounces stakeholder theory as "both deeply dangerous and wholly unjustified" (p. 8). One of

her strongest arguments is that “An organisation that is accountable to everyone, is actually accountable to no one: accountability that is diffuse, is effectively non-existent” (p.5). Stakeholder theory, for Sternberg, is impractical and seriously flawed and threatens property rights and wealth-creation. She does, however, see the value of stakeholders as a reminder to the business community that they should behave ethically (Sternberg, 1996, 1997, 1999).

Corporate social responsibility is also eschewed by Henderson (2001), who sees the notion as vague, a threat to the profitability of businesses and a misdirection of corporate endeavour. Henderson is sceptical that businesses can realistically accommodate the expectations of society, especially as he notes, advocates of corporate social responsibility:

treat ‘society’s expectations’ as homogeneous, given, known and legitimate, and take it for granted that corporations now have little choice but to meet them by taking the path of CSR. Both these assumptions, however, are open to question. (p. 34)

Sundaram and Inkpen (2004) also support the shareholder value maximisation perspective stating that organisations can only be effectively governed with one clear objective in mind, rather than the multiple objectives that may arise out of paying heed to stakeholder requests. These authors also assert that providing value to shareholders will benefit all those involved with the firm.

These critiques of the stakeholder concept raise valid concerns, especially when corporate social responsibility and stakeholder expectations are taken to the extreme and to the exclusion of any other decision making criteria. However, that is not my reading of the research discussed above. As I understand stakeholder theory, and its relationship to CSR, it should broaden business decision-making criteria beyond the narrow profit-maximisation goal. Stakeholder theory also recognises that the pursuit of profit may not be without negative consequences and is an effort to ameliorate those consequences.

Stakeholder theory is also subject to the criticism that it is long on idealism while being short on practicality (Starik, 1995). Stakeholder theory calls for the balancing of stakeholder interests. The purported ability to balance interests is often referred to in optimistically general terms, lauding the opportunities for win-win solutions that can be negotiated between organisations and their stakeholders. There is often little recognition given to the reality that individual stakeholder interests are sometimes irreconcilable with organisational interests and/or with other stakeholder interests, a point made by Bendell (2000a) and Elkington and Fennell (2000) who do recognise that not all goals are congruent. Much of the writing, therefore, leaves unanswered the question of how to 'balance' fundamentally opposed objectives – between stakeholders and/or between organisations and their stakeholders.

Aligned to the difficulty of balancing stakeholders' interests is the problem of trying to focus on multiple objectives (for the organisation) that can result from diverse stakeholder interests. Managers may be unable to satisfy multiple objectives simultaneously, so should, therefore, focus on profit maximisation (Jensen, 2002). Attempting to satisfy competing interests in this way could be self-defeating in the extreme.

Those who care about resolving monopoly and externality issues will not succeed if they look to corporations to resolve these issues voluntarily. Companies that try to do so will be eliminated by competitors who choose not to be so civic-minded, or will survive only by consuming their economic profits in this manner. (Jensen, 2002, p. 77)

Another area of contention in the stakeholder theory debate is whether this concept, as it is currently put into practice, may be exacerbating the problems it is seeking to solve. Benn and Dunphy (2005a, 2005b) point out that not all stakeholders can compete with equal resources; therefore the less well-resourced will ultimately be marginalised. As a result of this imbalance in resource availability, marginalised groups are seen as continuing to bear the risks while being unable to influence decisions and outcomes. Banerjee (2001a) goes so far as to question whether corporate citizenship and stakeholder engagement represent a 'new colonisation', particularly of indigenous communities. The indigenous worldview of such

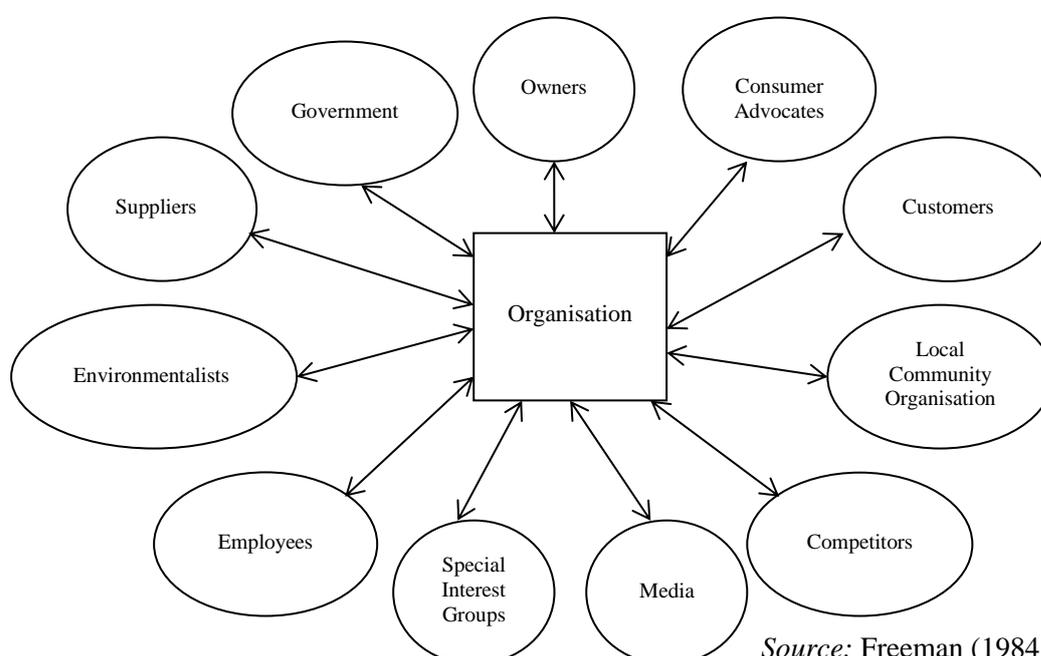
communities can be significantly different from the dominant social paradigm that informs much corporate activity. Stakeholder engagement can be seen as the imposition of economic and scientific rationality on stakeholder groups, with the underlying attitude on the part of organisations that “everything will be alright so long as we can just get our stakeholders to understand our position” (Banerjee, 2001b, 2003b, 2007).

Before closing this chapter I turn to the idea of networks and how they relate to stakeholder theory. When we consider the interaction between organisations and their stakeholders we can conceive of the organisations as being part of a complex societal network, rather than as detached bubbles insulated within, yet somehow separate from, wider society.

Networks

Stakeholder theory has traditionally described the stakeholder-organisation relationship with the organisation in the central position and with stakeholders fanning out in a wagon wheel pattern. See Figure 2.9. Sometimes this model shows primary stakeholders closer to the focal organisation with secondary stakeholders depicted on an outer tier (Freeman, 2007; Phillips, 2003).

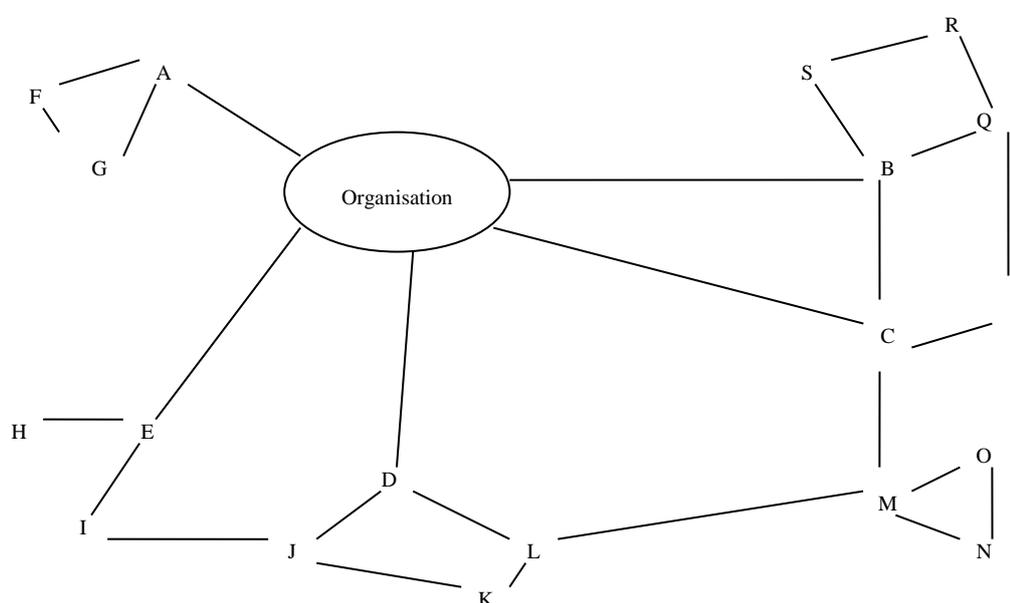
Figure 2.9: Stakeholder view of the firm



Source: Freeman (1984, p. 25) 57

Much of the research that has been undertaken in the name of network analysis has focused on the networks and relationships between businesses (Jones, Hesterly & Borgatti, 1997; Ring & Van de Ven, 1992, 1994). In the context of this thesis, however, the networks of interest are the relationships between business entities and their stakeholders and between stakeholder groups themselves, as Crawford (1995) and Starik (1995) have examined. Network analysis moves away from the conventional dyadic relationship portrayed between an organisation and its stakeholders, as illustrated in Figure 2.9, towards the networked web of relationships depicted in Figure 2.10.

Figure 2.10: Possible network structure showing patterns of relationships



Note: The letters A to S above denote stakeholders of the organisation.

Source: Rowley (1997, p. 891)

It is not the focus of this thesis to present a thorough network analysis of the web of relationships between the focal organisations and their stakeholders. However, recognising that organisations and their stakeholders form part of a wide and complex network is relevant to the sustainability concept. Considering an organisation as part of a network of relationships also serves to acknowledge that some relationships are more distant than others and this distance may be reflected in how much importance an organisation places on any given stakeholder.

Rowley (1997) integrates stakeholder theory and social network constructs to investigate the impact of multiple and interdependent stakeholders on an organisation's responses to stakeholder influence. He draws strong links between network analysis and stakeholder theory, both of which deal with relationships, in this instance relationships that revolve around an organisation and its stakeholders. Mitchell et al.'s work, discussed above, fits well with the network analysis concepts and the decentralisation of the (non)focal organisation, by recognising the potential for intermediary stakeholders to play a significant role on behalf of more distant stakeholders.

Conclusion

This chapter has examined the concept of stakeholders and the growing presence this concept has in the academic literature. Who stakeholders are is an area of considerable debate, with several typologies having been developed to help business organisations identify their stakeholder and determine which ones merit attention. From the other side of the relationship, the equally complex task of identifying what motivates stakeholders to become involved with organisations and how they might go about it have been discussed.

I have also acknowledged the limitations of stakeholder theory as a normative guide to organisational behaviour before closing the chapter with a brief discussion on networks and how they relate to both the stakeholder and sustainability concepts.

I now turn to focus on the nexus of the sustainability and stakeholder concepts.

Chapter 3

The Sustainability Stakeholder Nexus:

Let's talk about saving the planet

Two features characterize our time. The first is the almost limitless capacity of human beings for building and creation, matched by equally great powers of destruction and annihilation. ... The second is the global interrelatedness of actions, with its corollary of global responsibility.

World Conservation Strategy³¹

Introduction

The sustainability stakeholder nexus is a subset of the much wider literature on these concepts introduced in the previous two chapters. This chapter focuses on the connection between sustainability and the interaction between organisations and their stakeholders, and the claims made that the latter is a contributor to the former. The linking of sustainability with stakeholders is not always explicit in the literature. It is frequently an implied association based on one or more of the three dimensions of sustainability, that is, via stakeholders with a social, environmental or economic interest in organisational activities.

The chapter begins with an overview of the conceptual landscape before moving on to explore the claims made that stakeholder engagement may encourage organisations to pursue sustainability. These claims can be seen to be made from either an enlightened self-interested perspective or from a moral/ethical perspective. I structure this chapter by presenting the positive positions first, those that support the contention that sustainability can be realised (at least in part) by broader engagement between the business and wider communities. I then present a critical evaluation of the claims made and close this chapter by locating my research within the literature.

³¹ The International Union for Conservation of Nature (IUCN), The United Nations Environment Programme (UNEP), The World Wildlife Fund (WWF) (1980, p.1).

Stakeholders and sustainability

The focus of this chapter is the last 30 years of scholarly interest in the sustainability and stakeholder subject areas. This period is chosen because the mid-1980s witnessed the appearance of two watershed publications: Freeman's 1984 *Strategic Management: A Stakeholder Approach* and the WCED's 1987 *Our Common Future*. While it cannot be claimed that either book was the first to explore stakeholders or sustainability (respectively) both have been significant influences on subsequent research in their respective areas.

A recurring theme throughout much of the sustainability and stakeholder literature is the notion that stakeholder management or engagement by business is necessary in order to achieve sustainability. See for example, Boutilier, 2009; Commoner, 1990; Donaldson and Preston, 1995; Jacobs, 1997; Welford, 1993; Wheeler and Grayson, 2001. The basic premise is that stakeholders seek to influence business in pursuit of sustainability. Stafford and Hartman (1996) propose that successful alliances between green groups, in particular, and businesses can have the effect of institutionalising ecologically improved processes, for example.

Sustainability requires significant change to the way the business community conducts its operations. One mechanism that has arisen as a possible contributor to this change is stakeholder engagement. Stakeholder engagement requires the dissolution of the arbitrary boundary between the business world and the rest of society. Business practice must be reoriented to accommodate the views, interests and concerns of a variety of stakeholders, particularly those focused on broader long-term sustainability. New terminology is developing to describe this possible future – for example, stakeholder democracy and stakeholder organisation – and significantly different conceptions of business are appearing, as expressed by Freeman (2002):

In order to build a sustainable enterprise,³² each of these stakeholder groups [shareholders, customers, suppliers, employees and communities] must be able to satisfy their interests in what we know as the business corporation. The

³² Freeman, in this context, is referring to sustaining the business rather than sustaining the environment.

corporation is just a clearinghouse, a vessel, a mere means, an instrument for satisfying the interests of stakeholders. ... We need to see business activity as a moral activity, an activity that affects the hopes and dreams and wellbeing of many human beings. ... 'Business ethics' should be a redundancy rather than an oxymoron. (p. 8)

The link between sustainability and stakeholders is founded on a variety of perspectives, which fall into one of two broad categories explained below.

The first is an enlightened self-interest approach based on the understanding that it is in all our best interests (the business community and society at large) to pursue a sustainable life style and social structure, and that interaction between businesses and stakeholders will facilitate this outcome – an instrumental perspective. See for example, Assadourian, 2005a; Hart, 1995; Wheeler and Grayson, 2001; Zadek and Raynard, 2002.

The second incorporates moral/ethical reasoning that sustainability and business-stakeholder interaction is the *right* thing to do - a normative perspective. See for example, Argandona, 1998; Donaldson and Preston, 1995; Porter and Krammer, 2006; Young, 2005.

Categorisation such as that above is always somewhat arbitrary as some scholarly research will fall in both camps and some will not fall easily into either. However, it is useful to identify these different perspectives and serves to remind us that one of the connections between sustainability and stakeholders is trying to accommodate these differences in pursuit of sustainability and a more equitable society. I now discuss these two categories in more depth.

Enlightened self-interest perspectives

The enlightened self-interest perspective surrounding stakeholder engagement for sustainability relies on the premise that businesses that operate in a sustainable

fashion will do well financially. It is, therefore, in their interests to conduct their operations in a sustainable manner. Financial success is still couched in terms of growth and profitability and a significant contribution to that success will be derived from stakeholder engagement. This perspective is solidly founded on the business case for sustainable development and is very much from the business point of view as opposed to a sustainability or stakeholder point of view.

The incentives for an enlightened self-interest approach are varied, and can be grouped in terms of self-preservation and enhanced performance, which are discussed in turn below.

Self-preservation

This clutch of arguments for stakeholder engagement for sustainability relies on the premise that in order for businesses to survive in the short to medium term (at least), they must connect with the sustainability agenda, and stakeholder engagement is a mechanism to do so.

Business success is, in no small part, reliant on an organisation's reputation. If a business is perceived by its stakeholders (particularly customers and investors) to be engaged in activities that are not condoned by society, the business can suffer a loss of legitimacy (Bendell, 1998; Zadek, 2001). There are numerous examples of businesses suffering financially as a result of damage to their reputation. Examples that have achieved "classic" status include Royal/Dutch Shell's handling of the decommissioning of its Brent Spar oil storage rig and oil extraction in Nigeria (Elkington, 2001; Livesey & Kearins, 2002; Werhane, 2011) and The Gap's and Nike's problems with concerns about labour conditions for their suppliers' workers in developing countries (Crane & Livesey, 2003; Zadek, 2001). It should be noted, however, that these companies have been able to recover from relatively short-term damage often by embracing the dialogue of commitment to responsible practice.

The link between sustainability and stakeholder engagement in this context is reasonably transparent. A business that is operating in a socially or environmentally

unsustainable fashion will incur the wrath of stakeholders to the detriment of its financial profitability (Assadourian, 2005b; Hart, 1995; Starik & Rands, 1995). The flipside of this problem (for business) is that by engaging with stakeholders in a proactive manner businesses can forestall or recover from the damage to their reputations by changing their practices to satisfy stakeholder concerns. Stakeholder engagement fosters confidence in an organisation's actions (Hart & Milstein, 2003), and can lend resilience and strength to an organisation (Wheeler & Grayson, 2001). Stakeholder engagement can enhance the level of legitimacy enjoyed by an organisation (Tilt, 1994; Waddock, 2005), which in turn improves the organisation's chances of longevity. The sustainability emphasis here is emphatically about sustaining the organisation, rather than the broader concepts of societal and ecological sustainability. In this respect stakeholders are seen to influence businesses to "go green" (Bansal & Roth, 2000; Gallagher, 2004) or act in a socially responsible manner.

Another self-preserving perspective is the recognition that society, in general, and businesses, in particular, are dependent on the natural environment. From this perspective the natural environment is seen as one of the most important stakeholders (Carroll & Buchholtz, 2003), albeit an involuntary one (Clarkson, 1994). However, the natural environment is not an entity that businesses can engage with in the same fashion as human-to-human interaction. The natural environment does not have a "voice" that can articulate its needs, concerns and stresses, although feedback from the environment is discernible. Fish populations crash as a result of over-fishing and weather cycles become unpredictable as a result of human-induced climate change, for example. There is, therefore, a need for businesses to engage with human proxies speaking on behalf of the environment (Clarkson, 1995).

Perhaps the most (cold-hearted) economically rational self-preservation message is that unsustainable activities may ultimately lead to catastrophic impacts on the human population that make up a business's customers or the resource base upon which businesses depend (Schmidheiny, 1992a, 1992b; Wheeler & Grayson, 2001; WBCSD, 2001). As conservationist David Brower³³ was renowned for saying, "There is no

³³ Founder of the Sierra Club

business to be done on a dead planet.” It is, therefore, in the interests of the business community to ensure the long-term survival of their customer and resource base.

Even without the upheaval that may result from continued unsustainable practices, there are opportunities aplenty for businesses to provide products and services that meet the needs of the so-called “Survival Economy”. The survival economy is the portion of the human population who currently live a subsistence lifestyle depending directly on the natural environment to meet basic needs. These people are potential customers offering “unprecedented business opportunity for visionary firms” (Hart & Milstein, 1999, p. 29). Businesses are now being encouraged to consider the potential “Fortune at the Bottom of the Pyramid” whereby the “prodigious opportunity for the world’s wealthiest companies – to seek their fortunes and bring prosperity to the aspiring poor” (Prahalad & Hart, 2002, p. 1) will arguably be realised through drawing the world’s poorest into the global market economy.

Enhanced performance

A more affirmative vision is found in the prospect of cooperative relationships between businesses and their stakeholders, enhancing the financial performance of businesses.

Stakeholders are seen as a source of knowledge, expertise (Jones, 2011; Sharma & Starik, 2004), something that can be especially useful for smaller organisations lacking these resources internally (Lewis & Cassells, 2009) or for larger businesses that are detached from communities of interest. Stakeholders may also be a source of inspiration for sustainable business practice (Jennings & Zanderbergen, 1995). These arguments are centred on the notion that while businesses themselves may not be in possession of the expertise necessary to steer a sustainable path, they can draw on that knowledge from their stakeholders. Stakeholders may provide innovative product or process ideas or they may highlight sustainability issues that the business was previously unaware of (Hart & Sharma, 2004). Engaging with stakeholders may also be a cost-effective method of accessing sustainability knowledge, expertise, and inspiration.

Stakeholders are also seen as a driving force behind proactive environmental management, which will lead to more efficiency and competitiveness. The examples of businesses making substantial cost savings by implementing less environmentally damaging processes abound – 3M's 3Ps (Pollution Prevention Pays), Dow Chemicals' WRAP (Waste Reduction Always Pays), and Xerox's 90% waste reduction goal being frequently cited examples (Gray, Bebbington & Walters, 1993; Weizsacker et al., 1998). Stakeholders are driving businesses towards proactive environmental management via: public demand for environmental protection; customer demand for clean processes and products; and shareholder rejection of environmental risks (Berry & Rondinelli, 1998). Berry and Rondinelli see these stakeholder forces as so influential they optimistically claim that "environmental sustainability – the need to protect the environment and conserve resources – is now a value embraced by most competitive and successful companies" (1998, p. 38).

Stakeholders are also a possible source of information to guide strategy (Welford, 1995). Interaction with stakeholders can help an organisation identify and capitalise on customer preferences relating to more environmentally sound or socially responsible products. Solutions to conflicting stakeholder demands should be achieved via open communication with and between stakeholders – if disparate stakeholders understand each other's demands; we have a better chance of consensus. "Sustainable development can be achieved only through a means of decision making which is much more democratic, egalitarian, creative and participative" (Welford, 1995, p. 116).

The incentives discussed above, which encourage organisations to engage with their stakeholders, rest largely in the instrumental perspective, implying that if an organisation engages with its stakeholders it is likely to achieve positive results. Stakeholders can make organisations aware of demand for innovatively produced goods and services, and in some instances stakeholders may provide knowledge that will make such innovations possible. Stakeholder engagement may encourage organisations to realise process improvements and may facilitate the reduced chances of onerous legislation being enacted to change organisational behaviour. All of these

incentives are seen to lead to improved business operations and to sustaining the businesses themselves.

I now move to discuss the more normative perspective, based on ethical and moral principles, which dictate that organisations should engage with their stakeholders because it is the right thing to do and will lead to the achievement of sustainability in the collective interest.

Moral/Ethical Perspectives

Stakeholder engagement for sustainability, founded on moral and ethical principles, again can be distinguished from two different standpoints. One standpoint is based on an anthropocentric view, which places humanity at the heart of concerns. The other standpoint is based on a bio-centric³⁴ view, which places the wider natural environment, ecosystems, flora or fauna at the heart of concerns. The human species is not neglected in a bio-centric approach; however, humanity does lose its preeminent status, and by extension businesses no longer hold the central position in stakeholder networks, but become one of many stakeholder groups interacting with each other. It should be noted that the dichotomy here is somewhat arbitrary and there are perspectives that bridge the divide.

Anthropocentrism

There are some similarities between the business case for sustainable development and anthropocentric reasoning, the primary point of difference is the question of scale. While the business case naturally focuses on business concerns, the anthropocentric view is much wider and is concerned with the plight of humanity in more general terms – this position has the significant effect of drawing attention away from purely economically motivated decision-making.

³⁴ “Biocentric equality means that no species, including the human species, is regarded as more valuable or in any sense higher than any other species.” (Dryzek, 2005, p.184)

First and foremost in this section is the point that sustainability is defined by many different actors in society, not just by the business community (Jennings & Zandbergen, 1995; Redclift, 2005). Therefore, interaction between business decision-makers and members of the wider community is seen as essential in order to bring about a mutually understood definition of sustainability, whether or not this is possible. Some level of agreement on what sustainability is appears necessary to facilitate a coordinated effort to achieve a sustainable way of being. However, as has been discussed earlier, reaching agreement is no easy task and sustainability remains a highly contested term. Despite the inherent difficulties surrounding sustainability, it is fair to say that input from outside business organisations is essential if we are to develop an understanding of sustainability that goes beyond the goal of sustaining the profitability and longevity of businesses *per se*, as is the primary goal underpinning the business case for sustainable development discussed in Chapter 1.

In addition to having a role in defining sustainability, the wider community (also referred to as stakeholders or civil society) is seen to be demanding improved business practice in pursuit of sustainability (Sharma & Starik, 2004). These demands are the result of increasing concerns that current business practices are unsustainable. The underlying tenet is that with power comes responsibility (Wheeler & Grayson, 2001). Environmental stewardship and community relations are part of corporate social responsibility (Wheeler & Ng, 2004). As business rights to use resources and the power of commercial interests have increased dramatically, especially over the last quarter century (Korten, 2001), there has been a concomitant increase in the concerns of stakeholders that responsibilities are being circumvented in the pursuit of profit (Assadourian, 2005a; Hawken, 1993; Starik & Rands, 1992). This perception of escalating rights without associated responsibilities is a situation that is increasingly unacceptable to active stakeholders (Assadourian, 2005b; Banerjee, 2002; Jacobs, 1997). Business stakeholders are making their “demands” through a variety of means such as: activism (protesting with respect to environmental or human rights issues); consumption patterns (that favour products seen as sustainable or boycotting products seen as unsustainable); and via direct engagement with businesses to contribute to improved processes in pursuit of sustainability (Assadourian, 2005a, 2005b).

Similar to the “enlightened self-interest” of the business community discussed above, there is also an “enlightened self-interest” of the wider community in that broader, long-term sustainability is in the public interest (Egri & Pinfield, 1996). At the extreme, the concern here is that current patterns of human behaviour (business and otherwise) will result in the extinction of the human species. It is, therefore, in all our interests to alter our behaviour patterns to ensure the long-term survival of humanity. Business organisations need to fit into broader social and ecological systems, rather than continuing to focus almost exclusively on the narrow economic system. There is also an argument based on justice, that the natural environment is a stakeholder. In a similar vein to Obeng’s (1994) process and outcome stakeholders, including the natural environment as a stakeholder can be considered from a procedural or distributive justice perspective (Phillips, 2003). Procedural justice is premised on the notion that it is just for stakeholders to participate in the decision-making process. Distributive justice on the other hand is concerned with the outcomes of the decision-making processes, and that stakeholders should receive a just distribution of the resulting benefits and burdens. For example, people that live in areas affected by a business’s operations have a stake in environmental quality; they have a right to clean air (Donaldson & Preston, 1995).

Stakeholding can be understood as a philosophical concept where, by cultivating inclusiveness, everyone contributes to societal well-being and, therefore, everyone benefits (Jacobs, 1997; Stead, Stead & Shemwell, 2002). “Community sustainability refers to a potpourri of efforts designed to integrate a community’s economy, environment and socio-cultural system into a synergistic whole that will allow all three to flourish over the long term” (Stead, et al., 2002, p. 63).

Jacobs (1997) is particularly concerned with the inclusion of two stakeholders groups who do not have a “voice” (literally), they are the environment and future generations – two of the fundamental components of sustainability thinking. As neither of these groups can speak directly of its own interests it is necessary to engage with proxies to represent those interests (Clarkson, 1995). Finding proxies to represent the environment is reasonably easy with the plethora of environmental groups and advocates in existence; finding proxies to represent the unknown and unknowable

interests of unborn people is far less so. However, as discussed in Chapter 1, using the current generation's interests as a proxy is not unreasonable.

There are also strong links between sustainability and stakeholders in the development literature. Although the term "stakeholder" itself is not so commonplace in this field, participatory development is a subject of rigorous debate. Participatory development is justified in terms of sustainability, relevance, and empowerment, seeking to involve the socially and economically marginalised in decision-making. It involves stakeholder influence and shared control over development initiatives, decisions and resources affecting their (the development recipients) own lives (Cooke & Kothari, 2001). However, there are problems in the development arena, similar to the problems that arise in the stakeholder/business context. These are discussed in the final section of this chapter.

Biocentrism

The bio-centric approach stems from a belief by many that the non-human environment has intrinsic value that is not reliant on the vast instrumental value that the environment provides humanity by the way of life supporting attributes – air, water, soil, plant and animal resources. See for example, Eckersley, 2005; Foreman, 2005; Naess, 2005. While it is by no means universally agreed that the environment and its component parts should be granted stakeholder status, the following is a summary of the arguments for such status.

One position for including the natural environment as a stakeholder draws on Freeman's original conception that stakeholders include those affected by an organisation's activities. It would be difficult for anyone to argue that the natural environment is not affected by business operations; the logic of this line of reasoning is, therefore, that the natural environment is a stakeholder. This assertion is made by Jacobs (1997) on the basis that the environment contributes to and is affected by economic activity; *ipso facto* the environment is a stakeholder. Also drawing on Freeman's original 1984 definition is the recognition that the natural environment has significant power to affect organisations. Witness the devastating climatic events in

the Southern United States in 2005 – hurricanes Katrina, Rita and Wilma. As the links between human activity and a volatile global climate are made stronger, the obligation on businesses to examine their own contributions and responses to climate change (and other environmental impacts) is becoming more pressing. One possible response to these challenges is to treat the natural environment as a stakeholder.

In a special issue of the *Ruffin Series* of the *Business Ethics Quarterly*, scholars from a variety of disciplines addressed the issue of environmental challenges to business. The recognition that some form of interaction between the business and wider communities was an essential component of developing solutions to environmental (sustainability) problems permeated the debate. Merchant (2000) called for partnership ethics, that would acknowledge the mutual relationship between the human and biotic communities. Alternatively, eco-centring strategic management (Shrivastava, 2000) encourages businesses to respond to stakeholder demands for more environmentally benign operations and products and to actively seek out partnerships with stakeholders to facilitate changes in business operations. Freeman and Reichart (2000) called for a life-centred ethic for business, which questions the mind-set that capitalism is fundamentally in opposition to ecological sustainability – particularly consumption lead growth. The Power of Stories is the theme of Stead and Stead's (2000a, 2000b) contributions to this special issue as they call for recognising the Earth as a spiritual stakeholder in acknowledgment of the interconnectedness between the environmental, social and economic domains of life on the planet. All of these contributions reinforce the idea that we need to rethink the way human society, and in particular the economic aspects of society, are organised. This new perspective will require input from both within and outside of the business community.

In his risk-based model of stakeholder theory, Clarkson (1994) identifies the ecological environment as an involuntary stakeholder that has no choice but to bear the costs of reparation.

Whenever the activities of corporations result in pollution, health hazards, and other forms of environmental degradation, not only are people, whose health

and lives may be at risk, forced to become involuntary stake holders³⁵, but both the wider society and the environment itself are placed at risk and thus become involuntary stake holders. (p. 5)

Starik (1995), on the other hand, argues that the natural environment is not adequately represented by human proxies and, therefore, has a right (in its own right) to be considered as a stakeholder in business operations and decision-making, and to be treated accordingly. This position is supported by the concept of community sustainability articulated by Stead, et al. (2002). It promotes a regional approach to sustainability that focuses on a shared space including the economy, natural environment, and sociocultural systems inherent in a particular community. “Sustainable communities should give local nature – land, air, water and native species – community membership” (Stead, et al., 2002, p. 64). As “the community” is almost without fail identified as an organisational stakeholder, this thinking confers stakeholder status on the natural environment.

It is reasonably easy to come up with justifications or arguments that support the contention that stakeholder engagement will lead to improved business practice; in fact the literature appears to engender high expectations that stakeholders and engagement with them can and will lead to a more just and sustainable world. However, not everyone is convinced that this brave new world can be achieved through stakeholder engagement either as it is theorised or as it is practised. Next I move to the less enthusiastic commentaries on the idea that stakeholder engagement by the business community will facilitate the pursuit of sustainability.

Criticisms of the stakeholder engagement for sustainability concept

It must also be noted that stakeholder engagement for sustainability requires on-going dialogue between business and its stakeholders because stakeholder concerns are dynamic as societal expectations and ethical positions change over time (Mitchell, et al., 1997; Warnock, 2005; Zadek, 2001). Not only does this dynamism create

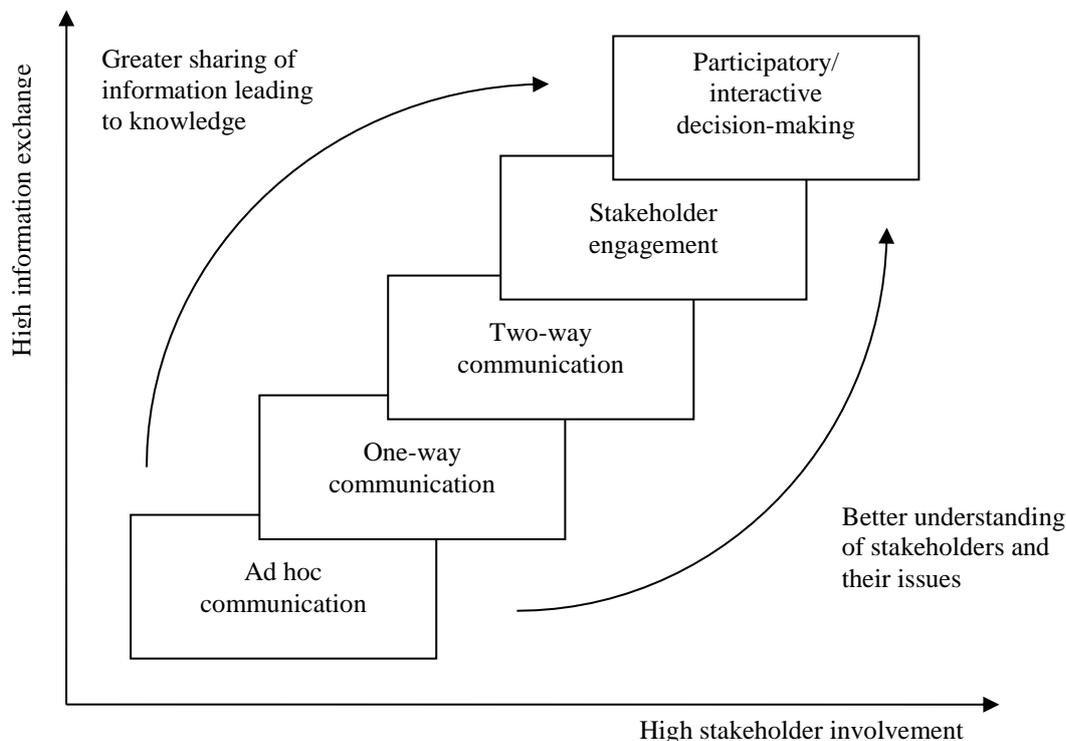
³⁵ Clarkson purposively bifurcates stakeholder into stake holder “so that the connection between ‘stake’ and ‘risk’ can become more clear” (1994, p. 3).

challenges for the business community but it also brings into question how we can possibly achieve sustainability if it is a moving target.

Interaction between an organisation and its stakeholders can occur on numerous levels. Hund, Engel-Cox, Fowler and Klee (2002) develop a model of communication that ranges from ad hoc to participatory/interactive decision-making. See Figure 3.1. As communication between the parties exhibits a greater exchange of information and better understanding between participants of each other and their concerns, more meaningful and genuine communication ensues.

As discussed above, if the interaction between an organisation and its stakeholders is to be a force for sustainability, we would expect the communication to be at the participatory/interactive decision-making end of the spectrum. For communication to reach this level of inclusiveness would require organisations to cede a considerable amount of power to stakeholders (Porter & Kramer, 2006). Such an achievement seems unlikely in the current climate where corporate power is on the increase rather than diminishing (Cowe, 2001; Korten, 1999, 2001).

Figure 3.1: Types of Communication



Source: Hund et al, 2002, p. 228

There are concerns that stakeholder-business interaction as it may be practised is an exercise in manipulation (Bendell, 2003; Crane, 2000a, 2000b; Mosse, 2001) or green-washing (Beder, 1997; Gray, 2002; Newton & Harte, 1997), rather than a more sincere attempt to facilitate ecologically sustainable business operations. Green-washing implies that organisations purposefully influence public opinion by providing a veneer of environmental or social concern, while fundamentally operating in a “business-as-usual” mode. Manipulation has perhaps more sinister overtones, where organisations wilfully mislead public opinion (Brown & Fraser, 2006; O’Dwyer, 2003). Methods employed include funding research organisations and think tanks to support a particular industry-friendly view-point on contentious issues, for example, the American Enterprise Institute funded by ExxonMobil (Banerjee, 2007).

The interaction between organisations and their stakeholders may also be seen as a way to convince stakeholders that the organisational perspective is *right*, and that the stakeholders should abandon their contrary opinions – something they will be willing to do once they are adequately informed of “the facts” (Calton & Payne, 2003). This is a criticism expressed particularly in the development literature (Cooke & Kothari, 2001) and research on the impact of globalisation on indigenous populations (Banerjee, 2000; Shiva, 2005a, 2005b). The fundamental criticism is that participation is really just a means of imposing a foreign world-view on the participants. There can be a tendency to dismiss other ways of seeing the world as ignorant or emotive and, therefore, less legitimate than a scientifically and economically based rationality (Zadek, 2001). This dismissive tendency can have the impact of further marginalising disadvantaged groups, who are supposed to be the beneficiaries of participation.

While there is recognition of the possible negative impacts of participation on stakeholders, there is also criticism that engagement as it is practised may serve the interests of the already powerful, rather than facilitating input and influence by the less powerful (Burritt & Welch, 1997; Jacobs, 1997). There are concerns that organisations seeking participation from their stakeholders are in a position to set the agenda and, therefore, hold undue influence over the “rules of the game” (Cooke & Kothari, 2001; Zadek, 2001)

In addition to the possibly dubious motives that some in the business community may have for engaging with their stakeholders, there are also problems surrounding the sheer volume of consultation or participation that some stakeholders are subject to (Banerjee, 2001, 2003a; Svendsen, 2000). Participation is expensive, in terms of resources and time, for all involved. While some stakeholder groups are well resourced and large organisations, for instance international NGOs such as Greenpeace or WWF, some groups are small local organisations that may have formed around a particular issue and have no significant resources to contribute to an extensive consultation or participation programme. There is an expectation in some quarters that businesses will provide funds for stakeholders to participate. This funding, however, has its own hazards with the possibility of actual or perceived compromising of stakeholder independence (Banerjee, 2007; Collins, Kearins & Roper, 2005; Stafford & Hartman, 1996, Welford, 1997).

Even if organisations did embrace a more participatory approach to their decision-making processes, there is no guarantee that doing so would result in them sustaining themselves or contributing to a sustainable world. Stakeholders have their own sets of vested interests (Collins, et al., 2005; Zadek, 2001) that may or may not be congruent with sustainability (Jacobs, 1999). This complexity leads to one of the most perplexing issues confronting the notion of stakeholder engagement for sustainability: If there is widespread engagement and stakeholder interests are fully integrated into business decision-making, what kind of society would we end up with? Who decides what is in the “common good” (Waddock, 2005; Zadek, 2001). There is no single voice or harmonious consensus around stakeholder interests (Cooke & Kothari, 2001; Mosse, 2001), nor is there a universal understanding of what sustainability means (Johnson, 1991) – as discussed in Chapter 1.

Criticism also surrounds the overly optimistic tenor of much of the stakeholder literature, which has a tendency to gloss over fundamentally irreconcilable conflicts in favour of espousing the win-win³⁶ scenarios that represent the low-hanging fruit of the business case for sustainable development and for stakeholder engagement (Bendell, 1998; Banerjee, 2007; Brown & Fraser, 2006; Walley & Whitehead, 1994). Where a

³⁶ Assadourian (2005b) even promotes the ‘triple-win’ of cost savings, good publicity and reduced pollution.

more radical sustainability agenda is likely to be a zero-sum game (or result in significant losses) with benefits accruing to one party only at the expense of another, as Walley and Whitehead (1994) note, eventually economics and the environment clash at a cost.

Another area of concern, and one especially relevant in New Zealand where governmental decision-making has been decentralised and devolved to a regional level (see Chapter 5), is the idea of “the tyranny of small decisions” (Odum, 1982). The problem here is that when sustainability issues are considered and dealt with at an entity level, there is no opportunity for a systemic view of problems and any one organisation is unlikely to be able to make a significant contribution to sustainability issues that have global reach, such as climate change.

One of the risks we face regarding the natural environment as a stakeholder is that by the time we recognise the impact our unsustainable practices are having, we may have reached a point of no return with a particular activity and the associated impact. There is, therefore, a need to engage with people acting on behalf of the natural environment. Indirect engagement can be via green consumers, green employees, and green investors (activist shareholders) all acting as proxies for the natural environment, all of whom apply pressure on businesses to employ business practices that would contribute to sustainability. More direct engagement may be seen in co-operative relationships with green advocates (Cohen, 2003; Rondinelli & London, 2003). Examples of these “green alliances” (Stafford & Hartman, 1996) include Oxfam/Levi-Strauss, McDonald’s/ Environmental Defense Fund and the Rainforest Alliance/Chiquita partnerships (Cohen, 2003). Although there is no guarantee of success in these relationships (as discussed later in this chapter), working with a highly credible environmental organisation may have the added benefit of forestalling adversarial relationships of the kind experienced by Nike, The Gap and Royal/Dutch Shell which were mentioned above.

Finally I turn to a crucial criticism and ask: Based on the idea that if organisations genuinely engage with their stakeholders, take their views into account, and somehow manage to balance the conflicting expectations, as is idealised in stakeholder theory, what sort of society would we end up with? There is no guarantee that reaching

agreement on how organisations should behave, in the wider social and environmental context, will bring about a long-term viable solution to the problems discussed here. Of particular concern, is that any consensus that may be reached may be in favour of an unsustainable future (Collins, et al., 2005; Rydin, 1999; Rydin & Greig, 1995).

There are some fundamental tensions apparent in the sustainability-stakeholder engagement arena discussed next.

The first tension point concerns conflicting time schedules. Stakeholder engagement is a process that requires time to get right, whereas businesses are being encouraged to move ever faster (Commoner, 1990; Porritt, 2005).

The second tension point concerns the issue of moral relativity. Cultural norms change over time and differ between cultural groups, which means that what we deem to be acceptable at any given time may not hold true in the future, or may not hold true in the present for different groups of stakeholders (Banerjee, 2000; Cooke & Kothari, 2001; Goodstein & Wicks, 2007).

The third tension point concerns the issue of power. True dialogue can only take place between equals, which is often not the case in stakeholder-organisation relationships where a significant imbalance of power can exist (Assadourian, 2005b; Elms, Johnson-Cramer & Berman, 2011; Welford, 1993).

If businesses want to engage in business practices in pursuit of sustainability they need to seek out environmental (and other) stakeholders with the values, knowledge, leadership and change-management skills that can assist the business to achieve new operational direction (Egri & Herman, 2000). They need a proactive approach to stakeholder engagement, rather than a reactive approach that responds to stakeholders who make themselves visible (Mitchell, et al., 1997). This idea implies that stakeholders are a source of knowledge and expertise regarding sustainability (Starik & Rands, 1995). Therefore, if business decision makers wish to engage with their stakeholders for the purpose of developing and implementing improved business practice in pursuit of sustainability, they actually need to seek out stakeholders who

are explicitly concerned about sustainability, including those who take a strong sustainability perspective, as outlined in Chapter 1.

Conclusion

This chapter has explored the nexus between stakeholder engagement and sustainability, looking particularly at the perspectives that can be brought to bear on this discussion. Businesses can be seen to engage their stakeholders from an enlightened, self-interested point of view or from a moral/ethical position. Regardless of the perspective from which we view stakeholder engagement for sustainability, there are fundamental tension points that do not resolve the sustainability problem. These tensions are revisited in the data analysis in Chapter 9.

Section 2

Where does this research fit?

This section of the thesis provides a bridge between the literature reviewed in Section 1 and the data presented and analysed in Section 3.

This section, Section 2, comprises of two chapters. The first, Chapter 4 establishes the philosophical underpinnings of this research project and locates me as a researcher amongst the vast array of possible research perspectives. Chapter 4 also provides details of the methods applied in conducting this research.

The second chapter in this section, Chapter 5, provides a more practical context for this research by acquainting the reader with New Zealand and the electricity industry – the national and industrial settings for this project.

Chapter 4

Methodology and Method

It's not what we don't know that gives us trouble
It's what we know that just ain't so

Will Rogers

Introduction

While the purpose of this chapter is manifold, the overarching objective is to establish the integrity of the thesis as a whole. This objective is achieved by forging the linkages between the literature reviewed in the preceding chapters and the data, and the analysis of it presented in the subsequent chapters. In addition to meeting this primary objective, this chapter also serves to locate me as a qualitative researcher using a grounded theory approach.

The structure of this chapter is as follows. First, I establish the methodological preferences I hold as the researcher. Methodological choices are statements of belief; there is no absolute right or wrong. However, it is generally deemed necessary for researchers to consider how we come to understand the world around us, what constitutes knowledge, and our attitude towards the underlying characteristics of human behaviour. Second, I justify the qualitative orientation of this research and the choice of a grounded theory approach. Third, I discuss the methods undertaken to collect, analyse, and present the data that have formed the empirical aspect of this research project.

Locating the researcher

It would be fair to say that the methodological aspect of my research has caused me the most angst. I struggled to find a position, within the various research approaches

available, that resonated with me; I would pursue a particular path for a while only to come up against an obstacle that for me felt insurmountable. While I could have chosen a particular methodology, regardless of these reservations, it would have felt disingenuous to do so. Another reason for my struggle is the analogy so commonly used to describe the methodological stance taken by a researcher, which is often referred to as the lens through which the subject matter is viewed. While I appreciate the effect and usefulness of bringing aspects of the subject matter into a magnified focus, I always feel that framing in this way may cause me to miss the wider picture within which the subject matter is located.

I think my reservations stem from three aspects of my character. First, I am by nature a “big-picture” person. I like to try to understand the context within which something is occurring rather than only focusing on the event or action in question. Second, my attention is drawn to “practical research interest(s)” (Scherer & Patzer, 2011, p. 150), which focus on understanding social phenomena from the perspective of the people involved. This is not to say that I do not appreciate the value of theory in helping us understand, predict and perhaps improve on how things are done, but my interests tend towards examining and understanding what is happening in practice and what the practical implications of those activities are. Third, I find myself to be a creature of the middle ground. This is not to say that I am a fence-sitter, I have quite firm opinions, but they do not appear to tend towards the extreme. My initial reading of the literature concerning methodology presented the range of perspectives on a continuum with end points clearly discussed but the middle ground left with little or no explanation. See, for example, Morgan & Smircich, 2005; Welford, 1998. I frequently found myself thinking I do not agree with either of the extreme end-points; my understanding of the world lies somewhere towards the middle.

However, with these qualifications in mind, it is, of course, necessary that I take a stance on where I see myself within the vast domain of theoretical perspectives and research activities. I start by discussing the questions of ontology, epistemology, and human nature.

The methodological mix

Methodology establishes the belief system held by the researcher and illuminates the core assumptions upon which the research is founded. According to Burrell and Morgan (1979), “all theories of organisation are based upon a philosophy of science and a theory of society” (p. 1). In order to determine the methodological stance to be taken in a research project, it is necessary to identify the founding assumptions held by the researcher. These assumptions relate to:

- one’s belief about the nature of the social world and how it may be studied (ontology);
- one’s understanding of how knowledge is generated (epistemology); and
- one’s belief about human nature.

Ontology

We all carry within ourselves assumptions about the nature of the social world and, from a researcher’s perspective, assumptions about how it may be investigated. These are our ontological assumptions. The ontological continuum ranges from seeing the world as an objective reality (realism) which may be discovered by the researcher, through to seeing the world as a subjective reality (nominalism) which is a social construct and will be influenced by researchers themselves (Burrell & Morgan, 1979; Lundberg & Young, 2005).

The prominent features of an “objective reality” ontological position are that reality exists independent of our knowledge of it, but given enough time, resources and investigation we can observe and understand that reality (Lincoln & Guba, 1985). The social world is as concrete and observable as the natural world (Lundberg & Young, 2005). In addition to the objective nature of the social world, this position also holds that researchers are capable of objective observation and that they play no part in influencing the subject of their research or the outcomes of the research process. The major problem I have with this perspective is the lack of recognition that as a researcher I bring something to the process which will have an impact on the

research project. My prior knowledge, my choices, and perhaps my very presence all have an impact on what I investigate, how I understand it, and how I choose to present my findings.

Alternatively, the “subjective nominalist” ontological position recognises the influence researchers have in the research process. This position holds that reality is constructed in the minds of individuals observing a particular phenomenon. At the extreme, this position denies the existence of reality outside of the observer’s experience of it. As a result, research can only ever illuminate one of many possible realities based on the construction of the researcher in question (Lincoln & Guba, 1985).

To me, this extreme ontological position seems to be quite arrogant. I find the idea that something only comes into existence because I am present to observe it unpalatable. While I accept that I am likely to bring my own interpretation to any situation I am in, I believe there is a whole world of social phenomena out there that exists without the benefit of my presence.

Fortunately, for me, Lincoln and Guba (1985) also offer an ontological position that better fits with my understanding of the world – that of “perceived reality”. This position

(a)sserts that there is a reality, but one cannot know it fully. It can be appreciated only from particular vantage points, which some prefer to call *perceptions*. A perception ... is a partial, incomplete view of something that is nevertheless real, and capable of different interpretation when seen from different viewpoints. It is partial and incomplete only because each perception yields experience of only a limited number of *parts* of the whole. (p. 83, original emphasis)

Not only does a perceived reality resonate with my understanding of the world, but I also believe there is congruence with both the multifarious nature of sustainability and the multiple views inherent in the domain of stakeholders. Perception is, in fact, central to this research. The evolution of human thought and attitudes as discussed by

Pepper (1999) displays a changing perception that societies through the ages have had towards the natural environment. Is the environment “out there” or are we a part of it? Is the environment the fundamental foundation of human life on this planet or just another system to be used (abused) and dominated? Is Mother Nature a benevolent caregiver and provider or “red in tooth and claw” (Tennyson, 1849).

With regard to the stakeholder concept, perceptions are equally important. For the participants in stakeholder relationships are the relationships, seen as mutually beneficial or is one party seeking to derive “wins” for its camp at the expense of the opposition? Are stakeholders seen by organisations as part of a gruelling obstacle course to be negotiated or as a potential source of innovation and expertise in the fast-paced and highly competitive commercial environment?

And finally the perception of me, the researcher – what I have investigated, how I have investigated it, and how I choose to present my findings – are all influenced by my perceptions and the understanding I gain from them.

Having settled upon a perceived reality ontological position I now turn to establishing compatible epistemological assumptions.

Epistemology

The second set of assumptions is related to epistemology – the theory or study of the origin, nature, methods, and limits of knowledge. Here researchers must consider how knowledge can be gained, analysed, and communicated. This continuum stretches from positivism (objective and scientific) to anti-positivism (subjective and interpretive).

A positivist approach lends itself to quantitative research in the tradition of the natural sciences (Lee, 2005). Social science research, using a positivist framework, generally focuses on applying the same methods as do the natural sciences aiming for replicable research results based on hypotheses drawn from general observations and tested at the level of specific, controlled experiments. This type of research approach seeks to

prove or disprove the hypotheses under investigation. Knowledge gained from positivist research is seen to be objective and deductive in nature, and is in keeping with a realist ontology described above.

An anti-positivist approach, by contrast, recognises the validity of qualitative research methods which are “particularly oriented toward exploration, discovery, and inductive logic. Inductive analysis begins with specific observations and builds toward general patterns” (Patton, 2002, pp. 55-56).

Qualitative research of this nature can be “seen as being relative and specific to the immediate context and situation from which it is generated” (Morgan & Smircich, 2005, p.103), a characteristic that is untenable from a positivist perspective. Anti-positivism is, therefore, seen as compatible with a nominalist ontology described above.

It should be noted, however, that while congruence exists between epistemological and ontological leanings, such congruence is by no means the only possible way of approaching research. As Stablein (2005) notes, “an organisational scholar at the extreme objective end of the ontology distribution may accept that our knowledge of the very concrete real world is funnelled through imperfect human perceptual, cognitive, and communicative apparatus” (p. 88). It is quite possible, therefore, to do positivist, qualitative work, for example case study research, which sets out to test or prove particular hypotheses or even to develop testable theory (Eisenhardt, 1989; Eisenhardt & Graebner 2007). I do not, however, propose taking this approach myself. I take a more subjective approach, recognising my impact on the research findings and focusing on the specifics of the subject matter at hand. This approach has the potential to contribute to generalisable observations, which may be tested by future research, although this outcome is far from guaranteed.

I now turn to discussing beliefs about human nature.

Human Nature

The third set of assumptions which must be clarified concern human nature (Burrell & Morgan, 1979). The continuum here identifies the extremities of a deterministic world in which humans are a product of their environment, through to a voluntaristic or individualistic world where humans have free will to create and control their environment.

In a deterministic world, people are a product of their environment and they respond to stimuli in predictable ways. This understanding of human nature posits that people are somewhat passive subjects within their surroundings and are acted upon by their environment rather than being self-determining (Lundberg & Young, 2005). A deterministic worldview is largely consistent with an objective ontology and a positivist epistemology, where research is expected to yield results that are generalisable across a broad range of subjects in similar circumstances.

The opposite extreme of the assumptions regarding human nature sees people as “intentional beings, directing their psychic energy and experience in ways that constitute the world in meaningful, intentional form” (Lundberg & Young, 2005, pp.76-77). This view sees humans as creators of and in control of their environment. This end of the human nature spectrum is largely consistent with a subjective ontology and an anti-positivist epistemology, where research may yield interesting insights into a given situation, but the results are not necessarily expected to offer generalisable findings.

Neither of these extremes fits with how I see the world. I do not believe we are completely at the mercy of our environment nor do I see us as transcendental beings that shape the world around us in some absolute fashion. The social world, as I see it, is something of an amalgam of these two extremes. People are subject to environmental factors over which they have no control; however, they do have control over how they react to the different situations in which they find themselves. Following Lundberg and Young (2005), I appear to favour a slightly more objective (as opposed to subjective) view of humanity where:

human beings exist in an interactive relationship with their world. They influence and are influenced by their context or environment. The process of exchange that operates here is essentially a competitive one, the individual seeking to interpret and exploit the environment to satisfy important needs, and hence survive. Relationships between individuals and environment express a pattern of activity necessary for survival and well-being of the individual. (pp. 76-77)

Based on the preceding discussion, this research is underpinned by the following philosophical assumptions.

Ontology A perceived reality ontological position. This position assumes that social phenomena exist independent of the observations of particular individuals. However, individuals develop their own interpretation of any phenomena they do observe. Therefore, perceptions are constructed by humans and both shared meanings and multiple interpretations are possible.

Epistemology A subjectivist epistemology, which assumes that subjective interaction is needed to understand people's perceived realities. The interaction between the researcher and the research subject will influence both the framing of the research project and the research outputs.

Human Nature Humans are adaptive agents who are subject to the world around them, but are generally free to react to their environment as opposed to being controlled by it.

I now discuss the specific qualitative orientation of this research, aligned to the methodological choices I have made.

The research orientation

The philosophical assumptions discussed above provide the foundations upon which a research project is built. However, it is also necessary to establish the orientation

used in this research that will direct the collection, analysis, and presentation of the empirical data collected as part of this research project. A research orientation offers researchers a method to focus their attention on the subject matter and guidance on appropriate activities surrounding the collection and analysis of data and the presentation of the research findings.

First and foremost this is a qualitative research project, as opposed to a quantitative study. “The word *qualitative* implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured (if measured at all) in terms of quantity, amount, intensity, of frequency” (Denzin & Lincoln, 1994, p. 10; original emphasis). The implication of this choice means there is a complete lack of statistical analysis of the data, and while my findings include identification of perceived trends, these trends are not mathematically derived. This approach also embraces the subjectivity inherent in much qualitative research. I fully acknowledge that my own perceptions and prior experience impact on the research as it was conceived and brought to fruition.

Qualitative research is a family of research activities that covers a broad spectrum of disciplines and approaches. Areas of research include education, sociology, business, and organisation studies. How research in these areas is conducted includes methods informed by the interpretive and critical paradigms in particular (Denzin and Lincoln, 2002). My research is located in the interpretive rather than the critical camp.

Critical analysis has a strong focus on exploring the political interplay between parties and identifying power imbalances inherent in relationships that can lead to unsatisfactory (from the researchers perspective) circumstances and outcomes.

Critical research seeks to improve the situation by overthrowing the status quo (Alvesson and Willmott, 1992), although this objective may not always be achievable and critical research output may be limited to revealing conditions in need of change (from the critical perspective).

An interpretive paradigm, by contrast, seeks to understand “the world of lived experience from the point of view of those who live it” (Locke, 2001, p. 8). This approach to research investigates phenomena and events through interaction with the

people involved. An understanding of reality is developed by sharing the experiences of the research subjects, allowing them to describe their experiences.

This research has involved an interpretive naturalistic approach to its subject matter (Denzin & Lincoln, 1994). Qualitative research of this type is naturalistic to the extent that

it takes place in real-world settings and the researcher does not attempt to manipulate the phenomenon of interest ... (it) unfolds naturally in that it has no predetermined course established by and for the researcher such as would occur in a laboratory or other controlled setting. Observations take place in real-world settings and people are interviewed using open-ended questions in places and under conditions that are comfortable and familiar to them (Patton, 2002, p. 39).

For me, the strength and appeal of a naturalistic approach is that the research “respects and stays close to the empirical field” (Blumer, 1978, as cited in Patton, 2002, p. 124). According to the interpretive tradition “understanding meaning and intentionality is emphasized over and above causal explanations” (Prasad, 2005, p. 14). Again, the research is anchored in real-world situations.

I now turn to the limitations associated with this research approach.

Limitations/critiques of qualitative research

A traditionalist (positivist) approach to research holds three achievements in high esteem – validity, generalisability, and reliability (Denzin & Lincoln, 2005; Kvale, 2002).

The validity criterion holds that there is an objective reality against which knowledge can be validated (Denzin & Lincoln, 2002). Research findings should be replicable across a broad range of investigations, thereby further establishing the validity of those findings. Qualitative research does not always make this claim. Qualitative

findings are often being presented with the proviso that they are applicable to a stated time and place and that the particular circumstances that applied in the original research project may indeed not be replicable.

As discussed above, a positivist approach to research and the quantitative methods usually associated with it seek to prove or disprove generalisable theory by testing a sample of the relevant population. Qualitative research, associated with anti-positivism, conversely seeks to identify instances of a phenomenon that may or may not be generalisable. This possible lack of generalisability is seen by some as a serious flaw in qualitative research (Flick, 2002, Kvale, 2002).

Reliability implies consistency, dependability and predictability (Lincoln & Guba, 1985). While qualitative research may reasonably aspire to the first two criteria, the third may prove problematic (and unsought).

The above quantitative research ideals may be unachievable or undesirable from a qualitative research perspective, which places value other criteria discussed below.

The qualitative response

As already discussed, qualitative researchers freely admit to and embrace subjectivity (as opposed to the quantitative aspiration of objectivity) in their research.

Subjectivity can be seen as the root of the (alleged) weaknesses of qualitative research, and in response to these criticisms different criteria for evaluating research have been proposed. Rather than pursuing the characteristics associated with objectivity, qualitative researchers should aim for overall trustworthiness (Kvale, 2002; Lincoln & Guba, 1985; Patton, 2002).

The results of research are seen to be trustworthiness if they demonstrate the following characteristics: credibility, transferability, dependability and confirmability (Kvale, 2002; Lincoln, 2002; Lincoln & Guba, 1985, p. 300) and produce “defensible knowledge claims” (Denzin & Lincoln, 2002, p. 308).

Credibility is assessed by the reader determining whether or not the researcher has presented a plausible and persuasive account of the subject, and drawn reasonable conclusions from the data.

Transferability is a characteristic that can be established by further/future research using the current contribution as a baseline. Qualitative research is usually seen as being context-specific; conclusions are generally claimed to be applicable to the time and place in which the research was conducted. If deductions made from qualitative research enquiry are to be transferable, then the context into which they are being implanted must be fundamentally the same as the context from which they are drawn. The onus is on the researcher seeking to make new use of existing findings to ensure there is sufficient similarity in the old and new contexts to support the trustworthiness of any new research findings.

Dependability is achieved by reflexive consideration and emergent design as the research progresses. A naturalist view of research recognises that the world is a dynamic place and seeks to identify, and to take account of, any changes that occur in the field of study.

Confirmability is established if the research output demonstrates two primary characteristics. First, the emphasis is on the data not the researcher. This characteristic has the effect of removing the need for researchers to attempt to be completely objective while conducting their research; reliance is placed on the data rather than the method. Second, researchers must disclose their own values and beliefs relevant to the research being undertaken.

Next I discuss “how” I have undertaken this particular research project, in light of the above considerations.

The conceptual landscape

Underpinning this research are the concept of sustainability and stakeholder theory, discussed in the preceding three chapters. The primary question for this project, as disclosed in the introduction to this thesis, is:

Does stakeholder engagement encourage organisations to pursue sustainability?

In order to seek an answer to this question, I firstly familiarised myself with the existing literature on sustainability and stakeholder theory, paying particular attention to the nexus of these two domains. Then I considered and decided upon the philosophical position that both resonates with me and is appropriate to this research agenda, discussed above. Finally, I chose a research method that fits with both the subject matter and my methodological choices. I adopt a grounded theory approach, as discussed next.

Grounded theory approach

Sustainability and stakeholder theory are concepts that have produced a plethora of research activity and published material. This particular research focuses on the nexus of these two domains within a single industry group. Data were drawn from corporate entities within the New Zealand power generation industry and their stakeholders. A distinctive feature of grounded theory is that theoretical insights are derived from the data, rather than the more positivist approach where theoretical hypotheses are developed prior to data collection and analysis, and fieldwork is designed to test these hypotheses (Flick, 2002). “Grounded Theory, that is, theory that follows from the data rather than preceding them ... is a necessary consequence of the naturalistic paradigm that posits multiple realities and makes transferability dependent on local contextual factors” (Lincoln & Guba, 1985, pp. 204-5).

Grounded theory was first advanced by Glaser and Strauss (1967) in their watershed book *The Discovery of Grounded Theory*. The authors proposed their approach to

qualitative research, in large part, as a method to address “the embarrassing gap between theory and research” (Glaser & Strauss, 1967, p. vii; Strauss & Corbin, 1994, p. 275). Glaser and Strauss advanced the idea that theory could be usefully derived from (discovered in) data, rather than data being used to test extant theory.

As the use of grounded theory spread and its legitimacy as a research approach grew, Glaser and Strauss diverged on what they saw as appropriate use of grounded theory approaches (Locke, 2001). Glaser promoted his initial intent with grounded theory as being objective and appropriate for both quantitative and qualitative research. Strauss on the other hand was more inclined towards inductive and creative use of grounded theory approaches (Patton, 2002). I follow Strauss’s perspective that recognises the “role of extant (grounded) theory” (Strauss & Corbin, 1994, p. 277). I consequently, as explained more fully later in this chapter, immersed myself in the literature and theory relevant to my topic prior to, during, and after data collection.

Context is recognised as a primary influence on research conducted using a grounded theory approach. Research developed using this method is anchored to a particular time and place during which the fieldwork is undertaken. Insights gleaned from a grounded theory research project, such as this one, aim to elaborate on extant theory by exploring the experiences of participants in a real world situation. Issues that are important to participants and events that are occurring, at the time of empirical study, may or may not hold their attention in the future. However, I have attempted to identify characteristics in the data that, when scrutinised against existing literature, will lead to contributions that may be transferable beyond the time and place of this particular project.

The context of this particular research project is the New Zealand power generation industry. The research draws on the experiences of people involved in relationships between the power generators and a variety of their stakeholders. The New Zealand context and that of the power industry, in particular, are explored in detail in the following chapter, Chapter 5. Describing the context within which this research is located serves two primary purposes. First, it crystallised my understanding of the broader environment from which I collected data. Second, it provides readers with

background information that enriches understanding of this particular research project.

A grounded theory approach to research is particularly suited to the study of existing practices and to exploring situated processes and issues. “The Grounded Theory approach is a method for discovering theories, concepts, hypotheses, and propositions directly from data rather than from a priori assumptions, other research, or existing theoretical frameworks” (Taylor & Bogdan, 1998, p. 137). A grounded theory approach, therefore, can be used to explore new areas of research or, alternatively, can be used to deepen understanding of existing research topics (Locke, 2001); it is the latter that is the focus of my attention and why I needed to familiarise myself with at least some of existing theory in my research area, as well as with the empirical context, prior to commencing data collection. The challenge in using grounded theory in this manner is to attempt to set aside existing theoretical knowledge while analysing the data. It is essential to “listen” to what the data are saying with as open-a-mind as possible, accepting that the data may support, in whole or in part, or disconfirm existing theory. Grounded theory also lends itself to the development of “theoretical elements that are useful to practitioners” (Locke, 2001, p. 18).

The methodological choices discussed above imply that valid knowledge is obtained through interpretive and experiential (but not experimental – as in the scientific method) engagement with social reality. Within the interpretive perspective, research is deemed to be necessarily value-laden, where the researcher is reflexively linked with the object of inquiry. This perspective is consistent with a grounded theory approach where the research begins by posing the overarching research question noted above.

In order to answer this question I need to address more detailed research questions which should shed light on this overarching theme. First, “What is happening in practice in the realm of stakeholder-organisation interaction?” Second, “What are the implications, of such interactions, for sustainability?”

As the empirical activities of the research advanced, so the questions became more detailed. Inductive analysis identifying patterns that emerge from the data provided

insights for both theory and practice. A grounded theory approach is iterative in nature, where data are revisited repeatedly to deepen understanding and derive insight.

I now describe the specific activities undertaken in this research project. While the following description may appear to portray a neat linear progression from start to finish, that was not the case. Reading of relevant literature, interviewing, transcribing, and analysis were on-going and, in some instances, simultaneous during the research process.

Literature review technique

I began this research project by turning to the existing literature on sustainability and stakeholder theory. The technique I used to conduct my literature review was to highlight or tag passages in articles and books that seemed pertinent to my area of study as I read. Then once my reading of an item was complete I would make handwritten notes in one of three designated notebooks: one each for sustainability, stakeholder theory, and methodology and philosophy. These notebooks were then used as the basis for writing the preceding three chapters of this thesis. Throughout my research activities I also maintained another notebook where I recorded random ideas as they occurred to me, notes from meetings with supervisors, colleagues and visiting academics, plus notes from seminars I attended at various times, that were relevant to my research. This notebook has been used as a place to record thinking, a reference book, and a source of inspiration.

Although a grounded theory approach was taken in this research, indicating that theory is drawn from data, it is necessary to have some understanding of the conceptual landscape within which a research project is located. As Strauss and Corbin note “(r)esearchers carry into their research the sensitising possibilities of their training, reading, and research experience, as well as explicit theories that might be useful if played against systematically gathered data, in conjunction with theories emerging from analysis of these data” (1994, p. 277). Therefore, as indicated earlier,

a certain level of familiarity with extant literature is necessary, especially to formulate the questions upon which the empirical data collection will be based. The literature I did read was drawn from a broad range of discipline areas such as management studies, ethics, the physical sciences, and practice-based publications, as both the sustainability and stakeholder domains are multidisciplinary in nature. In addition to theoretical reading I also undertook research to familiarise myself with the context within which this research is located. Contextual information included the topics of the New Zealand legal system, and the industry sector, and specific focal companies (discussed in more detail later in this chapter) that formed the basis for the data collection activities of this research.

After my initial literature reading, I developed a set of questions to be used in the interview process. I forwarded these questions to my supervisors for feedback and, after considering their responses, I made some amendment to the questions before commencing my data-collecting interviews. The final version of the questions is included in Appendices 1 and 2.

Once fieldwork activities commenced, I conducted on-going literature research concurrently with the empirical data collection and analysis. This approach facilitated the constant comparison of my fieldwork findings with the literature on the sustainability and stakeholder theory domains. As a result of my continued reading and the experience gained from conducting the early interviews I refined my question prompts slightly, in order to better orient some of the participants to the topics at hand.

As noted in the first three chapters, I focused my attention on literature produced from the 1980s to the present. This timeframe recognises the significant shift in academic (and indeed public) awareness of the sustainability concept and its later association with stakeholder theory due, in large part, to the publication of *Our Common Future* (World Commission on Environment and Development, 1987) and *Strategic Management: A Stakeholder Approach* (Freeman, 1984).

Sample selection

The sample selected for the empirical fieldwork of this research comprises organisations drawn from a single industry sector – New Zealand power generation. The organisations were chosen as a relevant sample in part because this is an industry in the primary sector where environmental and social effects are likely to be more direct and extensive than is the case with many secondary sector or strictly service industry firms. Power generators have relationships, both private and public, with a variety of stakeholder groups, which made the organisations suitable candidates for investigation in this research project.

A further reason for focusing on this industry sector is that a number of New Zealand's power generators have made public commitments to sustainability, for example, through the public dissemination of environmental and sustainability reports. Tregidga and Milne (2006) call such “organizational reports to external stakeholders ... principal mechanisms by which organizations position themselves as engaging with dialogue about their social and environmental impacts” (p. 220). In addition, the New Zealand power industry is well represented in membership of the New Zealand Business Council for Sustainable Development (NZBCSD), thereby proclaiming an interest in and an intention to engage with the sustainability agenda, or at the very least indicating an interest that is in keeping with the business case proffered by the NZBCSD.

In 2004, when fieldwork began, and in 2011 when thesis writing concluded, there were five major power generation companies in New Zealand, plus a small number of boutique operators and cogeneration plants. The major players were Contact Energy Ltd (CEL), Genesis Energy (GEN), Meridian Energy Ltd (MEL), Mighty River Power (MRP), and TrustPower Ltd (TPL)⁴³. The larger companies were chosen as the preferred candidates for participation in this research as their operations were more extensive than those of the smaller companies and this in turn meant they were

⁴³ The participant companies are identified by name in this chapter and the next one, as the discussion is of a general nature derived from publically available information. In the data presentation, analysis, and conclusion chapters, Chapter 6-10, the companies themselves and all individual participants (from the companies and their respective stakeholders) are referred to by code names to preserve the anonymity of specific people and organisations.

likely to have more stakeholders from which to draw the stakeholder participants. Stakeholders were also perceived as being engaged with companies around similar issues (although in a variety of locations) allowing for more direct comparison of the stakeholders' experiences and perceptions. The companies were contacted to explore the possibility of their participation. Beyond starting with the larger companies, I made contact with the companies in no particular order.

Companies were approached by an initial phone call requesting contact with the person responsible for stakeholder relationships. After a brief explanation of the research project, scoping meetings were set up to provide more detail on what would be involved if the organisations chose to participate. The specific organisations approached to participate were Contact Energy Ltd (CEL), Meridian Energy Ltd (MEL), Mighty River Power (MRP), and TrustPower Ltd (TPL). All four firms initially agreed to participate in the research, but MEL withdrew prior to the commencement of data collection. Of the three companies that make up the final sample, Mighty River Power and TrustPower were current members of the NZBCSD at the time data collection commenced in 2004. The three participating companies represented over 50% of New Zealand power generation capacity: MRP 22%, CEL 30%, and TPL 5%. The operations of these three companies cover major portions of both the North and South Islands of New Zealand.

The companies were asked to provide me with a list of their stakeholders. I purposely did not provide any criteria for who should be included on or omitted from the lists. This decision was made to gauge who the companies saw as important and how they would provide the information requested. All companies provided a comprehensive list of stakeholders relevant to their operations throughout the country. The lists consisted of a word-processed document that was prepared especially for me and was emailed to me. Although the level of detail for individual stakeholder contacts varied, the lists were all comprehensive. The differences in the lists provided are revisited in the analysis of the data gathered during the fieldwork undertaken for this research, in Chapter 9.

In order to ensure that the companies were not filtering out stakeholders with whom they had contentious relationships I also conducted a search of all New Zealand

newspapers, from January 2001 to July 2004, to check for reporting on interactions between the power generators and stakeholders. I added two stakeholder groups to the list of potential interview participants as a result of this exercise; both related to Power Generator C. One was an environmental stakeholder and the other was a community stakeholder. However, all three companies appeared to have provided a ‘warts and all’ list of their respective stakeholders, including at least some with whom they had had problematical interactions.

In addition to asking for a list of stakeholders, I also requested the names of internal staff members who had significant responsibility for stakeholder relationships. The staff members included in these lists primarily held middle to top management positions within the companies, and were located throughout New Zealand at head office and operational sites.

As this research included interviewing with human participants, ethical approval was sought and gained from the appropriate university authority prior to the interviews being conducted. The relevant ethics approval number is 04/10.

Commencing fieldwork

I contacted all potential interview subjects by phone with an invitation to participate in the research. A brief overview of the project was discussed and appointments made with those willing to participate. The interviews were conducted over a 14 month period from May 2004 to June 2005. Of the 113 people contacted, only 4 declined through a lack of willingness or interest, and a further 11 were not interviewed through an inability to coordinate a mutually acceptable meeting time and place. The final tally of interviews numbered 98 across three companies. Interviews were conducted with people both internal and external to the three companies. The interviews were conducted throughout New Zealand – from Auckland in the north to Balclutha in the south.

After the initial scoping meetings were held with my key contacts at the three power generators, I established that the range of organisational staff, totalling 21 across the three companies, from the companies included the people in the following positions:

- Chief Executive Officers (CEOs);
- Senior managers with specific environmental, sustainability and/or stakeholder responsibilities;
- Middle managers with specific environmental, sustainability and/or stakeholder responsibilities; and
- Operations managers at generation sites.

By interacting with this range of internal staff I was able to access the organisational policy on stakeholder engagement and sustainability issues (via CEO and senior management) and processes (via middle and operational management). The three scoping interviews identified similar organisational structures with respect to the research area, which facilitated the within and cross company analysis that follows in Chapters 6 – 9.

I categorised the participants into clusters based upon the primary area of concern of the organisation they were affiliated to and further categorised the clusters according to the power generator that had identified them as a stakeholder.

The organisation and stakeholder categories decided upon were:

- Internal (staff members of the power generators);
- Iwi (representatives of Maori tribal groupings)⁴⁴;
- Regulators (local and central government representatives);
- Environmental (local and national groups, and some government departments, with primary concern for the environmental impact of the power generators' activities); and

⁴⁴ It is important, when seeking the opinions of iwi in any research project, to talk to individuals who have the prestige and authority to speak on behalf of the tribe. There are two possible approaches: first, I could talk with the kaumatua (male tribal elder) or kuia (female tribal elder) of the tribe who have the status to speak on behalf of others; or secondly I could talk to individuals who hold formal positions within the iwi organisations that have been established to manage the tribal territories and resources. All of the interviews conducted for this project are drawn from the latter group.

- Community (local and national groups with primary concern for the social impact of the power generators' activities).

Assigning stakeholder categories was done in one of two ways. Some stakeholders were assigned a category prior to my interviewing them, when it was obvious which category they would fit into. For example, stakeholders who worked for a Regional or City Council were designated as regulatory stakeholders. Alternatively, some stakeholders on the lists provided by the companies had less obvious affiliations and were assigned a category after I interviewed them and I was able to identify their area of interest or concern. The numerical breakdown of the interviewees is displayed in Table 4.1 below.

Table 4.1: Classification of interview subjects.

Generator	Internal	Iwi	Regulator	Environmental	Community	Total
A	8	7	12	5	3	35
B	8	1	7	6	4	26
C	5	4	7	6	15	37
Total	21	12	26	17	22	98

The primary criteria used to select which stakeholders (external to the three power generators) to interview was based on the type of power generation activities the stakeholders were concerned with. I focused on hydro-generation activities for two reasons. First, because doing so created a common denominator for all interview participants, and second, because it facilitated the safeguarding of interviewee anonymity (discussed in more detail below). Again, the interviews conducted indicated a similar pattern of stakeholder groups across the three companies, with particular cross-over in the regulatory agency area. The number of stakeholders identified by Power Generator A and Power Generator C were in excess of the number it was feasible for me to interview. In addition to the association with hydro-generation, I selected the interview subjects based on geographic location for practical reasons and endeavoured to ensure a reasonable spread of stakeholders across all classification clusters.

The stakeholders interviewed held a wide variety of positions within their respective organisations. Job titles included: Analyst, Chairman, Chief Executive, Manager, Communications Officer, Co-ordinator, Mayor, Planner, President, and Secretary. In addition, there were stakeholders interacting with the companies on an individual basis, without affiliation to any particular organisation. I considered it appropriate to include them as well. These stakeholders are situated in the environmental and community categories across the three companies.

The stakeholder organisations and individuals included in the final sample represent a broad array of organisations, ranging from small community groups through to large national bodies with offices and staff throughout the country. I acknowledge, however, that although the participants interviewed for this research project were described as representing a particular organisation, it does not necessarily follow that the individual's views were representative of the entire organisation they were associated with.

Data collection

The interviews were semi-structured, with all participants being asked the same group of questions – although the phrasing of some questions was slightly different for company representatives and stakeholders – as they were on opposite sides of the same relationship. For example, I would ask company representatives how they would describe their relationships with stakeholders, while I would ask stakeholders how they would describe their relationships with the company in question. I did not interrupt interview participants if they veered slightly off topic, allowing the stream of consciousness to flow as the participant saw fit. However, I did ensure that all questions were covered during all of the interviews.

Sustainability is an emotive concept about which I hold strong opinions. However, as I have already discussed, I recognise that there are multiple views on any subject, and this multiplicity is at the heart of this particular research project. I approached each

interview with deliberate empathic neutrality during the interview process. “An empathic stance in interviewing seeks vicarious understanding without judgment (neutrality) by showing openness, sensitivity, respect, awareness, and responsiveness” (Patton, 2002, p. 40).

The interview questions were designed to elicit key understandings of sustainability and stakeholder-organisation interactions from each of the interviewees, and to gain an understanding of how these interactions worked in practice.

The interviews were conducted on an open-ended basis. At the time of arranging the individual interviews I advised participants that the interviews were likely to take between half an hour and 1 hour. Any time constraints were imposed by interview subjects with other commitments. In total, the interviews conducted added up to 68 hours and 15 minutes. The shortest interview took 17 minutes; the longest was 1 hour and 28 minutes, and the average across all interviews was 43 minutes. However, I would have to say that for the most part interviews ran until the interview subject had answered all questions, with no interview being cut short. All of the people I talked to throughout my data collection appeared to be very generous with their time and thoughts. I concluded each interview with the question “Is there anything more you would like to add?” Several of the interviewees made comments like “That wasn’t as painful as I thought it might be” or “That was a really enjoyable conversation”.

In an effort to encourage all interview subjects to freely express their opinions I decided to let the interview participants themselves choose the level of anonymity that would finally be used in the thesis write-up. I advised participants that I would treat all interviews in the same manner, which would be dictated by whoever chose the least identifiable option. For example, comments could be fully attributable to individuals, they could be attributable to the organisation that the individual represented, or they could be anonymous. As soon as one person expressed a preference for anonymity I then advised all further participants that all comments would be attributed using an anonymous code. Presenting the data in this anonymous fashion creates a challenge when seeking to provide a richness with respect to the context of interview participants’ experiences. I am unable to supply details regarding the exact nature of issues at the heart of stakeholder-organisation

interactions as doing so would compromise my ability to protect the identity of interview participants. I have ameliorated this risk by focussing on the participants' impressions of their interactions rather than on the focal issue that may have generated the relationship.

I focused my data collection on stakeholder relationships associated with the hydro-generation operations of the three companies. By concentrating on stakeholders concerned with some aspect of the hydro activities, I found it easier to preserve the anonymity of participants and to facilitate the cross-company analysis. The focus on hydro-related stakeholders was achieved by using two approaches. First, I contacted potential interview participants located in the vicinity of hydro-electric activities and by extension did not contact people located near non hydro generation sites (for example, near wind, gas, thermal and cogeneration sites). Second, in those instances where a stakeholder participant (as opposed to an internal staff member of one of the generators) was located near a mix of generation activities, I focused the interview on the company's hydro activities.

All interview participants were assigned a code according to their primary interest/rationale for being involved in the stakeholder-organisation relationships.

After categorisation of all interviewees was completed, random numbers were assigned to all interview subjects and they were ordered numerically according to the random number. See Table 4.2. Codes were then assigned which were used in presentation of illustrative quotations in the chapters that follow.

The research has attempted to focus on the power generators and on stakeholders equally so as to build up pictures of their relationships that are able to be understood from both perspectives and with these perspectives being the basis of comparison and/or contrast. However, as can be seen by the individual code ranges in Table 4.2, the clusters are not all the same size. Three clusters in particular require explanation. First, there are more regulatory stakeholders for PGA than for the other two companies, which is symptomatic of the geographical spread of the power generation sites related to the stakeholders I interviewed. Second, the iwi stakeholder cluster for PGB includes only one member. My key contact at PGB advised me that the

company did not consider iwi to be stakeholders, as iwi were seen to hold a different position in the company's view. As a result of this perception, the company was reluctant to introduce me to its iwi contacts for fear that I may insult them by referring to them as stakeholders of PGB. The third cluster of stakeholders that stand out are the large number of community stakeholders for PGC (15). As described above, some participants were assigned codes prior to the interview and some afterwards. The PGC community stakeholders included a large number of participants who were classified after the interviews. As a result this particular cluster is somewhat over represented but I was not in a position to predetermine this outcome, and, of course, the high number of community stakeholders for PGC does not make the individual stakeholder's comments any less relevant.

Table 4.2: Interview participant coding schema

Power Generator	Stakeholder Cluster	Individual Code Range
Power Generator A (PGA)	Internal staff members 1 to 8	PGA1 to PGA8
	Iwi stakeholders 1 to 7	AI1 to AI7
	Regulator stakeholders 1 to 12	AR1 to AR12
	Environmental stakeholders 1 to 5	AE1 to AE5
	Community stakeholders 1 to 3	AC1 to AC3
Power Generator B (PGB)	Internal staff members 1 to 8	PGB1 to PGB8
	Iwi stakeholder 1	BI1
	Regulator stakeholders 1 to 7	BR1 to BR7
	Environmental stakeholders 1 to 6	BE1 to BE6
	Community stakeholders 1 to 4	BC1 to BC4
Power Generator C (PGC)	Internal staff members 1 to 5	PGC1 to PGC5
	Iwi stakeholders 1 to 4	CI1 to CI4
	Regulator stakeholders 1 to 7	CR1 to CR7
	Environmental stakeholders 1 to 6	CE1 to CE6
	Community stakeholders 1 to 15	CC1 to CC15

The interviews were recorded with consent from the interview subjects. There was one exception, where an interview participant did not wish to be recorded, and in this case extensive handwritten notes were taken. In addition to recording the interviews I made notes after interviews. These notes reflected my impressions of the interview and interview subject, and have been used to assist me with recollection of individual interviews during the analysis phase of the research. As is common in a grounded theory approach I relied primarily on interviews for my data collection (Creswell, 1998), supplemented by contextual data discussed above, and elaborated on in the next chapter, Chapter 5.

Data processing and presentation

Initial analysis, at the time of the interviews, resulted in minor refinements to the interview questions (discussed above), consistent with a grounded theory approach. The main analysis of the interviews was performed later during a concentrated block of time. At this stage, all interviews were listened to again and extensive notes recorded, taking the form of partial transcription combined with some reflexive commentary. I describe these notes as partial transcriptions because in general I did not transcribe my own questioning as it was the same for each interview. In some instances I omitted tangential comments that occurred at times, unless they had a direct bearing on the research. For example, during the course of some interviews, participants would raise the subject of their stakeholder relationship with a company unrelated to this research. Another common instance was conversations around books on the topic of sustainability that the participants thought I might find interesting. I listened to the interviews for each individual company as a group and further concentrated on them within the classification clusters described above (internal, community, environmental, etc). In total, the transcribed interviews amounted to approximately 1,000 pages of word-processed material. On completion of transcribing the interviews, relevant to each company, a data summary and analysis chapter for the company was written.

A grounded theory approach requires researchers to immerse themselves in the data. As I relied almost exclusively on interviews, data immersion, for me, has involved multiple instances of listening to and reading each of the interviews conducted. Each individual interview has been listened to or read in its entirety at least five times, and I have revisited parts of each interview numerous times as well.

In addition to examining the written and spoken record of each interview in its entirety, I also restructured the data by extracting responses to key questions from each interview and regrouping the data by question/answer within each cluster. For example, all responses to the question “How would you define a stakeholder?” were grouped together within each of the clusters, that is, internal, iwi, environmental, community, and regulatory interviewees. Additional relevant responses from other parts of the interview were also added to the data summaries as I identified emerging themes.

A major challenge with qualitative research of this nature is deciding what data to present and what to omit. As the considerable volume of transcribed information generated by the interviews includes a lot of repetition (I had fundamentally the same conversation with all participants.), it was necessary to reduce the data presented to manageable proportions. Chapters 6 to 8 (which follow) are organised so as to achieve a balance between presenting views that were commonly held by many of interview subjects and presenting those views that are “outliers”, where an individual interviewee may have had a markedly different take on the topic under discussion. Therefore, quotations were chosen on the basis of either representing a commonly held view or illustrating a markedly different view. The commentary interspersed with the data quotations makes it clear which of these two options is being presented.

The data presentation chapters are organised as follows. Data derived from interviews relating to each of the three companies and their stakeholders are presented in a separate chapter for each company. Within each chapter the data are further categorised into the classifications detailed above (internal, environmental, etc). Then within each classification the interview responses are presented in terms of the three broad domains of this research – sustainability, stakeholders, and the nexus of the two. This information is expressed in the past tense to underscore the fact that the

data presented relate to the distinct time period when the interviews were conducted. No inference can be drawn on whether or not these views are still held by the interview participants or that the companies and stakeholders continue to conduct themselves in the manner presented here. I acknowledge that the data-set can be said to only apply to the time it was gathered

As the recognition of multiplicity of perspectives is fundamental to this research I have presented the data using a significant number of direct quotations from the interviews, interspersed with some linking commentary. I acknowledge that as a result of this approach there is considerable repetition. This repetition serves to reinforce similarities across the stakeholder-organisation nexuses. Differences are highlighted, as they appear, in these chapters.

Data analysis

As discussed above, a grounded theory approach focuses on gaining insights from the data rather than seeking to prove or disprove preconceived hypotheses. Therefore, the analysis of my data has been conducted with the aim of adding depth to existing literature regarding the relationship between sustainability and stakeholder engagement and to uncover any new theoretical elements embodied in this particular research.

As a result of the intense concentration on my data, I identified themes and trends in the interview responses. My further analysis is presented in Chapter 9, following the three data presentation chapters. In order to check whether my perception of trends was more than just “gut feeling,” I developed a matrix to compare individual responses to specific questions to the associated individual impressions of the stakeholder relationship in question. This section of my analysis is focused only in one direction, which is from the perspective of the stakeholder. This unidirectional analysis is the result of a practical limitation in the data. Stakeholders were discussing a specific relationship with an organisation, whereas organisational representatives were discussing multiple relationships and answering questions from a

broader perspective on how things were done throughout their organisation. While I acknowledge this is a gap in this research project, it does open opportunities for future research.

My use of the analysis matrix extended to analysing stakeholder interviews both within and across the three companies. It enabled me to draw conclusions about how each of the companies was perceived by the stakeholders interviewed.

In Chapter 9 I present my further analysis of the data generated by the fieldwork conducted as part of this research project. In addition to presenting this analysis, I also return to the literature reviewed in Chapters 1 to 3, to integrate my findings with those presented in extant literature. Doing so has enabled me to support some prior theoretical claims, contest others, and offer new insights into the sustainability-stakeholder nexus.

Some interesting material had to be omitted from the presentation and analysis because it was too company specific and would have compromised my commitment to preserving the anonymity of the interview subjects. While this situation was regrettable, I considered it was unavoidable, and essential to maintaining my integrity as a researcher and honouring the commitment I made to the interview participants not to make their comments directly attributable to them as individuals.

Conclusion

This chapter has established the philosophical underpinnings of this research and located me as a researcher in terms epistemology, ontology, and beliefs about human nature. I have explained my chosen orientation towards qualitative research with an interpretivist orientation and the grounded theory approach with which I have gathered, analysed, and presented my data. This chapter serves as a bridge between the preceding literature review (Chapters 1–3) and the following empirical chapters (Chapters 5–9). I now move to the empirical element of this thesis, starting with a contextual overview of New Zealand and its power industry.

Chapter 5

Research Context

Welcome to the Shaky Isles

New Zealand is a small island nation in the southwest Pacific Ocean. Its geographic isolation, maritime location, relatively recent geological formation, and continuing tectonic activity have created diverse and unique ecosystems.

Ministry for the Environment⁴⁵

Introduction

Research is contextual. Who is conducting it, where it is conducted, and the era in which it is conducted all have an impact on what is studied and what is discovered. In the previous chapter, I provided an account of my own position in this research project and have acknowledged the influence my own beliefs and perceptions have brought to bear on the conception and commission of this research. This chapter provides an overview of the context within which this research has been conducted. Discussed below are the history, the geography, the social-political environment, and the economy of New Zealand. All of these factors have combined to create the country I call home and the place this research is located in. Also profiled in this chapter are the energy and electricity sectors and the three companies that are the focus of the empirical investigation conducted for this study.

Aotearoa New Zealand – The Land of the Long White Cloud⁴⁶

New Zealand is a long narrow country stretching between 34° and 47° longitude south and 167° and 177° latitude east. The country consists of three main islands, plus over 700 smaller islands off its 18,000 kilometre long coastline (Walrond, 2005). The land

⁴⁵ Ministry for the Environment [MfE], (2007) *Environment New Zealand 2007*. Wellington, New Zealand: Ministry for the Environment. (p. 36)

⁴⁶ Unless otherwise referenced, the factual information included in this section is drawn from MfE (1997, 2007).

experiences a temperate climate ranging from subtropical in the north to sub-Antarctic in the south. The New Zealand environment has evolved in isolation from other land masses for approximately 80 million years, after the separation of the New Zealand archipelago from the supercontinent of Gondwana, which occurred prior to the evolution of mammals and marsupials (King, 2003).

New Zealand is a land of immigrants and was the last significant landmass in the world to be populated by people. When those first immigrants, the Polynesian Maori, arrived some time in the last 1,000 years (most likely in the 13th century AD), they found a country well-endowed with life-supporting natural resources. Our native fauna consisted of a wide variety of bird-life, many of whom were flightless (having evolved in an environment free of mammalian predators) and around 60% of which were endemic to New Zealand; these are three species of bats (the only land-based mammals native to New Zealand); and a variety of reptiles and insects. Of our native flora, roughly 80% are endemic to this country.

Since the arrival of the first humans the natural environment has been inundated with a wide variety of introduced plant and animal species. Native flora and fauna have been consumed at a sometimes profligate rate. Since human habitation began, over 75% of the country's bush cover has been burnt or cut down, approximately 40% prior to European settlement (Wilhmurst, 2009), altering the landscape to facilitate human settlement and to provide resources for building, agriculture, and horticulture. These combined impacts of human habitation have contributed to many species extinctions and created an endangered species list that should be the envy of none. The human population of New Zealand reached 4,000,000 in April 2003, and while a wide variety of cultures is represented in New Zealand, two groups dominate: New Zealanders of European descent, approximately 68%, and the indigenous Maori, approximately 15% (Statistics New Zealand, 2007). The relationship between Maori and non-Maori New Zealanders has been heavily influenced by the Treaty of Waitangi – the country's founding document signed by representatives of the British Crown and Maori in 1840. Two versions of the Treaty were printed, one in English and one in Maori, for the most part representatives of the Crown signed the English version and representatives of Maori signed the Maori version. There are subtle but

important differences in the terminology used in both versions⁴⁷. In the 170 years since the Treaty was signed, there has been much debate in New Zealand about whether or not representatives of the Crown and representatives of Maori were in fact signing up to the same treaty (State Services Commission, 2004). The Treaty set out to establish the principles that would underpin the relationship between Maori and the British Crown, a relationship that has been complex and at times contentious.⁴⁸

Despite the laudable intentions of the Treaty of Waitangi, early European settlement of New Zealand resulted in the dislocation and disempowerment of many Maori throughout the country. As a nation we are currently in the process of trying to right these wrongs primarily via the Waitangi Tribunal, which was established in 1975 “to deliberate and rule on alleged breaches of the Treaty of Waitangi that had occurred from that date” [1975] (King, 2003, p. 487).

In 1985, the Tribunal’s powers were made retrospective to 1840, providing Maori with an avenue to instigate historic claims dealing with the loss, theft, and confiscation of traditional tribal land and other resources. Over the past 30 years several significant claims have been settled with the return of land and other resources and/or financial compensation. As a result Maori have re-emerged as important guardians of the natural resources under their stewardship throughout the country, and as such have substantial influence on the use of many of those resources. Traditional Maori values, with regard to the natural environment, are embodied in the principles of kaitiakitanga, mauri and tapu, which roughly translate as guardianship, life principle, and sacredness (Ryan, 1995).

A traditional Maori cultural perspective does not draw the distinction between humanity and the wider environment which is prevalent in the post-Enlightenment Western paradigm. As a result sustainability is viewed through a cultural lens that links the tribe with its traditional geographic territory through a sense of family –

⁴⁷ For example the English word sovereignty was replaced by the Maori word kawanatanga, meaning government.

⁴⁸ A detailed account of The Treaty of Waitangi and the relationship between Maori and non-Maori New Zealanders is far beyond the scope of this thesis, but these fundamental aspects of New Zealand society have a significant impact on stakeholder relationships in the context of this research, therefore this brief description is deemed necessary. A more indepth understanding of these complexities can be found in Michael King’s *The Penguin History of New Zealand* (2003).

whakapapa⁴⁹. As a result of the colonisation of New Zealand, many tribes have been separated from the land which formed their tribal base and provided them with associated resources. Sustainability in this context is not only about the preservation and rehabilitation of the natural environment, but also of the people and their culture. Maori culture has undergone a renaissance in New Zealand, especially over the last 20 to 30 years. This has given Maori concerns a profile and a voice that had been eroded during the previous 150 years. This change in the New Zealand socio-political landscape has enabled and resulted in a growing push by Maori to reinstate control over their traditional tribal lands and to pursue a path that will reinvigorate the cultural and material well-being of their people.

New Zealand has a highly urbanised population, with 85% living in urban environments and only 15% living in rural areas (Statistics New Zealand, 2007). Despite being a nation of city dwellers New Zealanders, by and large, have a strong affinity with and emotional attachment to the natural environment. Economically we are highly dependent on the natural environment as it supports our two major industries: primary production and tourism (MfE, 2007). Clearly the use of energy plays an important role in these industrial and economic processes, so this discussion now turns to energy.

Energy

While the industry focus of this thesis is electricity generation, electricity is but one component of energy used by people to power their lives. When considering sustainability issues for the electricity generation sector, we need to place this sector in the wider energy context.

All energy, except geothermal energy and nuclear energy, ultimately comes from the sun. Non-renewable fossil fuels are the accumulated stocks of previous energy flows. They are stores of ancient plant matter that grew with energy from the sun and decomposed into a rich energy source over millions

⁴⁹ Genealogy, cultural identity, family tree (Ryan, 1995, p.305)

of years. Biomass, wind, waves, and ocean currents are also indirect forms of solar energy. (PCE, 2005, p. 87, Endnote 7)

The ability to harness energy and convert it to human use has played an integral part in the settlement and industrialisation of human populations. Agriculture and horticulture, and the associated settling of permanent communities, were initially dependent on the use of muscle power (human and animal). Technological advances, including the development of steam, combustion, and electrical power, brought about a raft of applications for harnessed energy (Diamond, 1999). Two are of particular relevance in this research context – the generation of electricity and the use of fossil fuels in combustion engines.

Electricity is a vital ingredient in modern societies in its own right, as so much of what we do at work and during leisure time is powered by the flick of a switch. The increase in consumer goods requiring electricity, combined with increasing human populations accessing electricity, is placing increasing demand on electricity generation in many parts of the world (Evans & Meade, 2005; New Zealand Government, 2004). Increasing demand for electricity is, in turn, leading to increasing provision of generation facilities, some of which raise serious concerns regarding their social and environmental impact. Most notable perhaps is the Three Gorges Dam on the Yangtze River in China. The Three Gorges Dam was the world's largest hydroelectric power project; it was responsible for the displacement of 1.3 million people and dammed one of the world's largest rivers. The project has resulted in serious environmental concerns, prior to and since it was commissioned in 2008, primarily regarding erosion, sedimentation, and flooding (Huck, 2011; Yang, 2007).

The importance of fossil fuel use is particularly important in this context because of the potential impact our reliance on this energy source may have on the future of electricity demand. There is increasing concern that our use of fossil fuels (particularly the use of oil in vehicle combustion engines) is reaching a so-called peak. "Peak Oil" is the point at which oil production is outstripped by oil consumption; the result is dwindling supply and increasing cost. There is rigorous debate about when, or in fact whether, Peak Oil will occur. See, for example, Deffeyes, 2005 and Huber, 2005. The theory was proposed in the 1950s by M. King

Hubbert and to date his arguments have held up, see Hubbert (1993). The importance of fossil fuel use and its relationship to electricity and sustainability cannot be overstated. Our reliance on oil in today's society is manifest. When/if we are faced with financially prohibitive costs for oil consumption, we will by necessity turn to other forms of energy to power our transportation system (among other uses). One likely substitute for fossil consumption is an increasing reliance on electricity for motive energy. This potential transfer from fossil fuels to electricity, to provide for our transportation needs, will add another layer of demand for increased electricity generation. The next section looks at electricity generation in the New Zealand context.

Electricity generation⁵⁰

In the early decades of the 21st century it is hard to imagine the impact the advent of electricity generation and distribution originally had on human life. Electricity as a form of energy provides us with a convenient and relatively safe source of heat, light, and motive power, something we now generally take for granted unless we receive a particularly high power bill or there is an interruption in the delivery of power to our homes and workplaces⁵¹. This nonchalance was not always the case, as demonstrated by the reporting of the first public showing of electric lighting in New Zealand on 1 August 1888:

a large crowd of eager spectators lined the riverbank at the rear of town to witness the display, and they were not kept long in suspense, shortly after 7 pm the noise of the inrush of water to the turbine was heard by those near at hand, and almost at the same instant the bright luminous rays of the arc-light burst forth, lighting up the whole scene with strange but dazzling brilliancy.

The light at first was somewhat unsteady, but after a little time became more

⁵⁰ Unless otherwise noted this section draws heavily from John Martin's *People, Politics and Power Stations: Electric Power Generation in New Zealand 1880 to 1998* - a comprehensive and detailed history of the development of the New Zealand electricity industry.

⁵¹ New Zealand has recently experienced periods of electricity shortages requiring national energy conservation measures in 1992, 2001 and 2003 (Evans & Meade, 2005; New Zealand Government, 2004).

fixed, though not always equally brilliant ... The spectacle was, however, very beautiful – weirdly beautiful, rendered so by the shadows cast by surrounding objects. The outlines of the mountain ranges were as sable bands drawn across the luminous arc, and so altered the appearance of the landscape as to render it scarcely recognisable. About the station it was light as day, but the perspective was terribly confusing, and many people got into difficulties through trying to climb over the shadows of fences and walking through the substances ... The whole of the machinery worked splendidly, and so truly that one would hardly know it was in motion but for the low whizzing noise of the belts rushing over pullies (sic), and the light scintillations from the dynamo. (*Inangahua Times*, 3 August 1888, as cited in Martin, 1998, pp. 22-23)

It is hard to imagine this sense of wonder nowadays when the street lights are turned on.

Electricity can be generated from a variety of sources and can be transported over long distances between the site of generation and the site of use. The history of electricity generation in New Zealand is one of dedicated human enterprise, staggering feats of engineering and prolific use of the country's natural environment to harness the energy resources in its rivers, winds, geothermal fields, and fossil fuel deposits. New Zealand's physical environment has influenced the range of generation choices available and implemented throughout the country's history. An overview of New Zealand's electricity generation is presented later in this chapter.

The first use of electricity in New Zealand was in 1861 for a private electric telegraph line between Dunedin and Port Chalmers, in the lower South Island (Martin, 1998, p.15). The first public supply of electricity, used for lighting homes, businesses and streets, was in the town of Reefton in 1888, again in the South Island. In the late 1800s Reefton's population was approximately 1,000. The town's hydro-electric generation scheme was developed by the publicly subscribed Reefton Electrical Transmission of Power and Lighting Company and was for local supply only (Rosanowski, 2001). These two firsts are indicative of the early development of electricity generation schemes in New Zealand with the combination of private

enterprise and public investment that facilitated the construction of electricity infrastructure throughout this country.

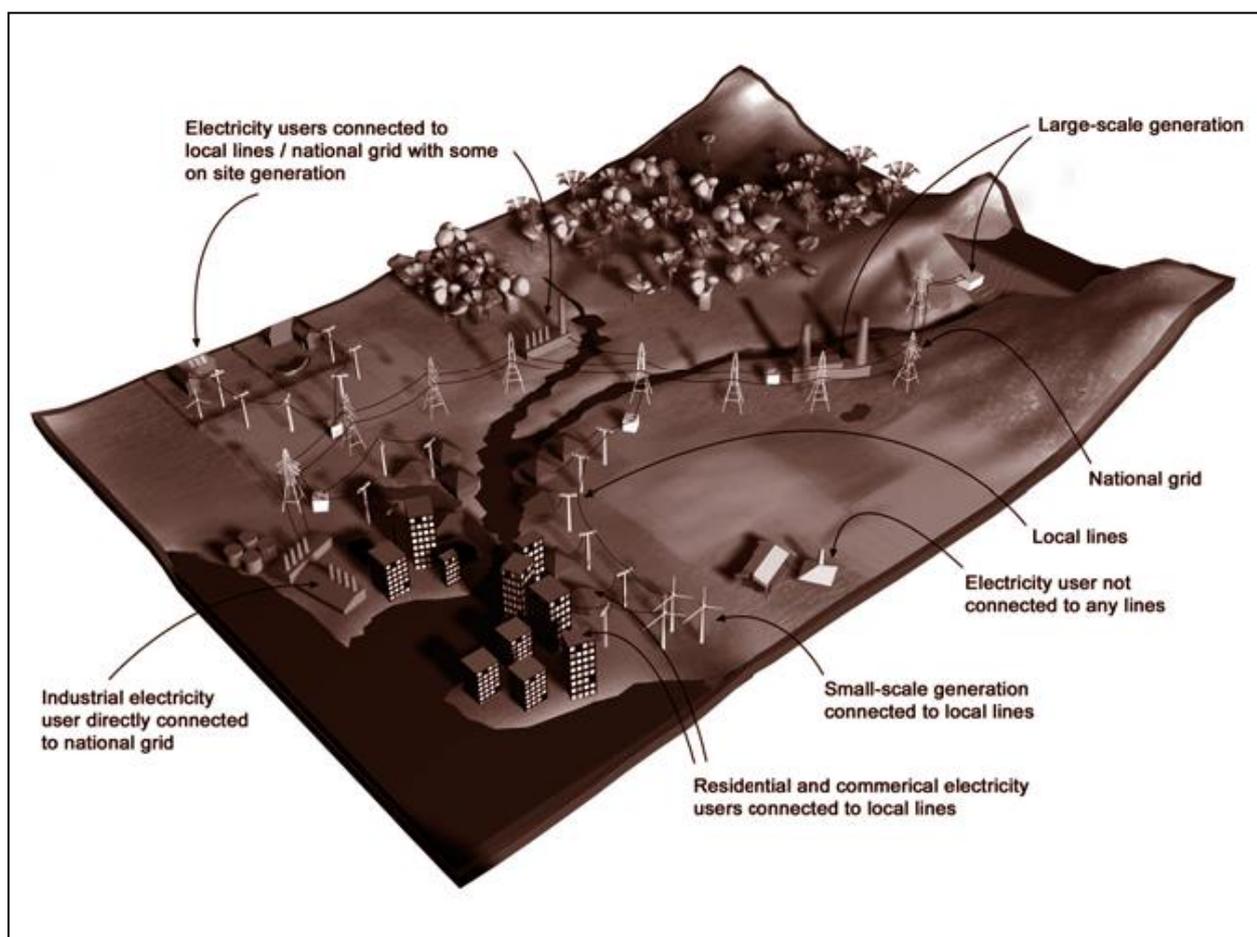
Although the early development of electricity generation and distribution was localised and ad hoc, central government was involved as early as the 1860s via control over the use of water resources. However, it was not until early in the 20th century that the government took on the role of central planner and (near) monopoly provider of electric power. The Public Works Department assumed a leading role in the development of most of New Zealand's major electricity generation projects building hydro-dams and power stations ranging from Lake Coleridge in the 1910s to Clyde in the 1970s and 1980s. Water resources in New Zealand have been managed on a catchment-based regional level since the late 1960s under the Water and Soil Conservation Act, 1967 and this regional approach has been reinforced by the Resource Management Act, 1991, which devolves sustainable resource management decision-making (including water resources) to regional level (Fenemor, Davie & Markham, 2006).

The involvement of central government was important for several reasons. The provision of electricity was seen as a utility for the population of the country, rather than as a purely-for-profit activity. For the first time generation and transmission development were planned in a systematic way throughout the country, facilitating the development of the national grid for distribution and the alternating use of generation sites as supply and demand varied. In addition, there was an early recognition of the importance of the agricultural sector to the country as a whole, and the benefit/necessity of providing electricity to remote rural users. The effect of these concerns initiated the development of a centrally-planned electricity system, aiming to provide reticulated electric power to everyone in the country. This was not a common development globally; in many countries the focus of reticulation was urban and industrial areas. By 1930 nearly two-thirds of all New Zealanders has access to electric power, and by 1936 some 80% of farmhouses were connected to an electricity supply (Martin, 1998). The fundamental components of electricity generation, transmission, distribution, and supply are illustrated in Figure 5.1 below.

The key components of the electricity infrastructure are listed below.

- Generation** The production of electricity - mainly from hydro but with increasing use of gas and renewable forms of energy. There is a trend towards smaller scale generation sited closer to users.
- Transmission** The transfer of electricity from the power stations across New Zealand through wires on pylons – “the transmission grid” – to points where it can be distributed to users.
- Distribution** The transfer of electricity from the transmission grid through local “wires” to the users.
- Retailing** The sale and invoicing of electricity to end-users (d-Cypha Ltd., 2000, p. 3).

Figure 5.1: Physical structure of the electricity system



Source: PCE, 2005, p. 19

By the mid-1980s, however, after over 100 years of central government occupying a significant and controlling position in the electricity sector, things were about to change dramatically.

Economic reform

During the 1980s and 1990s New Zealand underwent a transformation, which, while driven by economic ideology and necessity (at the time), had a significant impact on the social structure of the country too (Jesson, 1999). The economic reforms in question were not unique to New Zealand. The United States and United Kingdom, among others, also underwent significant change. However, what was unique in New Zealand was the speed and extent of the change. The dominant thinking of the time was that the market should be freed of constraints, and as a result the market would (eventually) rationally and efficiently allocate resources for the benefit of all (Evans & Meade, 2005). Central foci of the reforms were to generate revenue, downsize government, control inflation through monetarist measures, slash subsidies and trade tariffs, and of particular import in this thesis, privatise public assets (Jesson, 1999; Lange 2005). In pursuit of a level playing field for global trade, New Zealand indeed levelled much of the economic infrastructure of this country. Tens of thousands of people lost their jobs as government departments were corporatised in preparation for privatisation. The electricity sector was one of the departments programmed for restructure. The rationale for reform was “a desire to see state-owned business activities set on a more commercial footing and the use of market-based mechanisms rather than politically driven state planning” (Evans & Meade, 2005, p. 20). In particular, market mechanisms would be used to determine electricity pricing and to determine future investments in the sector.

By 1985 electricity generation and transmission were the responsibility of the Ministry of Energy (a central government department). Local distribution and supply were the responsibility of 61 electricity supply authorities. These were based on electoral boundaries and were statutory monopolies (MED, 2005). The supply authorities were privatised in 1993 and their monopoly status removed. Distribution

and retail sales to customers were now set to operate in a competitive environment. In 1999 the government required separate ownership of distribution and supply businesses.

In 1987 the generating and transmission arms of the Ministry of Energy were corporatised, forming the Electricity Corporation of New Zealand (ECNZ). This union created a new State-Owned Enterprise (SOE) – a hybrid organisation that while owned by the State was managed on a for-profit basis, as opposed to having a public service or public utility underpinning. In 1994 the national transmission network was separated from ECNZ to create a stand-alone SOE – Transpower – a subsidiary of ECNZ with responsibility for the national grid, the high voltage transmission network. Further division of ECNZ created Contact Energy (another SOE) in 1996 endowing the new organisation with former ECNZ hydro-power stations on the Clutha River (Clyde and Roxburgh), New Plymouth, Stratford, Otahuhu, and Whirinaki thermal stations, and the geothermal stations of Wairakei and Ohaaki. Contact Energy was subsequently privatised in 1999. ECNZ began to sell its smaller regional power stations from 1995 onwards (Evans & Meade, 2005; Martin, 1998).

Initially, there was an intention to operate the electricity assets under the three SOEs – Transpower, Contact Energy and ECNZ. However, in 1999 the remaining ECNZ assets were split into three more SOEs: Genesis Power Ltd comprising the Huntly and Tongariro power stations; Meridian Energy with the Waitaki and Manapouri power stations; and Mighty River Power with the Waikato River hydro-scheme, comprising eight power stations.

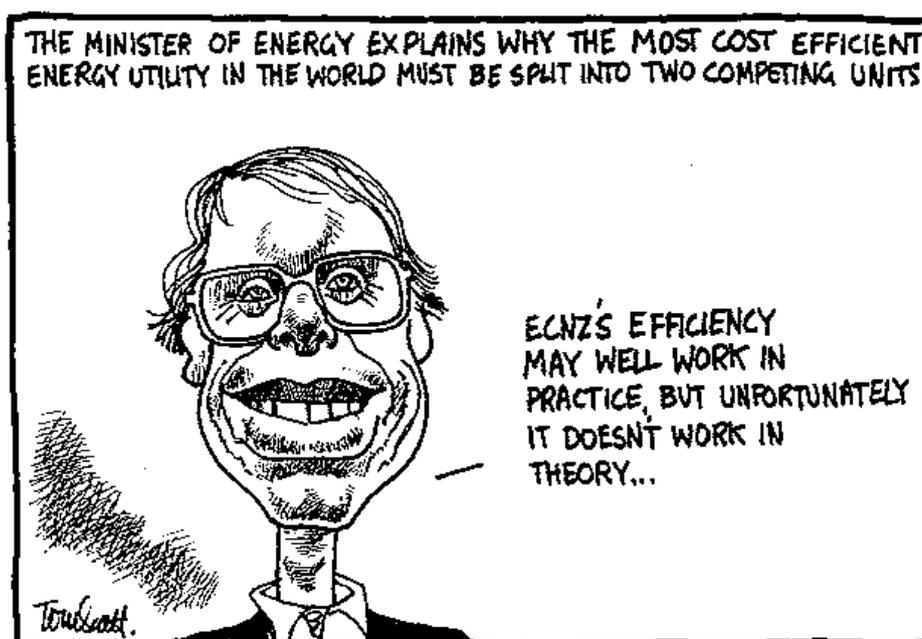
The focus of this research project is the electricity generation sector (as opposed to the transmission, distribution, and retail sectors). Following the restructuring of the 1980s and 1990s, the generation sector had the following structure (as at September 2011).

Table 5.1: Electricity generation capacity in New Zealand (by company)

Generators/Year	2005 ⁵²	2011 ⁵³
Meridian Energy (SOE)	32%	32%
Contact Energy	24%	24%
Genesis Power (SOE)	18%	18%
Mighty River Power (SOE)	14%	13%
TrustPower	5%	5%
Other Independents and On-site Co-generators	7%	9%

The break-up and privatisation of the New Zealand electricity industry did not meet with universal approval, as illustrated by the Tom Scott and Malcolm Walker cartoons below, see also Jesson (1999). ECNZ was widely recognised as one of the world's most efficient public utility providers by 1997, and internal management were keen to maintain the organisation intact, albeit as a privatised body (Martin, 1998). However, the political ideology of the day was determined to impose a competitive market on electricity generation, distribution, and supply. Not everyone saw the ideologically driven

break-up of ECNZ as beneficial for the country; our political cartoonists captured the essence of much public feeling.

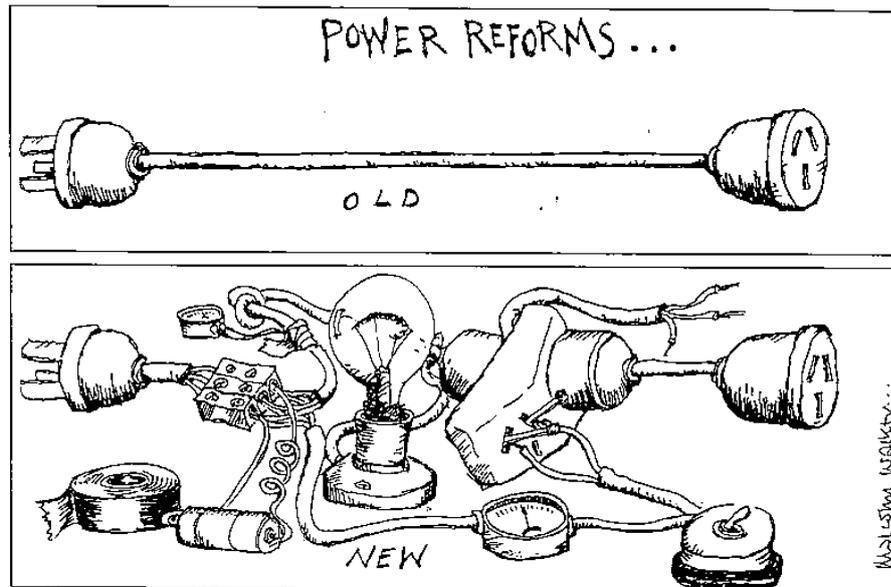


Source: Scott, (1995)⁵⁴

⁵² Source: MED (2005) New Zealand Energy Data File, p. 118

⁵³ Source: MED (2011) New Zealand Energy Data File, p. 97

⁵⁴ Reproduced with the kind permission of Tom Scott



Source: Walker (1998)⁵⁵

Electricity generation and the environment

All electricity generation has environmental implications. New Zealand is supplied by electricity from a variety of generation sources, as detailed in Table 5.2 below.

The geography and socio-political climate of New Zealand have played a significant role in the electricity generation choices made here over the years. Geographically the country has an abundance of water resources that have enabled the development of hydro generation; the country also has a large and accessible geothermal field situated in the central North Island which has enabled the development of geothermal generation plants; there are also significant coal and gas deposits within the country's terrestrial and coastal territories that have been used to power fossil fuel-based thermal generation. Two other aspects of New Zealand's geography have an influence on the electricity generation sector. First, although New Zealand is well endowed with water resources that can accommodate hydro-generation, the landscape does not lend itself to providing an abundance of storage in the form of hydro lakes (Martin, 1998). Second, New Zealand is physically remote from all other countries. As a result, we cannot import electricity directly as can be done in Europe, for

⁵⁵ Reproduced with the kind permission of Malcolm Walker

example (PCE, 2005). The socio-political landscape has ensured that New Zealand has not pursued a nuclear power option. The country officially declared itself nuclear free when in 1987 the then Labour government passed the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act (Lange, 2005). As a result of the above characteristics of New Zealand's electricity sector, the country relies primarily on hydro-generation, with a significant contribution from fossil fuels, and increasing contributions from geothermal and wind generation.

Table 5.2: Electricity generation capacity in New Zealand (by source)

Generation Type/Year	2005⁵⁶	2011⁵⁷
Hydro	63.9%	56.4%
Gas	16.1%	21.2%
Geothermal	6.4%	12.8%
Coal	9.7%	4.5%
Wind	1.1%	3.7%
Other	2.7%	1.4%

While hydro is a relatively clean source of energy, hydro dams have a significant impact on the waterways they impede and on the landscape that is flooded as a result of building the dam. Hydro is seen as a renewable source of energy and as such is often popular from an environmental concern perspective. However, renewable should not be confused with inexhaustible. Three particular pressure points in a hydro-system are worth noting. First, hydro schemes are dependent on a source of water. In New Zealand this is provided by rainfall and snowmelt. With global climate change threatening increasingly volatile weather patterns both of our water sources may be less reliable in the future than they have been in the past. Second, there are only a limited number of hydro dams that can be built. Even though New Zealand is well endowed with rivers⁵⁸, only a relatively small number of these are

⁵⁶ Source: MED (2005) New Zealand Energy Data File, p. 118

⁵⁷ Source: MED (2011) New Zealand Energy Data File, p. 97

⁵⁸ There are over 1,000 waterways named as rivers in New Zealand, and of these the largest 20 are all over 150km long (Anonymous, 2006).

suitable for hydro-schemes, and most of these have already undergone significant development (New Zealand Government, 2004; PCE, 2005). Finally, there is an increasing level of public objection to major hydro-development as experienced by Meridian Energy and TrustPower. Meridian Energy had proposed a major power scheme development, Project Aqua, on the Waitaki River in the South Island, which attracted staunch public opposition (Bruce, 2003). The project was eventually cancelled by Meridian Energy in March 2004 (Bruce, 2004). TrustPower proposed a significant hydro development scheme for the Wairau River, in the upper South Island, in early 2003. The scheme was met with significant opposition from a variety of interested parties, some of whom took their objections all the way to the Environment Court. TrustPower was granted resource consents to proceed with the project in 2010, and is currently refining the planning and design phases of the scheme (TrustPower, 2011).

Geothermal energy generation is another important contributor to New Zealand's electricity supply. Geothermal generation can result in the discharge of contaminated water; for example, mercury contaminants are present in the discharges from the Wairakei generation plant. Additionally, geothermal extraction may cause land subsidence, hydro-thermal eruption, and contamination of drinking water supplies (Martin, 1998). Geothermal energy supplies are a hybrid of renewable and extractive resources. They are renewable provided extraction rates are no faster than the natural rate of replenishment. However, generation by-products (water re-injected into the geothermal field after heat has been extracted from it) can cause a cooling of the field and reduction in the ability to generate further electricity from it. Geothermal plants can also have negative social impacts where they are located close to areas of high cultural or tourist value, for example in the central North Island region (PCE, 2000).

Fossil fuelled electricity generation (using gas, oil, or coal) produces emissions of both greenhouse gases and ozone-depleting substances. Extraction of fossil fuel raises concerns of aquatic and land ecosystem disruption and contamination of soils and water (PCE, 2000). There are also major concerns over the potential negative impacts of accidental spills, amply illustrated by BP's Deepwater Horizon oil spill in 2010.

Wind energy is probably the least environmentally intrusive energy generation method, but it does have social impacts as wind farms are perceived by some to cause visual and audible pollution problems (PCE, 2000). Wind generation sites are prone to local objection; however, as this technology improves, the objections to wind farms decreases (New Zealand Wind Energy Association, 2011). As can be seen from Table 5.2 above, wind generation is becoming increasingly important in New Zealand, with several new wind farms having been commissioned between 2005 and 2011.

In 2007 The Ministry of Economic Development (MED) published the *New Zealand Energy Strategy to 2050: Powering Our Future*. This strategy document was the first comprehensive effort at central planning for the electricity industry in approximately 20 years (PCE, 2005). The major challenges noted in the strategy are climate change and security of supply. These two overarching goals of addressing climate change issues and achieving a secure and reliable supply of electricity are both to be tackled (in part) by developing a mixed portfolio of generation assets using a variety of renewable energy sources (MED, 2007a). The New Zealand Energy Strategy rests on two main planks: supply and demand, both of which have implications for the electricity generators under investigation in this research.

The demand side of the strategy focuses on energy efficiency. Efficiency gains are to be sought through improved energy conservation measures by consumers and through advances in energy efficient technologies (MED, 2007b). On the supply side, the strategy sets a target of achieving 90% renewable electricity generation by 2025. New Zealand already has a relatively high proportion of electricity generated from renewable sources, at 74% (MED, 2011). Electricity generators will be affected by this strategy from both the supply and demand perspectives. On the demand side, if significant energy efficiency measures are achieved by users of electricity, these efficiency gains will reduce the demand for the generators' product. On the supply side, generators need to focus their infrastructure development on renewables and, in particular, seek to adopt new and emerging generation technologies such as wind and wave.

Actions by the electricity industry have been credited with contributing to a strong environmental movement in New Zealand. In the 1960s plans were afoot for the

development of a hydro scheme based at Lake Manapouri, in the South Island. The area was considered by many to be one of spectacular natural beauty and there was strong opposition to the proposals to raise the lake levels by nearly 94 feet. A long and contentious battle was fought against the government by organisations such as the Scenery Preservation Society, the Nature Conservation Council, and the Save Manapouri Committee. The environmental concerns eventually won the day, and in 1973:

Cabinet agreed that the lake should not be raised, and a week later approved the terms of reference for the formation of the Guardians of Lake Manapouri, a body of six members, and associated representatives from the National Park Board, the Southland Catchment Board, the Electricity Department and other government departments, and from the University of Canterbury. This represented a new philosophy of involving community and environmental groups in conservation issues at the official level. (Martin, 1998, pp. 216-7)

Consultation with the broader community concerning environmental issues has been integrated into New Zealand legislation in the requirements of The Resource Management Act 1991, discussed further in the following section, which provides an overview of the regulatory environment in New Zealand.

The New Zealand regulatory environment

The regulatory environment is relevant to the New Zealand electricity industry from the perspectives of past, present, and future. In the past, as discussed above, central government played a significant role in the development of the New Zealand electricity infrastructure. The present structure of the industry is a result of governmental policy, and is still evolving as the competitive market model is refined in an attempt to deliver greater benefits to the community. In the future, government policy will have an impact on new generation investments in both existing and emerging generation technologies. In addition to the broader policy impacts, there are the direct impacts of legislation, such as The State Owned Enterprises (SOE) Act 1986 and The Resource Management Act 1991.

Central government

New Zealand is a constitutional monarchy governed by a single chamber Westminster style parliament. Elections are held every 3 years to elect a mixed member proportional (MMP) house of representatives. Since the first MMP election in 1996, New Zealand has been governed by a coalition government – determined by the party or coalition of parties who have a majority to form a government.

Local government⁵⁹

Local and regional government agencies include: Local Councils; District Councils; Territorial Local Authorities; Unitary Authorities; City Councils; Councils; Regional Councils.

Councils are divided into either regional or territorial authorities. Each type of authority has different functions and responsibilities. The role of a regional council is to manage the natural resources, environmental planning, and all regulations administered at a regional level. The function of the territorial authorities is to provide local services such as water, rubbish collection and disposal, sewage treatment, parks, reserves, street lighting, roads, and libraries. They process building and environmental consents and administer other regulatory tasks. This aspect of local government is particularly important for the electricity sector as it directly impacts on the granting of resource consent required for the operation of generation assets.

New Zealand has 78 local authorities representing all areas of the country: 11 Regional Councils; 12 City Councils (which are largely urban); 54 District Councils; and 1 Auckland Council⁶⁰, (which amalgamated 8 former councils on 1 November 2010).

⁵⁹ New Zealand Government (2011)

⁶⁰ Auckland Council, as well as the city and district councils, are collectively referred to as "territorial authorities" – there are 67 in total. Six of the territorial authorities, (including Auckland, 1 City and 4 District Councils), also have the powers of a regional council – these are sometimes referred to as "unitary authorities".

New Zealand's environmental legislation

During the period of economic reforms discussed earlier, there were also significant changes to the legislation pertaining to the environment in this country. Prior to the reform process, the legislation was diffuse and very prescriptive. The changes have centred on amalgamating the regulations surrounding the environment and its use, and shifting the focus to the effects of activities on the environment. The primary statutes relating to the environment are:

- The Conservation Act 1987,
- The Environment Act 1986, and
- The Resource Management Act 1991.

Of these three, The Resource Management Act, 1991 (RMA) has the most significant effect on the companies under investigation. Section 5 states:

- (1) The purpose of this Act is to promote the sustainable management of natural and physical resources.
- (2) In this Act “sustainable management” means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety while –
 - (a) Sustaining the potential natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and
 - (b) Safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and
 - (c) Avoiding, remedying, or mitigating any adverse effects of activities on the environment.

Anyone who wishes to conduct an activity that will have an impact on the environment must seek resource consent under the RMA. Impacts on the environment include changes as a result of a new development as well as on-going

impacts as a result of normal operations, such as discharges to land, air or water. For the electricity industry, major infrastructure development is subject to this requirement, as are existing activities, when their current resource consents expire. Most of the electricity generation assets in New Zealand were built prior to the enactment of the RMA, and as such were not subject to resource consents. Since 2003, the three companies under investigation have successfully applied for resource consents for their existing power stations.

The resource consent process is one of the primary mechanisms for New Zealanders to become involved in development schemes in this country. Interested or affected parties are entitled to make submissions on resource consent applications (in favour or in opposition), and can have their views considered as part of the process.

The three companies⁶¹

This section of the chapter introduces the three power generators that were the subjects of the empirical aspect of this research project. Of all the entities involved in the generation, transmission, distribution, and supply of electricity in New Zealand, three were the subject of this thesis: Contact Energy Ltd (CEL); Mighty River Power Ltd (MRP); and TrustPower Ltd (TPL).

In 2005, these three companies were responsible for nearly 50% of New Zealand's electricity generation capacity: CEL 27%, MRP 15%, and TPL 5% (MED, 2005, pp. 128-129). It must be noted that these statistics are dynamic over time as ownership of generation assets periodically changes, and new generation assets are periodically commissioned. In 2005 the companies actually provided the following percentages of electricity generated: CEL 24%, MRP 14% and TPL 5% (MED, 2005, p. 118).

⁶¹ The discussion on the three electricity generators focuses on the period up to 2005, when data was collected, to illustrate the context from which the data was collected.

Contact Energy

Contact Energy Limited came into being in 1995 as an SOE and was subsequently privatised in 1999. The company maintains a head office in Wellington, which is geographically central to its dispersed generation plants in both the North and South Islands. CEL was the second largest electricity generator in the country and operates hydro, geothermal, and thermal stations located between Otahuhu in the north and Roxburgh in the south. CEL operated two hydro stations – the Clyde and Roxburgh – which accounted for 35% of the company's generation capacity. Thermal stations made up 50% of capacity and included Otahuhu A (gas turbine), Otahuhu B (combined cycle), Te Rapa (cogeneration), New Plymouth (gas), and Taranaki (combined cycle). The remaining capacity (15%) was derived from the company's three geothermal stations at Ohaaki, Wairakei, and Poihipi (Contact Energy Ltd., 2005).

CEL is listed on the New Zealand stock exchange. In 2005 the majority shareholder was Australia based energy company Origin Energy, with a 51% shareholding, the remaining 49% of shares were owned by retail and institutional investors, and held as CEL treasury stock. In total, CEL had approximately 105,000 shareholders (Contact Energy Ltd., 2005). In addition to being a generator, CEL was also an electricity retailer, under its retail subsidiary Empower, and supplied energy to almost 600,000 businesses and homes around New Zealand (MED, 2005).

CEL generated electricity using water, natural gas, and geothermal steam. During the early phase of this research project (2003-2005) the company was also exploring the possibility of developing future wind generation capabilities. Contact Energy had a stated commitment to “conduct its business in a manner that seeks to minimise effects upon the environment and deliver benefits to New Zealanders” (Contact Energy Ltd., 2005, p. 19). CEL drew a connection between environmental performance and stakeholder engagement by stating that these goals would be achieved in part by conducting open and honest dialogue with the community that reflects the company's commitment to responsible stewardship of the environment (Contact Energy Ltd., 2004).

Mighty River Power

Mighty River Power had its head office in Auckland, with operational sites throughout the Waikato region of the North Island. MRP came into existence in 1999 when ECNZ was separated into the three SOEs Genesis Energy, Meridian Energy and Mighty River Power. As an SOE, Mighty River Power was owned by the New Zealand people represented by two Government shareholding ministers: the Minister of Finance and the Minister for State-Owned Enterprises. MRP generated electricity using hydro, geothermal, cogeneration, and biomass. The hydro-generation assets were based on the Waikato River in the North Island. This river had nine dams between Taupo and Karapiro. The company also operated geothermal assets at Mokai, Rotokawa, and Kawerau (all in the Waikato region of the North Island) and in 2003-2005 was conducting significant exploratory activities in the geothermal, gas, and wind generation areas. MRP retailed electricity under the Mercury Energy brand, with a customer base of over 300,000 connections (MRP, 2005).

MRP was subject to the same environmental concerns as all electricity generators with their mixed portfolio of generation assets having associated environmental impacts. “Our resource-based business is completely entwined with issues of sustainability – if we fail at Corporate Sustainable Development then our business will fail” (MRP 2003, p. 2).

Stakeholder relationships featured strongly in the information published by MRP, the company recognised that “a community licence to operate is vital if we are to continue to work successfully in partnership with people” (2005, p. 42). MRP also saw itself as a stakeholder alongside the wider community. “We see our business as an important stakeholder, both in the communities we operate in directly, and in New Zealand as a whole” (MRP, 2004, p. 43).

TrustPower

TrustPower was a Tauranga based company with generation assets located throughout the country from the Bay of Plenty to Otago. The company operated 34 power stations in all, many of which were smaller schemes that supplied locally distributed electricity. Thirty three of the stations were hydro and one was wind generation. The company was further developing its wind generation capacity and had several hydro projects under consideration.

Although TrustPower had been in the electricity supply industry since 1925, the company as it existed at the time of this research was formed in 1993 as a result of the Government restructuring of the electricity industry (TrustPower, 2008). In 2005, the company supplied electricity to approximately 250,000 customers throughout New Zealand (TrustPower, 2005).

The company was listed on the New Zealand stock exchange; however, the majority of shares are held by three institutional investors: the Tauranga Energy Consumer Trust, Infracore (a New Zealand based infrastructure investment company), and Alliant Energy (a US-based energy company).

As TrustPower operated only hydro and wind schemes it was not subject to the same emissions concerns the other two companies had to consider. However, the large number of hydro stations the company operated (36, compared with CEL's 2 and MRP's 9) meant that the company's assets were responsible for significant environmental impacts over all. TrustPower recognised its environmental responsibilities and acknowledged that involvement with the broader community was an important ingredient in meeting those responsibilities. "Inclusive, open and transparent consultation processes form an integral part of TrustPower's environmental programmes and activities" (TrustPower, 2005, p. 20). The link between stakeholders and environmental performance (if not explicitly sustainability) was established in the company's environmental policy, where it committed to "Liaise and work with the community and all potentially affected 'stakeholders' in the identification, mitigation and/or monitoring of any potential environmental effects" (TrustPower, 2004).

Although CEL, MRP and TPL all operated a mixed portfolio of electricity generation, as disclosed in Chapter 4, the focus of this research was on the hydro generation activities of the three companies.

Conclusion

This chapter has provided an overview of the environmental, socio-political, economic and industrial contexts within which this research is situated. The chapter provides a bridge between the theoretical material in Chapters 1 to 4 and the empirical data and analysis of that data in Chapters 6 to 10. The chapter also seeks to provide a useful background to the following analysis of the fieldwork data.

Section 3

Data Analysis, Discussion and Conclusions

What's going on out there?

Introduction

This section of the thesis comprises the empirical and analytical aspects of this research and presents the integration of the empirical data with the earlier theoretical discussions in Chapters 1 to 3. Ninety-eight interviews were conducted with people who were either internal staff members or external stakeholders of the three power generation companies under consideration, identified in Chapters 4 and 5. This section of the thesis, Section 3, includes five chapters and is structured as follows:

The first three chapters, Chapter 6, 7 and 8, present data collected during the fieldwork activities of this research. These three chapters present my analysis grouped in the clusters established in Chapter 4 and highlight what the interview participants⁸¹ had to say. I have made extensive use of quotations in these chapters, while providing linking commentary between the quotations. To preserve the anonymity of the interview participants, as discussed in Chapter 4, all references to individuals and organisations are made using the code depicted in Table 4.2. One chapter is dedicated to each of the three power generators and their respective stakeholders. All three of these chapters follow the same structure, as described next.

The chapters explore: the practical workings of the relationships between the focal organisations and their respective stakeholders; the understandings of

⁸¹ In the interests of fluid writing and readability I variously describe the people interviewed as 'interview participants' and 'interviewees'. This is to avoid the use of any one term *ad nauseam* and no inference should be made as to any other underlying reason for these changes.

sustainability; the role of stakeholders in organisational activities and decision-making; and also any connections made between sustainability and stakeholder engagement conveyed by participants during the interviews. Within each chapter, I arrange the data using the interview participant clusters established in Chapter 4, that is, internal, iwi, environmental, community, and regulatory. Within each cluster I maintain the pattern used in Chapters 1 to 3 and organise the discussion around the themes of sustainability, stakeholders and the nexus of these two concepts, in that order.

To avoid unnecessary repetition of common understandings and experiences related to me by the interview participants, the three data chapters become progressively shorter, as in the latter two chapters I focus on points of difference in what the interview participants had to say, and differences between the three companies.

It is worth noting here one particular characteristic of the interviews conducted. The discussions held with internal staff members of the power generators tended to be of quite a general nature, with regard to stakeholder relationships, as each staff member may have been involved in multiple stakeholder relationships. As a result the responses from the internal staff members interviewed tended towards generalisations of how and why stakeholder relationships were entered into and maintained rather than in-depth discussions about relationships with particular stakeholders. The interviews conducted with external stakeholders, by comparison, tended to be focused on the power generator in question and the relationship that existed between the stakeholder and the company.

In the penultimate chapter of this thesis, Chapter 9, I present my further analysis of the data and integrate it with the theoretical arguments discussed in Chapters 1 to 3. In this chapter I discuss the key themes that I identified by analysing the data and comparing it to extant theory. In this chapter I also present a comparison of the three companies, highlighting the points of difference in their approaches to their respective stakeholders. In the final sections of Chapter 9, I develop my theoretical and practical contributions to the sustainability and stakeholder domains.

The final chapter in both this section and the thesis as a whole is Chapter 10. This chapter serves to reflect on the research process and output in its entirety, specifically revisiting the research questions posed at the outset of this project and summarising the answers that have been distributed throughout the preceding chapters. I also clearly identify the contributions this research makes to theory and practice in the sustainability and stakeholder domains. I close the final chapter with a personal reflection of my experience during this research project.

Chapter 6

Power Generator A and its Stakeholders

In their own words

Introduction

This chapter relates to Power Generator A (PGA) and its stakeholders. The purpose of this chapter is to provide a representative sample of the interview responses collected during the fieldwork phase of this research project, with linking and explanatory commentary from me. The interview data are further analysed in Chapter 9.

I begin the chapter with an overview of how PGA manages its stakeholder relationships as described to me by the company representatives I interviewed. Following this logistical overview I present key data. As mentioned in the introduction to this section, I arrange the data using the interview participant clusters established in Chapter 4, that is internal, iwi, environmental, community and regulatory. Within each cluster I discuss the key themes of sustainability, stakeholders, and the nexus of these two concepts.

The logistics of stakeholder relationships

According to the PGA internal staff members interviewed stakeholder relationships were seen by this organisation as an important element of the organisation's success. Dedicated staff were responsible for overseeing stakeholder relationships for the organisation, with individual staff members assuming responsibility for initiating and maintaining relationships with specific stakeholders or stakeholder groups. While the company did not profess to maintaining a formal documented management system regarding stakeholders, the approach taken certainly appeared to be systematic.

Stakeholders were ranked, using a simple A, B, C, D, E schema, designating the level of importance of the relationship to the company (“A” being of highest importance, “B” being the next most important etc.). This schema implied “management” as opposed to “engagement”; however, it was the process that was managed rather than the stakeholders.

What we do in terms of our prioritisation and our planning around them [stakeholders] is management. When we go out there we engage with them. It's a two-way process. Effective stakeholder (and I'll call it management because it all fits in the same scenario, the same thinking process) effective stakeholder interaction, management, engagement, whatever you want to call it is all about being honest and two-way and when you do that you are stepping outside normal management practice (PGA1).

Stakeholders seen as meriting the highest priority tended to maintain that position on a fairly consistent basis and included the likes of affected land-owners, iwi representatives, and regulators. These classes of stakeholders were generally seen as important for all projects.

Stakeholder interaction as conducted by PGA was not dictated by a formally documented management system approach; rather it was seen as “the way we do things around here”.

[Stakeholder engagement is] more a cultural approach than it is a documented process. It's one of the things we think we've identified that we think we do things slightly differently [from our competitors] (PGA5).

Stakeholder relationships were conducted on a variety of levels. Where possible local employees deal with local stakeholders. However, there was also recognition of the position held by a stakeholder representative, and in general a company representative of similar standing would conduct the relationship, for example CEO to CEO, General Manager to General Manager, etc.

Interaction between company personnel and stakeholder representatives was conducted using a wide range of communication methods: phone calls, meetings, group presentations, mail outs, social functions hosted by the company, individual invitations to sporting or social events (for example a rugby game), email, and the company website. The higher ranked a stakeholder group was perceived to be the more personal and frequent was the interaction with the company. For example, if staff members were visiting the location (town/city) of one of “their” stakeholders they would be likely to take the opportunity to meet with the stakeholder in question, whether through a formalised meeting or going out for a quick coffee. The relationships with the higher ranked stakeholder organisations were also more likely to be formalised through the use of Memoranda of Understanding (MoU), which established objectives, values and principles, which had been mutually agreed between the company and stakeholder group in question.

Views from inside the company

The internal staff interviewed, whose views are represented in this section, were all directly involved in stakeholder interactions. Included among these interview participants are the staff with overarching responsibility for stakeholder relationships.

Sustainability

The most consistent theme to emerge from internal staff members of PGA was that sustainability is about the long-term. This understanding was generally expressed in two ways (either singly or together): 1) that sustainability is about future generations, and 2) that it is about the long-term survival of the company into the future.

The company personnel interviewed were acutely aware that their business was heavily dependent on the natural environment and that financial success was inextricably linked with a robust environmental base from which to draw.

The economic dimension of sustainability was treated in a somewhat paradoxical manner, whereby interview participants stated that no one aspect of sustainability was prioritised over the others and that the company attempted to balance all of the aspects, while at the same time expressing the ultimate need for economic viability of any decision or action. This viewpoint was unsurprising from a commercial organisation that by its nature was concerned not only with its own continuing existence but also with on-going profitability and growth. This perceived link between sustainability and economic success was consistent with the NZBCSD's business case mantra that companies "can do well by doing good".

Sustainability as expressed by the participants was more aligned to weak sustainability than to strong sustainability as posited in this thesis. See Figures 1.1 & 1.3. For some participants, the strong sustainability model was seen as an aspirational goal, with the weak model being the practical, functional demonstration of sustainability.

We have to rationalise the ideals about sustainability and what is pragmatic (PGA7).

The company was seen, by these representatives, as a part of a larger whole, the wider human community. In addition, there was seen to be a need to conduct operations within parameters that were deemed acceptable by the community, be they special interest groups or people directly impacted by operations.

I think we'd struggle to do something as a company if the community was absolutely against it. Most of our projects have a long life, at least 20 years. It's a long time to be somewhere where people don't want you (PGA5).

The Resource Management Act 1991 (RMA) and especially its resource consenting process had a significant impact on the way sustainability is viewed within, and the activities undertaken by, the company. The RMA was particularly influential on the mind-set around future development proposals. Access to resources that may be wanted in the future was seen as fundamental to the long-term (economic) sustainability of the company. Gaining resource consent and community buy-in well

in advance of development were seen as components of the operationalisation of sustainability for the company.

Sustainability for us is also about being able to keep generating and also to keep up with the development of electricity, we've got to grow the company ... getting access to fuel, even though we're not ready to use that access (PGA4).

There was also a commonly held perception within the company that “other” people (that is outsiders) view sustainability as being all about the environment, while the company tried to take the broader view.

... there's definitely a group of people who only think about it from an environmental perspective and then there's a group of people who don't think about it from any perspective. The people who tend to engage us the most tend to be coming from an environmental angle (PGA5).

The internal staff representatives of PGA had quite a deep knowledge of sustainability and the issues surrounding the concept. Most were familiar with both the weak and strong models of sustainability and the responses from these interviewees were reasonably consistent across these topics.

Stakeholders

Stakeholders were defined variously, by the interviewees, as people or organisations who are affected by, influenced by, impacted on, or have an interest in the activities of the company, or who can affect, influence, impact, or are of interest to the company. These definitions are consistent with the variety of definitions evident in the academic and practitioner literatures. There was no mention from any internal staff of the environment being a stakeholder *per se*. All of the interviewees offered a broad and potentially very inclusive definition of who could be a stakeholder of PGA. The following response was typical of the coverage:

We think we know who our stakeholders are reasonably well, we've done quite a lot of work to more formally understand who and why they're interested. So much of it's sort of evolution, it just takes a lot of time. A year ago we sat down and said we've identified all these stakeholders and they range from things like, if you look at the whole company, they range from things as lofty from one end from the government to the other end to someone on a street in [a small town] or somewhere. So we've got sort of formal and informal relationships, we tried to get them all down on a piece of paper basically. And had a look through and said well there are actually groups of people, they might be in different areas, but they all have quite common interests. So if you look at Regional Councils they all have their own little area but really when you look at the type of relationship we have with them as a company it's predominantly around consenting and planning and policy. And you can look at different groups you've got sporting groups and iwi and community groups, and they generally have, I don't want to sound like they're all generic, but you can generally group them and say their concerns might be different but they tend to centre around this or that or something else (PGA5).

When trying to pin down a definition or understanding of the stake that was held, most interviewees reverted to their definitions of stakeholders with the addition of stating that community members had “rights”. The right was not necessarily seen as a legal right via ownership and could also be viewed as a mutual right between the company and the community, for example:

The company is a custodian over community property. The community has a right over the resource, so does the company; the company's right has been bestowed by the community (PGA6).

Therefore, stakeholders were seen to provide both a community licence to operate and a legal licence to operate (via the RMA framework). As noted earlier, power generation, by its nature, has a long-term profile. Were generation activities to be undertaken without an adequate level of community acceptance, operating conditions could be difficult. Community acceptance was seen as necessary for existing

operations and as vitally important for the successful implementation of greenfields projects.

When asked how the company initiated stakeholder interaction, respondents were somewhat reticent in their responses and tended to revert to a response along the lines of “we’ve been doing this for a long time now and we just know who we need to make contact with”.

It’s either people we know we need to know or people who make themselves known to us (PGA5).

This response does reflect the long history of the organisation going back beyond its current structure to the early days as a government department. Several senior staff in PGA began their careers when the company was still part of a government department and there was a high level of institutional knowledge associated with these personnel and their established stakeholder relationships.

Why this company entered into stakeholder relationships was a much easier question for the respondents to answer. Again, the answers were consistent with the variety of reasons proposed in the literature. Stakeholders could provide a level of understanding of issues that the company did not possess internally. Some individual stakeholders could command high levels of attention and were listened to because they were viewed with respect, as knowledgeable, and as having integrity; therefore, the company could learn a lot from these people because they had expertise that the company does not possess internally.

The other reason that we engage with lots of stakeholders is we’re getting input; we like getting down into farming communities, into provincial New Zealand, because we get an honest, straight perspective. We get that balance, we get the view of often people who are running farms, like [AR3] is a typical example, if he said ‘I don’t like what your company’s doing’ he would get absolutely listened to, because we respect his weighing up ... and we respect the way he behaves in the community, so we would say ‘well [AR3] what’s on your mind?’ And the same with, for instance [AE3], he’s got absolutely huge

regard in this company and if he said to us 'I want you to think about this', we would, we'd think about it very strongly. So it's that feedback, it's critical to us. And also we learn a lot off those people, about the way they think ... because we're not experts in [everything]. [AE3] he's a David Bellamy, he's an absolute expert in lots of plants and birds and he's an expert in thinking about sustainability, because he's lived it and breathed it and understands it. So his philosophies, we listen to his philosophies in thinking as well and his way of working things out, so we actually engage in his processes as well, his processes of working out how to resolve an ecological or sustainability [issue] (PGA6).

Some stakeholders could, therefore, help to deepen the understanding the company has of issues of concern to local communities. This aspect was seen as especially true of Maori concerns, where the company did not profess to be an expert on cultural issues. It sought to engage with iwi representatives regarding the cultural impacts of its operations and proposed operations, to ensure the company broadened its understanding in this area.

As a result of feedback from stakeholders, particularly those also involved in stakeholder relationships with other organisations, these interview participants believed that effective stakeholder relationships enabled the company to maintain a competitive advantage. The company committed significant time and resources to its stakeholder interactions, and did not do so without believing there was a commercial benefit to be gained from the effort.

The approach to stakeholder relationships described by the interview participants illustrated a proactive approach. For example, when considering a potential new project, the company would contact likely stakeholders very early in the process. Stakeholders were encouraged to articulate their concerns and to help develop the scope and focus of research that may be undertaken for the proposed project. This approach was seen as having the potential to foster enduring relationships, and to enable the company to commission research that specifically addressed stakeholder concerns. This tactic was also seen as playing an important role in helping to mitigate

any future objections to a proposed project – especially during the resource consent application phase.

We've always had a philosophy of involving stakeholders at an early point. ... We take a proactive and anticipatory approach in project development or operations (PGA3).

Providing accurate information was seen as an important component of stakeholder relationships. As one interviewee noted:

The best public to work with is a totally informed stakeholder group, even if they don't support what you're doing. It's misinformation that causes you problems (PGA1).

Keeping interested parties well-informed was also seen as a way to overcome potential objections, especially from stakeholders who may be operating a personal agenda contrary to the company's objectives. For example, at times recreational groups wanted specific water flow conditions to suit their activities and these conditions could make achieving or maintaining optimal operating conditions difficult for PGA.

Powerful stakeholders can be marginalised by good stakeholder management and good science (PGA1).

In keeping with the stakeholder management and engagement processes described above, not all stakeholders were seen to merit equal treatment. This difference was seen as a matter of practical consideration, as one interviewee noted:

There is only so much you can do without having thousands of people working for you. So at some level stakeholders have to be scaled – to be manageable (PGA5).

When asked about the difference between stakeholder management and stakeholder engagement, the participants indicated that the company used both approaches. As

part of the internal company processes, stakeholder relationships are managed with the systematic approach mentioned earlier, but the actual interaction with stakeholders was generally seen as engagement, with mutuality, reciprocity and trust implied by the term. There was recognition, however, that some relationships were more in tune with management than engagement.

Stakeholders are managed and engaged. Whether stakeholders are managed or engaged can depend on them; it often depends on expectations, some expectations need more managing than others (PGA3).

As discussed above, expectations could relate to stakeholder groups having access to the likes of river flow conditions that suit their recreational needs but which would not be suitable for power generation operations.

Stakeholders were prioritised within the company, as a practical response to the sheer volume of stakeholders the company has – a full list of stakeholders (in 2004) numbered around 1,600 groups and individuals. Those who received the highest priority were the stakeholders with whom the company wished to foster long-term relationships, those who had expertise the company valued, those essential to a project, and finally those who made themselves unavoidable.

The squeaky wheel gets attention, even though it may not be desirable (PGA4).

Some stakeholder groups were seen to be particularly adept at making use of the available RMA processes in ways that far outweighed the importance the company would assign to their concerns. This was a criticism most frequently levelled at recreational groups.

When discussing the nature of stakeholder relationships, especially relating to the frequency and drivers for contact between the company and the stakeholder, most of the interview participants noted that it was not possible to adopt a “one-size-fits-all” approach. Relationships, therefore, needed to be tailored to the stakeholders in question.

Stakeholders themselves are not always after on-going long-term relationships. The likes of developers are concerned about issues arising during their development projects, and then tend to move on, whereas land owners, for example, tend to be more interested in long-term, on-going interaction (PGA7).

For the most part, representatives of PGA spoke about stakeholders in a positive light, seeing the stakeholders as having the potential to contribute something to the company as opposed to detracting from it. Stakeholder-organisation interaction for this company had a long history and appeared to be part of the organisational culture embedded in the company.

Stakeholders and sustainability

Whether or not stakeholders were concerned about sustainability and, therefore, an influence on the company to pursue sustainability was an area of differing opinions among the interviewees. The views on the link between stakeholders and sustainability fell into one of two camps. First, was the view that stakeholders were not really concerned about broader sustainability issues at all. Stakeholders were seen to be concerned about their particular issues, and as having no focus on any wider sustainability concerns. Their issue may or may not have been compatible with sustainability. So when asked whether stakeholders were a force for sustainability, this was a typical response from this cluster:

Truthfully, not necessarily, not even in aggregate. Not all stakeholders are interested in sustainability. There are people whose requirements or focus is inconsistent with that; there are people whose requirements aren't even consistent with individual components of that. ... People's focus can be inconsistent with sustainability and is often self-interested (PGA5).

Second, there was the view that some stakeholders were directly concerned with sustainability issues. These stakeholders were generally classified as “*environmental*

stakeholders” (PGA8). This view was something of a contradiction to the comments discussed earlier that the participants saw sustainability as wider than environmental concerns. The other stakeholder groups considered to have concern for sustainability issues were those with concern for wider community welfare (PGA3).

From a broad perspective, New Zealanders were seen to be concerned about and in favour of renewable energy sources, “*this is a sustainability issue at heart*” (PGA7). So at the operational level there was concern among stakeholders for this sustainability issue. However, renewable energy was by no means guaranteed to provide for all of our energy needs should current usage and growth in usage patterns continue, as discussed in the previous chapter.

This cluster of interview participants appeared to believe that, in principle, companies interacting with their stakeholders was a logical influence for sustainability. However, the experience of these participants indicated that they found the link between stakeholders and sustainability as somewhat more tenuous in practice.

Conclusion of the internal views

The responses from PGA staff interviewed were very consistent across the range of topics discussed. The company representatives reported well established stakeholder relationship practices that permeated the organisation. Stakeholder interaction was seen as an essential part of doing business and as vital to ensuring the longevity of the company. There was a strong link perceived between economic sustainability and stakeholder interaction. The link between ecological sustainability and stakeholder relationships, however, was less obvious.

Views from outside the company

This section of the chapter provides a summary of PGA’s stakeholders’ perceptions. The stakeholders interviewed for this research represented a range of stakeholder organisations, and as such held a range of views on the topics discussed. The

stakeholder views are presented in the clusters used to classify individual stakeholders, in the following order: iwi, environmental, community, and regulatory.

Iwi stakeholders

The interviewees represented in this section were drawn from a variety of iwi (Maori tribal affiliations) whose tribal territories intersected with the operational activities of PGA. As with any sector of human society, Maori do not speak with a unanimous voice; however, it was clear from my discussions with the iwi representatives I interviewed that there was a strong correlation across these different tribal groups when it comes to how sustainability and stakeholder issues were viewed and understood.

Sustainability

The traditional Maori cultural view that nature and humanity are inseparable (discussed in Chapter 5) appeared to have influenced the way sustainability was viewed by the iwi representatives interviewed. The following responses typified the iwi perspective:

We take an environmental and a cultural point of view when it comes to sustainability, but also a people perspective as well. Our interpretation of sustainability is what we regard as tribal development; it encompasses the environment, it encompasses the people, it encompasses our culture, our tikanga⁸². So it's quite a big broad area, so to ensure sustainability we take a step back and look at sustainability on all those issues and not just the environment (AI3).

Sustainability also means, sets a base for, forming social objectives, the cultural objectives as I said, but also objectives in terms of our physical well-

⁸² Custom, obligation (Ryan, 1995, p. 258)

being, our need to sustain ourselves in terms of food, and other provisions, and housing, the basics of life. And that also includes the economic side of surviving. Holistic is important because in the concept of sustainability the word kaitiakitanga⁸³/stewardship is at the centre of it, and the main challenge there is to ensure that they're in balance. Balance is very important – we are talking about the [waterway] and we have issues currently with nitrate emissions, for example. The community tends to focus on the [waterway] and forget about the responsibilities that tangata whenua⁸⁴ have to land and the other taonga⁸⁵, land, and the interconnectedness of all that (AI1).

Another theme that was evident when talking to iwi representatives was the sense of responsibility associated with sustainability. There was a sense of accountability and guardianship for the natural environment akin to the way one would care for a relative.

It's a practice that we have here at the Trust, we're looking at tikanga stability relating to the cultural, spiritual, and social ... and we separate that out because the tikanga, which is the process of accountability to maintaining the stewardship over our taonga, and that is what we call the kaitiakitanga, (which) means understanding and preserving of the mana⁸⁶ of our taonga, the living force of our taonga (AI1).

This sense of responsibility also extended to the wider New Zealand population.

In regard to the tribe, sustainable development is simply conserving the current environmental conditions of the river whilst allowing development, particularly providing energy for the increasing demands of the country. We do not want to hold back growth and development. At the same time there has

⁸³ The responsibilities, passed down from the ancestors, for tangata whenua (indigenous people) to take care of places, natural resources and other taonga (treasures) in their geographical territory (PCE, 2003, p.173)

⁸⁴ Local people, aborigine, native (Ryan, 1995, p. 239)

⁸⁵ Property, treasure (Ryan, 1995, p. 240)

⁸⁶ Integrity, charisma, prestige (Ryan, 1995, p. 126)

to be a compromise in regard to minimising the environmental impacts it may have (AI2).

There was widespread recognition amongst the iwi representatives that one of the significant challenges of sustainability was how to prioritise or balance the four dimensions: the environmental, social, cultural, and economic. Given that sustainability was viewed through a cultural lens, the cultural dimension had a high priority for this stakeholder cluster. Beyond that perspective, two main streams of thought emerged: first, that it was desirable to try to balance the sometimes competing interests of the environmental, social and economic dimensions; and second, that the economic dimension should not take precedence at the expense of the other areas of concern.

There are differing priorities depending on the stakeholders' perspectives. For the tribe we definitely have a strong cultural bias, probably followed by an environmental, a social, and then economic. So if you asked us to rank it, it would probably be in that order (AI2).

There was also frequent reference to a dynamic quality to sustainability and that the different dimensions of the concept would hold sway under different circumstances.

I think it is [a] swings and roundabouts type arrangement, you've got to take the good with the bad and sometimes you have to prioritise them differently, it depends on the situation. And at the end of the day they change their priority and their focus on [a] constant basis, they're quite dynamic. I think you can't put your finger on one and say that it takes precedence over everything else (AI3).

The long-term characteristic of sustainability was also in evidence in iwi thinking with intergenerational concerns being expressed in terms of preservation of both the natural heritage and the ability to access and utilise resources into the future.

We also have obligations to future generations. Not just keeping the [waterway] in a pristine state but maintaining the opportunities for utilisation

of the land and taonga, those land-based resources so that the opportunities are open in the future (AI1).

Iwi understandings of sustainability appeared to be far more deep-seated than were the organisational views discussed above. There was a cultural history founded in the principles of a holistic worldview that celebrates the unanimity of humanity and the natural environment rather than the dualistic human-nature separation thesis common in Western belief systems.

Stakeholders

There was some resistance to the stakeholder terminology in iwi circles. It stemmed from the view that stakeholder was a term that could be applied to “just anyone” and that tangata whenua have a special position in New Zealand society by virtue of their status as the first settlers of this country. This is a position that has been codified in New Zealand law and reinforced by the Waitangi Tribunal process discussed in Chapter 5. However, despite these reservations, the iwi representatives that I spoke to acquiesced to discussing this concept using the stakeholder terminology thereby facilitating comparison across stakeholder clusters and the company.

All of the iwi representatives interviewed defined stakeholders in terms of interests, for example: *a key interest group (AI2); someone who has an interest in the activities of the organisation (AI1); and anyone who has a vested interest in activities (AI7).* Beyond this common denominator, there was also an underpinning conception that stakeholders could be arranged in a hierarchy representing the pre-eminence of these various interests. Iwi interests were often seen as heading this hierarchy because of their standing as tangata whenua. It should be noted, however, that the relationship under consideration was often expressed as that between Maori and the Crown, rather than between Maori and the power generator. This perspective may be explicable when we consider that some of the power generators are State Owned Enterprises (SOEs) and as such could be perceived as agents of the Crown. Officially the relationship between the Crown and its SOEs is that of ownership. The Crown is the shareholder of the SOEs and is not directly involved in the management and

operations of the companies. It was also due to the understanding of what we are stakeholders **in** or **of**. While the conventional view was that groups under consideration were stakeholders **of** a focal organisation, the iwi perspective appears to be broader in that we were all considered to be stakeholders (including the focal organisation) **in** something bigger, articulated as either New Zealand or sustainability itself.

As discussed above, for iwi, the basis of stakeholding was seen as an interest; therefore, the interest was the stake. There was also a hierarchy of interests; for example, one iwi group may have had an interest in the impact of PGA on a feature of the natural environment outside its tribal boundaries, but it deferred to the tribe that holds mana whenua⁸⁷ for the impacted aspect of the environment. From this perspective it was seen as entirely appropriate for power generators to prioritise their relationships with stakeholders.

Without exception, the iwi representatives stated that the RMA and the concomitant resource consenting processes were significant factors in developing the relationships that existed between iwi and PGA. Although some tribal groups had had relationships dating back to the days of ECNZ, the relationships were not as formalised and productive⁸⁸ then as they were seen to be at the time of this research.

Consultation with iwi over resource use issues is mandated by the RMA. This requirement has resulted in a much higher level of interaction between iwi and PGA. In the early stages of these relationships, there was a distinct impression, on the part of iwi, that the consultation was directed at the power generator achieving a “tick in the consult-with-Maori box” as part of the resource consent requirements. However, for most, these relationships had evolved into what were seen as much more meaningful interactions with, what is perceived to be, genuine two-way communication and a desire by both parties to develop long-term, durable partnerships.

⁸⁷ Rights and prestige associated with the land/environment.

⁸⁸ In the sense of meaningful collaboration rather than in purely financially lucrative terms.

There has always been a historical acknowledgement of the tribe's interest in the river. Our view with PGA was that at some point in time we would have to sit down and discuss some aspects of how the river was being managed. I suppose the jolting point that really accelerated this relationship was the resource consent process, which [meant] they were then forced to deal with us. They couldn't go round us, but nor did we block them as well. We said 'at some point we need to discuss concerns about your consent ... and that was probably a common point at which we commenced our discussions. And then from there I believe it was the attitude of the people concerned that helped the relationship to develop (AI2).

The positive evolution, described above, was not experienced of all of the interview participants, however:

It's more of an ambulance at the bottom of the hill type process. The precursor is usually a resource management issue, which is unfortunate, but you've got to take the opportunities that you're given. In a perfect world, the relationship would have eventuated out of mutual respect and wanting to interact with each other for the mere fact of a relationship and not because a particular outcome is being sought by a party (AI3).

From an iwi perspective, the drivers behind developing relationships with PGA and other organisations were closely linked to the sustainability perspectives discussed above. The well-being of the tribal community is an important consideration, which was sought through control over (or at least input into the use of) natural resources. For many iwi groups, New Zealand's waterways are sources of kai moana⁸⁹, in particular eel fisheries. Therefore any industrial development of the waterways can have a significant impact on traditional fishing activities. The other concern was for the general stewardship and guardianship of tribal taonga as discussed above.

While the relationships between PGA and iwi groups had not always been harmonious and productive, there was a general recognition among interview

⁸⁹ Food derived from the sea or freshwater authorities

participants that the situation had evolved over time. Most iwi representatives felt that the relationships had moved beyond the event driven (resource consent requirements) stage, to more genuine engagement over a broader range of interests.

A common observation by the interviewees was that the strength of the relationships as they were at the time of the research was derived from a great deal of ground work put in early on in the process. The iwi relationships had developed along quite formalised lines with Memoranda of Understanding (MoU) being drawn up between PGA and individual tribal groups. The amount of time and effort required to achieve this position was significant as one participant noted:

We are having to move at speed and that is not always easy for us, we're having to grapple with new issues and maintaining the pace is not always easy. For example, one issue we had something like 72 meetings over 12 months (AI2).

The interview participants made frequent reference to their desire to progress these relationships beyond an environmental focus, which in most cases had initiated the contact due to resource consent requirements. There was a perception among the iwi representatives that this objective was being advanced and that relationships were moving towards a partnership model. Another common thread through these conversations was that the iwi representatives have sought to identify areas of mutual interest with PGA. This proactive approach allowed the relationship to be built on common ground and was seen as a way of facilitating greater understanding between the two organisations (the power generator and the iwi in question). Integral to the success of the relationships were the values of trust and integrity. These values were seen as essential in moving from the situation of being a managed stakeholder to becoming engaged with and progressing towards a partnership.

The relationships were seen as being between two organisations. However, the importance of interpersonal interaction between individuals representing the organisations was also deemed to be vitally important. For the iwi representatives, the inter-organisational view was recognition of the need for, and desirability of, longevity of the relationships. If a relationship was founded solely on how well two

individuals interacted, there were serious concerns around how the relationship could survive the departure of one or both of those people.

The relationship should be between organisations and should permeate throughout the organisation. However, the strength derives from the personal level. I think those personal relationships are like the reinforcement in concrete (AI3).

One of the formal mechanisms used in these relationships were the MoU which lay down mutually agreed principles and core values and provide a governance framework to guide the relationship at an operational level. The principles and core values articulated in the MoU were also seen as a means of mediating disagreements. When seemingly insoluble problems arise, referring to the MoU offered a way forward based on common understandings that have been well established.

There was also a strong sense of reciprocity in the iwi approach, where they recognise that these relationships not only bestowed rights but conferred responsibilities as well. Reciprocity was seen to be demonstrated by iwis' willingness to take part in sometimes onerous consultation activities (see quote by AI2 above) and by the manner in which the tribes conducted their relationships with PGA.

One of the things I would say is that we've displayed a principled approach and the company has always been very principled as well (AI6).

Agreeing to take part in this research project was also seen by several of the interviewees as a demonstration of living up to those responsibilities.

The stakeholder-organisation relationships described by the iwi representatives interviewed were described as evolving and for the most part as improving over time. The iwi interview participants regarded stakeholder-organisation interaction as important but sometimes onerous in terms of the time and resources required to commit to a durable and productive relationship.

Stakeholders and sustainability

Given the cultural lens through which iwi viewed sustainability and their relationships with PGA, it is reasonable to say that they were in favour of sustainability.

We are absolutely. What we do today must stand up to scrutiny in the future – we need to be looked back on with pride by our children and grandchildren, they are the ones who will reap the benefits. Our people will be around in the future, can the companies be sure that they will? ... It has to be about give and take, it cannot be about take, take, take. It's making sure it's a two-way street. I think that's the bigger picture of sustainability (AI5/7).

The iwi representatives themselves recognised the challenges embodied in sustainability, for themselves and PGA.

When we talk about sustainability having four components, for companies it used to be just one - economic, for us it used to be just two - cultural and environmental. It is taking us as a tribe some time to understand the social and economic aspects (AI6).

There were somewhat ambivalent responses regarding whether stakeholders, in particular iwi groups themselves, influenced PGA towards sustainability. However, there was a sense that by engaging with the company and bringing to light concerns that may not have been on the company's radar before, iwi were making a contribution in this area.

I believe stakeholders can, some more than others. It depends on what sort of interest you have. It is a power relationship initially and there is always going to be that aspect there, but you have to look for win-win situations. It's that swings and roundabouts thing, you've got to give and you've got to take. For a relationship to be durable there has to be a common denominator for both parties to work in the pursuit of. I think by us interacting with PGA we've increased awareness of certain issues, which they might not have known

about. And for us too by working with them our awareness of issues, not regarding our immediate environment but national issues that we hadn't been aware of (AI3).

These iwi representatives did identify a link between sustainability and stakeholders, in a general sense. The interviewees did see themselves as being able to contribute to PGA's awareness of sustainability concerns especially in the areas of culture and environment. There was also an impression that iwi might be able to influence PGA decision-making within certain bounds, the least influence being on matters of a purely economic nature.

Conclusion of the iwi stakeholders' views

The iwi views of sustainability and their relationships with PGA were naturally heavily influenced by the cultural perspective this cluster brought to bear on these issues. This was, of course, particularly applicable as I was interviewing these people in their role as iwi representatives. The stakeholder terminology did not sit well with all interview participants when considering their own situation. This ambivalence was primarily due to the belief that iwi hold a privileged place in the hierarchy of groups that should be consulted with, because of their status as tangata whenua.

Environmental stakeholders

The participants interviewed in this section represented a variety of environmental organisations ranging from government departments to special interest groups. Despite this variety, all of the organisations represented were formally structured authorities with a long history of activity in New Zealand.

Sustainability

The interview participants in this cluster displayed a deep understanding of sustainability that was more in keeping with the strong sustainability model described in Chapter 1. This level of knowledge appeared to be derived from careful consideration over a lengthy period of time. Given that this cluster of interview participants represents stakeholders focused on environmental issues, it was unsurprising that the environment was seen as of paramount importance when considering the three or four dimensions of sustainability.

Particularly apparent were considerations of a more holistic view of sustainability that was not limited to the utilitarian conception of the natural environment as a stock of resources and waste repository for use by humans:

It applies to everything; I guess I always see sustainability as some consistency into the future and self-contained or self-controlled consistency. So in terms of ecological systems, they are self-sustaining and can continue on by themselves without our intervention (AE5).

A long-term perspective was also evident and seen as a requirement when judging human action and its impact on the natural environment:

The 100 Year Rule: To be sustainable every action you take, with regard to resources, you have to think 'if I go on doing this 100 years what will happen?' I used to think sustainability was about actions, I now think it is about attitude. If you think about 'if I do this what will happen', there are always a lot of ways to do things (AE3).

When asked about whether there was a need to balance the dimensions of sustainability, or to prioritise some over others, the interview participants generally saw the environment as the most important aspect of sustainability upon which the other aspects depend. The privileging of environmental concerns was seen by some as explicitly at the expense of economic concerns. This opinion was also accompanied by recognition that other groups hold different views.

From our perspective we don't spend time thinking about the economic perspective. We are concerned with the ecological values, wildlife values or habitat values etc (AE1).

While in the short-term economic factors may take precedence, in the long term ecological factors must be paramount. If you think about it, the nested systems⁹⁰ require this (AE3)

The environmental stakeholders represented by these interviewees conceived of sustainability in a way that was consistent with the strong sustainability model described in Chapter 1 of this thesis. If there was a departure from this model it was in the de-privileging of social and economic concerns – especially the economic. This feature of some participants' views was a result of the mandated role of their organisations, while for others it was based on the belief or understanding that social and economic well-being is ultimately and totally dependent on a robust and sustainable natural environment.

Stakeholders

As with iwi stakeholders, there is some resistance to the term stakeholder amongst this cluster of interview participants. For iwi, the issue is cultural and relates to their unique position as tangata whenua, which many feel is not accommodated by a term that can be applied to almost anyone. For the environmental stakeholders, the reticence was more about the vagueness of the term and the lack of a single, strong definition that was widely accepted.

Despite the qualification above, stakeholderhood for this cluster was based on the familiar principles of interests, effects⁹¹ or impacts – especially and specifically relating to the environment. There was widespread recognition that perspective is all

⁹⁰ The strong sustainability model described in Chapter 1 is predicated upon the concept of nested systems.

⁹¹ As noted in Chapter 5, New Zealand's pre-eminent environmental legislation (the RMA) is effects based.

important, and that different groups or individuals would have different views on who was a stakeholder and why.

It's a term I've always hated, because it means different things to different people. The way it is used today it means anyone who affects or is affected by the organisation you're talking about. It is so broad as to be nearly meaningless (AE3).

There was also recognition that stakeholders may have had varying degrees of legitimacy and that the business community needed to prioritise who they dealt with and to what degree stakeholder concerns were taken into account.

I've never been particularly comfortable with that term. I think it's someone that is affected by the decision making authority. Everybody, but few are relevant. The relevance derives from legitimate claims, but the ones a business needs to be aware of are the ones that have direct beneficial or detrimental effects on them. Business need to prioritise probably the ones that have the biggest effect (AE2).

Issues of reciprocity were also recognised by interviewees in this cluster, including an acknowledgement that business representatives do not always make the effort to consider what it was like for the stakeholders and who the stakeholders themselves were accountable to.

I tend to think about it from a business point of view, that stakeholders are groups of people who influence the way you do business. So rather than people who the business has obligations to, I've always thought of it the other way, it's people who are influential on the business that the business should be involving for the benefit of the business. I've never really thought about it the other way... There's very little reverse thinking. No-one sits down and thinks what is it like to be (AE5) managing this organisation, what does he need to be happy to sign off on consents, what goes through his mind, what are his legal responsibilities – you know they don't think that. I need confidence in the information and who I'm dealing with and that I'm not selling my

organisation down the road. I wouldn't take that approach, I'd get to know people and give them the information they need so that by the time consenting comes around there are no secrets (AE5).

Only one of these participants identified the environment as a stakeholder without prompting from me. Given that these particular interviewees represented organisations explicitly seeking to promote environmental concerns, this was considered the most likely group of people to perceive the environment as a stakeholder in its own right. However, that was not the case – the interview participants did see themselves as “a voice for the environment as a stakeholder” in this context, but only after prompting during the conversation.

As with the other interview participants from both inside and outside the organisation this cluster of participants did not have a well-developed idea of the nature of the stake beyond reverting to the way that stakeholders themselves were defined. Therefore the nature of the stake was seen as interest, impact or rights based. However, there was a strong feeling in this cluster that rights extended well beyond property rights and had more of an ethical basis. One particular view expressed did bring to light an understanding that was perhaps the most in keeping with notions of sustainability:

We are acting in the common good, both for people but also the resources that we protect – the birds and fish and things like that. So I guess as well as acting for our stakeholders [the public] we're acting on behalf of all those things that can't talk for themselves like the environment. ... So as well as working for people we're working for the flora and fauna (AE1).

As can be seen from the above quote, this interviewee (AE1) was the one that explicitly identified the environment as a stakeholder on whose behalf the group spoke.

The Resource Management Act 1991 was seen as a major driver in the development of relationships between environmental stakeholders and PGA. Many of the

relationships were established when the company was still part of ECNZ and have continued and evolved since the corporatisation of the electricity sector.

Unsurprisingly the reason most of this cluster became involved with PGA was to pursue “*good environmental outcomes*” (AE4). Pursuit of this goal has generally been attempted via the resource consenting process, in one particular instance the relationship developed because of mutual interest between the stakeholder group and an employee of PGA.

We are concerned about the state of a particular [water body] so our association with PGA from our side has largely come about by default rather than a deliberate aim. A person from PGA had an interest in the [water body] and joined us, and from that the association has grown and the company is now offering some resources to us. It wasn't a deliberate policy of ours, it might have been of theirs, but I don't need to know that (AE2).

Most of these relationships have quite a lengthy history, at least dating back to the early 1990s and the enactment of the RMA. There was a consistent opinion that the relationships started out fairly badly and would not have met the criteria of consultation, let alone stakeholder engagement. In the early days the relationships were about one-way communication from the company to the stakeholders and were seen as a tick-the-box exercise undertaken merely in order to achieve resource consents, rather than to develop on-going, mutually beneficial relationships.

My initial reaction was that I was appalled at the arrogance of the company, but I think we have both shifted our attitudes now (AE1).

For many years I've found the relationship completely unsatisfactory, because the people at the company involved at the time were not at all interested in listening to stakeholders and that was a major concern. It changed with personnel changes; it seemed to be a deliberate policy change within that organisation, accompanied by significant staff changes at the time. We've got past that hurdle, and have made progress, almost since the day of that change (AE4).

These experiences underlined the importance of having the appropriate staff (from both the company and stakeholder perspectives) involved in the relationships.

Not all stakeholders testified to improving or satisfactory outcomes, however:

PGA, with the consent process that we've just been through, they started off incredibly bad, a very legal approach where basically they said we'll tell you what to do, part way through they changed that, nothing was really working that well, they started sucking up to people to get sign off. They may have felt they had real relationships, but since then we haven't seen anything from them. It's given us the feeling that when you're needed, they're here all the time. Now that we're not needed they've disappeared. It has given a bad feeling (AE5).

Another important consideration for some of these stakeholders was the need for there to be a balance between the stakeholder group and the company – something that was not always easy to achieve, especially given the mismatched financial resources available to the two parties involved.

Relationships have to be mutual/reciprocal. For example, if we get invited to go to the rugby or something as a gesture, we can't reciprocate that so it makes us feel like the poor cousin (AE5).

In keeping with the theme of reciprocity was the recognition that being a stakeholder bestowed responsibilities as well as rights.

If we don't turn up at a stakeholder meeting and raise information or objections and then front up at a consent hearing and raise objection we're as much to blame (AE5).

Also of concern to this cluster was the need to avoid “capture” by the organisation, especially as in some instances PGA had provided significant funding for the environmental group in question.

The eternal difficulty to avoid capture, you get to know people personally and you like them and you become increasingly reluctant to look critically at what they're doing – it's a hell of a problem (AE3).

The provision of financial assistance doesn't compromise our ability to disagree with the company. If it ever got to that I would discontinue the relationship – principles are more important than money (AE2).

Stakeholders and sustainability

When questioned about whether or not stakeholders were for sustainability, the general consensus, among these interviewees, was no. Stakeholders were seen to be concerned about their own issue, which may or may not be compatible with sustainability. There was some consideration, however, that perhaps by engaging with a wide range of stakeholders a company may be exposed to all elements of sustainability concerns.

No, they're concerned with their own issue. The members of AE1, like all environmental organisations, have quite different agendas. I think we have a bigger picture attitude; others are more locally or regionally focused. Is it by including a wide variety of stakeholders, does that mean if you manage to include every component of sustainability, have you got sustainability covered? If you get the balance wrong, you'll end up way off beam (AE1).

No I don't think so, but in the big picture if you have the company with stakeholders with a complete range of attitudes, the conglomeration of stakeholders brings everyone towards the middle – you have the extreme sustainability people and the extreme development people (AE3).

Conclusion of the environmental stakeholders' views

The environmental stakeholder groups represented by these interview participants appeared to have a deeper understanding of sustainability than did other clusters. This understanding was heavily predicated on the overriding importance of the natural environment. In general, the relationships these groups had with PGA had been established over a considerable period of time. Many of the relationships had been seen to evolve from initially fraught and antagonistic associations to more collaborative and productive relationships. For this cluster of interviewees the idea that stakeholders could contribute to sustainability was not inconceivable, but the interviewees did not consider this contribution was being made in practice.

Community stakeholders

The interview participants in this section represent community stakeholder groups that had come into being around specific, localised issues. Some of the issues had an environmental flavour, and these stakeholders could possibly have been included in the previous section. I chose to differentiate them based on the locally-bounded nature of their concerns, as opposed to the groups in the previous section which represented local branches of national organisations.

Sustainability

The views of these interviewees were much the same as those in the preceding sections. Themes such as the need to take a long-term view and the environmental, social, and economic dimensions of sustainability were again in evidence.

Sustainability is a mix of economic, social, and environmental factors that essentially, when it comes down to it, people are happy with in terms of economic activity. So what people in Canterbury are happy with might be different to what people are happy with in the Waikato – it's relative. It means different things for different communities. Sustainability for a wealthy

community is quite different that for a poor community. So solutions for Auckland might be quite different than solutions for Southland (AC1).

People, organisations and groups, and ultimately it comes back to individuals and a belief set, and making sure that what you do doesn't limit what people can do in another 50 to 100 years' time (AC3).

The fundamental questions around trade-offs and what they might entail also featured in these interviews:

Things become unsustainable when too much is taken in the short-run. The argument is "What is it that is to be sustainable" that's the question. Is it sustainable for the Earth to have more and more people, if not, what do we lose – is it the culture of how we live and eat. The sustaining of human culture must be an issue of sustainability as well (AC2).

Despite the fact that these community stakeholder groups had formed around local environmental issues, the above quote demonstrates a shift in emphasis from the environment as being of paramount importance to a more anthropocentric view that prefers society over the economy and the environment.

Achieving sustainability was seen as challenging and problematic for these stakeholders. One participant suggested that putting a dollar value on elements of the environment may be a way to address the inherent difficulty of finding a balance between incomparable natural features:

Monetising is a way to quantify it in my thinking. So you're saying what's this stream here – what are you going to balance that against, 100MgW of power produced? ... There's always going to be a fight about what is most important. We can't keep externalising the environmental costs (AC1).⁹²

⁹² The particular focus here was on comparing the price paid for agricultural inputs to the cost of remediating environmental damage caused by the use of those inputs. The use of a monetary unit was seen as a possible way to internalise environmental externalities.

For another interview subject, however, balance was seen as essential because of the interconnectedness of the components of sustainability.

I think they all have to be balanced because they are all interdependent. You can't have sustainable practices in terms of resource management unless you have a sustainable business, the economic support structure – they're mutually compatible. And you have the community resource and your people resource and all of those things fit together as part of the package (AC3).

Another recognised challenge was that difficulties existed in bringing together interdisciplinary expertise and understanding:

There is no common language around sustainability – there is no common use of terminology across disciplines – engineering, hydrologists all have their own language. There is no common language for measures of sustainability (AC2).

The stakeholder groups represented by these interview participants were made up of local community members who had joined forces due to concerns about the use of, and impact on, the natural environment in the participants' geographical area. Despite the environmental focus of these groups' origins and the fact that the interview participants expressed quite deep understanding of sustainability issues and the different dimensions of sustainability, the essence of the concerns here tended towards the anthropocentric rather than the environmental.

Stakeholders

It is tempting to conceive of a stakeholder group as representing like-minded people as a coherent “whole”. However, this was not always the case; the community groups represented here were made up of disparate members with their own agendas – which were not always mutually compatible. While the group may have formed over an issue of mutual concern – for example, the use of a river for hydroelectricity generation – the underlying reasons for concern may have been quite diverse. Some

group members may have been concerned about the impact on water quality, some about issues around biodiversity, and some about hunting or fishing access. As a result of this diversity of opinion it was not always possible to achieve consensus within the stakeholder group on particular issues.

We're a broad group, we get a variety of interests, and conflict within the group, we're a cross section of the community with a common focus on the (waterway) (AC2).

At the extreme, some individuals had chosen to sever their memberships of a stakeholder group because they were unwilling to compromise to achieve the necessary level of consensus within the group to present a united front in the group's negotiations with the power generator.

Stakeholders were defined by these participants as "people" with an interest in an issue or a company's operations. Again, there was an absence of identifying the environment as a stakeholder in its own right, despite the environmental concerns posited by this cluster. One characteristic of stakeholdership that did emerge strongly from this collection of interviews was the view that stakeholders need to be active participants. A passive approach was seen to forfeit one's status as a stakeholder.

Stakeholders are those people that participate in a process and either have input or have output. It's a very collective term, it's everybody that's associated with a particular activity. It's people that are putting into the activity to make it occur or it's people getting something out of it. But probably I would put greater weight on people putting into the activity (AC3).

A lot of things are what people perceive in their minds – I think it's possibly the same with stakeholders (I think, therefore I am a stakeholder). Stakes are different for different people. If you don't exercise your concern you forfeit your stake, you have to make it known (AC2).

The familiar bases for stakeholderhood of interests or rights were evident in this cluster's thinking. There was also reference to the three recognised aspects of sustainability implying that they form the basis of the stake:

There are elements of the three-legged stool: if you're affected by an environmental impact of an activity you become a stakeholder; if you're affected by the economic impact you become a stakeholder; or if you're affected within your community you become a stakeholder. I see it as pretty amorphous but pretty widespread. If we look at the RMA anybody basically can make a submission and will be a stakeholder (AC3).

The RMA played a part in how some groups were involved with PGA, with groups making submissions on resource consent applications. For others, the involvement stemmed from a financial contribution to the group from PGA. These contributions facilitated specific projects on the water body of concern to the group that was also used for power generation by the company. Issues that were of concern to these stakeholder groups pre-date the formation of PGA, but the relationships have been solidified post-corporatisation. There was also a PGA presence in the stakeholder groups, with staff members of the company being active members in some of the community groups.

The relationships had formed because of concerns over the use of hydro resources and the impact that had on both the water body itself and connected ecosystems. Entering into a relationship with the power generator was an issue of concern in and of itself for some of the stakeholder groups.

Concerns about going out to big business, going out to the power companies, that in the views of some people are profit making and don't really give a toss. ... It comes back to the weak and soft model of sustainability. If your brain's in the hard model you have to move into the soft model for a bit to see the benefit of the trade-off. ... That was particularly difficult for some people. ... So I'm quite conscious of the fact that working within AC3 I have to take quite a hard-line to ensure that what we do has a benefit. We have to be mindful of maintaining the group's agenda and not being co-opted (AC3).

The relationships between PGA and these community stakeholder groups were well regarded by the participants. There was significant financial support from the company to the groups *that gave people the opportunity for doing environmental good works* (AC1). The presence of a financial relationship between the company and the stakeholder group raises the issue of whether or not the stakeholder group could maintain an independent stance where the company was concerned – especially given that the group’s very existence was due to concerns over the impact of the company’s operations. However, the interviewees were united in their perception that the provision of funds by PGA did not impinge on their group’s ability to remain independent.

We have received quite a bit of money over time from PGA to do projects on the river. ... We have taken money from them, but that in no way compromises our ability to criticise, submit or oppose (AC2).

The company was praised for its involvement in particular around helping to set up a trust to undertake community-based and community-driven environmental projects.

They’ve shown tremendous goodwill in getting things going. They are doing more than perhaps is needed or expected. There is a willingness to take time and seek to understand concerns (AC3).

The relationships this stakeholder cluster had with PGA were described by the interviewees in positive terms. Contact with the company was seen as regular and based largely on some individual PGA staff members’ personal membership of the various community groups. These stakeholders appeared to feel their interaction with the company demonstrated stakeholder engagement rather than stakeholder management.

Stakeholders and sustainability

These interviewees displayed similar opinions to those of previously discussed participants on whether or not stakeholders were a force for sustainability. Stakeholders were not seen as being necessarily “for sustainability” at an individual level. However, the notion that by engaging with a broad range of stakeholders there may be a collective push towards sustainability did have some support here, but as one participant noted:

It then depends on the breadth of stakeholders being engaged (AC3).

When questioned about their own ability to influence company behaviour these stakeholders expressed the feeling that although they did attempt to exert influence, via making submissions in the resource consenting process, they felt that they actually had limited impact as a group. Where these groups did achieve results was in their own activities which were funded, in part, by the company. So while a direct effect on the company’s operations may have been lacking, there were positive environmental outcomes via corporate philanthropy.

Conclusion of the community stakeholders’ views

The interview participants in this section were members of relatively small community groups, which had evolved around concerns for the state of a waterway, which is used by PGA (among others). The groups undertook projects designed to protect and enhance the waterway and its environs. The interviewees considered that their groups had limited direct impact on corporate behaviour as such, but with financial assistance from the company they were able to undertake concrete environmental projects, and contribute towards sustainability by undertaking these projects.

Regulatory stakeholders

The stakeholder groups represented by this cluster of interview participants were local government authorities. There was an element of compulsion in the relationships between these stakeholders and PGA. The local government authorities represented here undertook a variety of roles with regard to the company. Some were responsible for direct regulation and had the power to rate (levy) the company; others were responsible for the management of a region's natural resources including the hydro-resources used by the company. The stakeholders interviewed in this area included both elected officials and employees of the various local authorities.

Sustainability

For these stakeholders, sustainability was about long-term community well-being, which was derived from the sustainable use of the natural environment that supports economic development. The familiar themes of a long-term perspective and concern for future generations were evident in the views of these participants.

Ensuring that what we do today doesn't compromise the ability of future generations to benefit from the environment that we live in (AR4).

In the context of local government, a personal perspective in that context, it's about council operating in a manner that achieves well-being for the community that we serve. In the context of the Local Government Act there are four elements to well-being: social, cultural, environmental, and economic. So everything that council is involved in should be put through a sustainability filter looking at that focus so that we know whether we're moving forward in terms of achieving well-being for our community or not. So I guess it's a process filter as much as anything, a way of thinking (AR10).

It was also clear that the RMA had a strong influence for this group, which was to be expected as these local government authorities were responsible for the implementation of the Act within their territories. The influence of the RMA was

particularly prominent in the frequent conceptualisation of sustainability being about “resource use”. There was recognition that the natural environment had a finite carrying capacity, which required resource extraction rates that did not exceed renewal rates.

Using resources in a way that maintains future opportunities for future generations (AR12).

While there was a tendency to promote the notion of finding a balance among the dimensions of sustainability, there was also the perception that the balance could be tipped in different directions at different times, but that ultimately the environment had to be prioritised:

I think it is about finding a balance, but that doesn't mean that in all situations everything is equal. In some situations the relative importance of certain components might be different in some circumstances and over time (AR4).

I think it depends on the circumstances. If you're looking at it from a very high level, there is an environmental bottom line, and so by my definition of sustainability, you can't compromise that bottom line. So while there might be trade-off above that, I don't think there can be any trade-offs below that (AR10).

For the regulatory stakeholders represented here, there was a focus on community, which can be seen as a function of the roles they fulfil. Local councillors are by their very nature community representatives. Sustainability was something of an emerging concept for councils. The Local Government Act 2002 states that the purpose of local government is:

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future. (s.10)

While “sustainability” is not explicitly mentioned here it is implicit in the wording of this section of the Act. Some of the interviewees candidly acknowledged the challenge sustainability represented for them.

There’s a big learning curve for the public and the councils and for all other stakeholders in our communities in how we measure one against the other. Everyone’s going to have a different opinion on the social value of an activity and measuring that up and comparing it to the economic benefits. I think the cultural benefits, to me, are the ones that are most difficult to deal with. I think I’ve got a pretty good understanding of New Zealand Maori cultural issues, but the other ethnic groups that we have in the country are pretty much a black hole to me (AR9).

This comment was also the first, although not the only, time that anyone made reference to other ethnic groupings in New Zealand beyond the two dominant cultures of Maori and New Zealanders of European descent.

The perception of what sustainability meant, for this cluster of stakeholders, was heavily influenced by the regulatory frameworks under which they operated. The three or four dimensions of sustainability (environmental, social, cultural, and economic) were familiar to these stakeholders, as were the long-term nature of sustainability and consideration of future generations.

Stakeholders

As mentioned above there was an element of legally required interaction between the regulators and the power generators. While this interaction could be limited to only mandatory areas of mutual interest, stakeholder engagement as it is conceived in this thesis would encourage a more extensive basis to the relationships.

As representatives of regulatory authorities these interviewees were familiar with the notion of stakeholders – as local authorities themselves conduct quite extensive stakeholder consultation for their own activities. The recurring themes of interests

and effects were again evident in this cluster. Also proposed were the concepts of influence and risk. There was a tendency for the interview participants to answer this question by reflecting on their own organisations' stakeholders, rather than responding particularly as stakeholders of PGA.

A stakeholder is a person or an organisation or a body that has a particular interest and is possibly particularly affected by the actions of the other party (AR4).

Someone who has an interest in an issue greater than the general public. So there is a degree of magnitude, they've got either a greater role in the issues or they have more to gain or lose by it (AR12).

Another interesting point raised by these stakeholder representatives was the place of radical voices in a debate. While extreme positions were not necessarily seen as representing a desirable outcome, there was support for the role of radical voices in influencing others with more moderate views to change their attitudes incrementally.

I think the other thing about the stakeholder approach is that there is a wide variety of stakeholders and a wide variety of views, and you probably get some groups that have some quite extreme positions. And I think that's healthy because you need the extremes of the spectrum to move any parties, and that is one of the drivers towards achieving sustainable outcomes, that is a healthy part of stakeholder engagement (AR4).

Legitimacy has to be there. Can there be a conflict between influence and legitimacy? Yes, but maybe they have a right to be heard, they are members of the community with concerns. I think generally people are selfish and have a myopic view of the world however it's presented or packaged (AR10).

The participants in this cluster offered two new perspectives on what was at stake: firstly, the quality of life for the community; and secondly, focusing on power generation – the ability of PGA to continue to generate electricity and the ability of New Zealanders to have access to that electricity.

We have an interest that stems from well-being and quality of life, we're looking at value-for-money in the services that our councils provide us (AR10).

I guess it's the stakeholder interest in that they are generators of power; they're a major component of the infrastructure of the nation in terms of supplying the energy needs of the nation. And from that flow a number of economic and social benefits in that every household is connected to the power system and it is seen as a fundamental service that most of us take for granted (AR12).

Not all of the participants were completely in favour of the “stakeholder” and “stake” terminology, but while reservations existed, there was still acknowledgement that the concepts could be useful.

I don't think there is a foundation for it, I think it's a word that has come into common usage and I would rank it with 'at the end of the day' or 'the bottom line is', which, while I think people generally have an understanding of what it means, people would define it differently from person to person, it's a word that's in current usage and is useful and fills a role. In 10 or 20 years' time it will have faded and we'll be using some other word. But I think for the context of this discussion, particularly because over the last 10 or 15 years involvement with resource management (to use another of those phrases) has gone beyond the regulator and the user and involves a number of other interested or affected people. And so you bundle all them up, add in the people who aren't directly involved in the activity but are affected by it – for example by increased power prices or availability of power – and they are all stakeholders in PGA's business. And I think it's a good useful term and as I say whilst everybody would define it slightly differently, the term works (AR1).

As stakeholders with a regulatory role, this cluster of participants had generally developed their relationships with PGA over resource management issues in a formal sense. The local authorities were either responsible for the issue of resource consents

that enabled the company's activities, or they were directly and heavily involved in the management of the waterway used by the company. Management activities especially related to flood control were prevalent. While the enactment of the RMA has had a significant impact on the intensity of these relationships, many of the stakeholders who had been involved with the local authorities for more than 15 years had relationships that predated the RMA and the corporatisation of the power industry.

As discussed above, the drivers for these stakeholders becoming involved with PGA were primarily due to the regulatory and resource management roles that the local authorities had. However, there was a desire expressed by some participants to expand the current role to cover a wider agenda in pursuit of sustainable outcomes.

I would welcome an invitation from these companies to develop a sustainable development relationship with our council. To say 'hey we're really interested in sustainable development and we'd like work with you and others just on that topic so together and with others we can work with the principles and implement them'. ... Simply sending that attitude out would mean we could sit around the table and talk about the [waterway] and we could talk cooperatively. And I would rather be in that climate than what exists at the moment (AR2).

The way these stakeholder representatives characterised their relationship with PGA varied across the cluster and varied for the individuals over time. While most interviewees talked of positive and productive relationships, this was not a universally held opinion. For some the relationship had got off to a bad start and had only marginally improved over time.

... looking back at how the relationship started, in the early days when they were starting the process of seeking resource consents, I found their attitude bloody awful. They had no systems or processes around communication, they didn't keep their promises, they were aggressive and confrontational. I think they managed the process particularly poorly, they didn't engage with us early in the piece, they didn't even recognise that we were a stakeholder they

completely ignored the fact that we were a stakeholder. They involved us only when they wanted something and they expected us to respond within 24 hours. They made promises about feeding back information and they never kept those promises. And I would have to say that it was pretty awful.

... it didn't improve much over time, because when you get off to a bad start in a relationship it's pretty hard to change. I guess I also felt that when they were in their data gathering phase around the information required for their assessment of their environmental effects and lodging their application that I suggested joint studies that could be done to save both parties money and to ensure that good information was being collected – those offers were ignored, not even responded to. So I found that pretty offensive ... they just weren't interested in that approach, so I've found them a frustrating organisation to deal with, I've found them dishonest and aggressive, and it's hasn't been a great experience. Since the resource consent was granted and we've appealed, they have had a change of personnel and the individual that I am dealing with now, my view is that we have a pretty good relationship and we've developed a reasonable level of trust. But I still retain a scepticism that the more senior managers in the organisation who sit above this guy haven't changed a bit so my trust of the organisation is still quite low, although with the guy that I'm dealing with, things are going well (AR4).

It is axiomatic that resource consent procedures have been a significant driver in these relationships. For some, the contact with the company had been very focused on consenting issues and once the consenting procedure was completed the relationship has tapered off. For others in the cluster, the relationship remained strong and active.

The relationship has been excellent, both from a regulatory perspective and there has been dialogue on issues the whole way through. We want to work together to achieve a successful outcome rather than taking an antagonistic approach. It's important to involve each other from the outset of any proposition. So we've had a very positive working relationship with PGA (AR3).

Generally it's a pretty good collaborative relationship, we have disagreements but they are relatively small, and I think there's pretty good support for each other. It does slide up and down, like most relationships, but overall it's pretty good and it has been that way for a long time despite changes in ownership and personnel (AR11).

As can be seen from these comments, the importance of the PGA personnel who play a significant role in the interactions between stakeholders and the company cannot be underestimated. As noted by some of the iwi stakeholders above, while the relationship was between organisations, the interpersonal interaction was vitally important.

Another interesting point raised in these interviews was the perception that the relationships were between equals. This is a function of the legitimacy of the local authorities' regulatory roles and the relative power of the two organisations (PGA and the council in question) with regard to organisational scale, expertise, and resources.

I would say there's a degree of [stakeholder] management going on; I would say there are elements of both [management and engagement] in there. I would also say that it's potentially a relationship of equals, rather than being driven or dominated, so you'd probably have to say it's genuinely engaged. The relative power is important. But I think it's a fairly generous company in that respect (AR11).

However, there was also an element of scepticism as to the motives that may underpin positive relationships:

When you're in a regulatory role, people are always polite to a policeman aren't you? ... I also have a lot of contact with PGA stakeholders, and my view of it is that most of them have a similar view to mine, that PGA does a pretty good job, but they don't need all the embellishment that goes with it. PGA is being very good to them for commercial reasons but they don't mind that. One thing that PGA does go too far on (along with a lot of other companies) is pushing their motives as being for the sake of the environment.

They're not. They're doing it to make money and that's a perfectly legitimate thing to do, and at the same time they're trying to do it very well, but they're not doing it for the sake of the environment. And I don't think that line works with most stakeholders (AR1).

The relationships between the regulators represented here and the company were described as having a level of mutual influence. Not only did the local authorities have input into the company's activities, primarily via the RMA and resource consent process, but the company also had input into the local authorities' activities through being significant submitters on councils' plans and being consulted with by the local authorities. This level of involvement with each other was generally seen as positive, as it facilitated deeper understanding of each other's core activities, challenges, and opportunities.

When questioned about whether the stakeholders felt their relationship with PGA exemplified stakeholder management or stakeholder engagement, the interviewees generally acknowledged that on a personal level they were engaged with, whereas on an organisational level the relationship was probably managed. This situation was seen as completely legitimate and acceptable by the interview participants. The level of engagement had evolved over time as relationships deepened and trust developed.

The regulatory stakeholders in this cluster had a variety of opinions on what it meant to be a stakeholder. The views expressed here were influenced by the nature of the organisations these stakeholders represented. Especially prominent within this cluster was the perception of being equal partners in the relationships and the tendency to think of the company as a stakeholder of their organisation rather than vice versa.

Stakeholders and sustainability

One of the points made by interview participants in this cluster (AR1, AR3, AR5 and AR12 particularly) was that self-interest as a driver for being an active stakeholder may not be consistent with sustainability, and that, therefore, the flip-side of the situation – where stakeholders engage for reasons other than personal gain – was

more likely to be consistent with the principles of sustainability. The participants saw their roles as public servants providing them with insulation from a self-interested position, which in turn enabled them to be more focused on wider sustainability issues.

I think that some stakeholders are [actively for sustainability] and I think local authorities are in a pretty unique position in that sense. The work that I'm doing and my team is doing is not for any personal benefit. We're advocating and representing the interests of the community. I think the same probably applies to organisations like Fish and Game, Ecology and Forest and Bird, although I think they have a slightly environmental bent, I think their interests are broader than personal interests (AR4).

For regulatory stakeholders, it was self-evident that their organisations had the ability to influence the behaviour of PGA – that, after all, is part of what regulators do. However, where the relationships were seen to be constructive and collaborative, this influence was perceived to be easier to achieve.

Conclusion of the regulatory stakeholders' views

The regulatory stakeholders interviewed in this section had a well-developed understanding of the concept of stakeholders. This understanding was derived, to a large extent, from their own organisations' engagement with their own stakeholders. Understandings of sustainability tended to focus on the social aspect of the concept, again due to the local authorities' own role in providing services to their local communities. Those regulators directly responsible for sustainable management of natural resources also engaged with their stakeholders regarding environmental concerns. Relationships between the stakeholders and PGA were generally seen as positive and productive – although not universally so.

Chapter conclusion

Sustainability was generally understood by the PGA and stakeholder representatives to encompass some combination of environmental, social, and economic concerns, and to be forward-looking. These views are in keeping with the RMA focus on sustainable management of natural resources in New Zealand. The interview participants did not offer a link between sustainability and stakeholder engagement without being prompted by me.

The stakeholders interviewed appeared to hold reasonably consistent views on how PGA conducted its stakeholder interactions. The relationships that appeared to be the most robust were described as being two-way, open, honest, durable, and on-going – descriptors also repeatedly used by the PGA staff members interviewed. They recognised that not all stakeholders were interested in establishing long-term relationships, and that this was something that needed to be determined on an individual basis with the stakeholders concerned.

The impression given by the stakeholders was generally supportive of the company, although there were some stakeholders who related their experiences with PGA in less than glowing terms. However, on balance it would appear that PGA and its stakeholders engage with each other in a genuine effort to develop long-term functional relationships that are based on mutually agreed objectives.

Chapter 7

Power Generator B and its Stakeholders

In their own words

Introduction

This chapter relates to Power Generator B (PGB) and its stakeholders. The purpose of this chapter is to provide a sample of the interview responses collected during the fieldwork phase of this research project, with linking and explanatory commentary from me. To avoid undue repetition between this chapter and Chapter 6, the quotations drawn from interviews related to PGB focus on the points of difference between the interviews responses related to this company and those covered in the preceding chapter related to PGA. The interview data are further analysed in Chapter 9. This chapter has the same structure as Chapter 6.

The logistics of stakeholder relationships

Stakeholder relationships were maintained by a combination of the staff who live and work in the various electricity generation sites around the country and several dedicated senior staff members based at the company's head office. The head office staff responsible for stakeholder relationships were employed in roles that covered environmental management, engineering, and community relations. The local staff were generation managers at the various sites.

Of the three companies investigated for this research, company-stakeholder relationships for PGB were the most closely linked with its retail operations as well as its generation activities, as opposed to being strictly aligned to the generation side of the company's activities, which was the case with the other two companies.

Stakeholder relationships had been established by drawing heavily on the institutional knowledge embedded in the staff at PGB. Many of the senior staff had decades of industry experience. This wealth of experience afforded the company a significant depth of knowledge to draw upon.

The company had a list of key stakeholders relating to the existing operations and maintained on-going contact with these groups, individuals, and organisations. Whenever stakeholder engagement was required for a proposed activity, company representatives would start by communicating with established stakeholders. Existing relationships were then leveraged to help identify any additional stakeholders that should be contacted with regard to the issue in question.

PGB3 and his team would ring the usual parties, Fish & Game, DOC, the local council, whoever happens to be the regional council, landowners, and from there you soon find out that so and so also runs this, and so we start with the usual contenders. And the council normally have a good understanding of who has an interest in the area (PGB2).

A variety of mechanisms were used by PGB to forge and maintain stakeholder relationships. Most of the staff interviewed professed a preference for face-to-face contact at an individual level, and that was likely to be the first approach made relating to any new project proposed. The company published information relating to projects and made it available to interested parties. In addition to face-to-face contact, public meetings were held where stakeholders could attend *en masse*.

At the time of these interviews, the company was attempting to elevate the importance of stakeholder relationships by employing a proactive approach to engaging with stakeholders. The aim was to initiate contact with stakeholders in the early stages of any project. Company representatives would then be able to spend a significant period of time establishing relationships well in advance of any negotiations pertaining to a new project or resource consenting process.

We've got two re consenting projects that are about 5 years away, and we're starting the consultation for them ... doing new environmental studies ...

starting the consultation for them this financial year. Going out there and meeting with them, take a fair degree of shit from them, and we'll move our way through that, and it's all part of this relationship forming. As I say stakeholders are crucial for us (PGB3).

However, it seemed that the aspiration to promote stakeholder engagement had yet to filter throughout the company, as one interviewee noted:

I don't see a lot of ... I don't see a lot of strategic stakeholder relationships as such going on ... those discussions even when there's nothing actually happening, which I think is sort of long term, where you'd probably want to go (PGB8).

In addition to the individual stakeholder relationships, PGB maintained a high profile in the communities neighbouring its operation sites, and had a strategy of being heavily involved in philanthropic activities throughout the country.

Senior staff interviewed stated that they thought stakeholder relationships were of paramount importance to the successful operation of the business. Establishing and maintaining good working relationships with stakeholders had received increasing prioritisation in the company and was seen to pay off in financial terms because of the beneficial effect on business operations, for example:

The difference is the fact that we've established relationships with the market. We've established relationships with our investors. We've established relationships with the communities, and that is so absolutely critical. So what the by-product of it is we get funding and whatnot, we pay less than we otherwise would have for them, and progressively if we continue to do those things well, then we'll get roll-over of that money, which will be even cheaper again, we can reduce the rate, and we don't have the brokerage and other related costs for borrowing money. So, our long-term funding programme works, our shareholders will get good returns. The communities, the environmental authorities and local councils will get a higher level of environmental satisfaction if you like in the region (PBG1).

Actually, to be honest I think they're more important than the scientific research. And the reason why I say that is because if you have stakeholders and tangata whenua, who I don't count as the same, if you have them on board and you have a good effective working relationship with them you can work through scientific difficulties a hell of a lot easier than you can if you've got a straight up and down scientific response and you don't have a relationship with your stakeholders – you're stuffed. You know. So we actually elevate, or at least what we're trying to do since August of last year, is to actually elevate stakeholders far higher than they have been (PGB3).

There did not appear to be a documented 'systems' type approach to stakeholder relationships; however, PGB appeared to have a coordinated approach with well-established processes that relied on the knowledge and experience of staff members. The importance of stakeholders was being recognised by key personnel in the company and there were plans to embed this outlook throughout the organisation.

Views from inside the company

The internal staff interviewed, whose views are represented in this section, were all directly involved in stakeholder interactions. Included among these interview participants were the staff with overarching responsibility for stakeholder relationships.

Sustainability

The opinions expressed by this cluster of interview participants about what sustainability means were heavily weighted towards sustaining the business. Explanations were couched in terms of looking after environmental and social concerns to ensure that the company remained financially viable, most forthrightly expressed by PGB2

My idea of sustainability is really all about maintaining access to fuel ... fuel is water for us. ... And also the other thing is maintaining, I don't know if it's stakeholders ... but land owners and the relationships with the land owners, so they don't foreclose on any potential agreements we may look for, for future expansion. So sustainability is all about making sure the business can keep running. ... For the company, economic sustainability is actually all it's about, in my opinion. The rest of it doesn't count if you're not making money. And in fact if you manage yourself into a position where the rest of it stops making you money, then you haven't done alright. Environmental sustainability, we do use the environment to make money. So we need to manage that in such a way that our cash flow is maintained. I think they are all linked, but it all comes back to the bottom line, the single bottom line reporting the company does (PGB2).

Environmental concerns rated highly among this cluster, along with the long-term perspective inherent in sustainability concerns. But again, this concern was filtered through the company's goal to achieve longevity through the continued use of natural environmental resources as its primary input.

So, from an environmental sustainability point of view it's absolutely critical, because access to the fuel, in most of our cases is water, access to the fuel is absolutely critical to our business. If we don't have access to the fuel, we're in big do da (PGB1).

The role of the community in directing the company's behaviour towards sustainability was also mentioned.

Because to me sustainability is something that is driven by the community as much as it's driven by scientists. The community definitely tell you what is sustainable and what is not. And it's a case of trying to recognise that and to ensure that we're in a position where we can, for want of another word, take advantage of that if you like, and make sure that we are always promoting what we need to in the environment whilst, as I say, giving our shareholders a return that they demand (PGB3).

These interview participants had mixed views on whether the elements of sustainability should be balanced or prioritised. The tendency of some to see sustainability as primarily about sustaining the financial viability of the company was reiterated in the balance/ prioritisation discussion.

I mean if projects aren't economically sustainable, we're not going to embark on them (PGB5).

I have quite strong opinions on it, and these are mine, not necessarily PGB's, but I really genuinely believe that for business there's actually only one pillar, and that's economic. And that while companies can make commitments to do things that may be socially or environmentally effective and useful, I don't believe they'll actually be sustainable, unless they're strongly built on economics. Because in the end, the reality of a market driven economy is that companies have to survive. And so I think that it's really important that the things that we do, we make sure have a sound economic base, in addition to the other things (PGB6).

Those who tended towards the idea of balancing the dimensions of sustainability saw it as a desirable goal and something that may be achieved at an aggregate level, whereas they thought prioritisation was likely to occur on a project-by-project basis and would be dependent on the prevailing circumstances.

I think there's a potential to have a balance, but I think somewhere along the line there will be a prioritisation. And it will be reflecting what the overall effects will be on the community (PGB7).

There was also some recognition that consideration of sustainability and its components was an area that had developed over time.

I think they're of equal importance ... we went from not recognising those things at all very well 20 or 30 years ago, to focusing mostly on environmental type issues. I think the worm's turned much more, and we're now focusing

much more strongly on the people side of things as well, overall community good-type things. I mean from a company's perspective, the company has to be financially viable, but it's got to be able to sustain its own operation in terms of, you know, the resources it uses, and the communities it operates within (PGB4).

Overall, these interview participants discussed sustainability in terms regularly used in this topic area: there was recognition of the long-term perspective, of the need to consider environmental and social concerns as well as economic ones, and the reliance this particular company had on the natural environment for its operation.

Stakeholders

These interviewees described stakeholders as people (or groups) who had either an interest in the company's activities or were impacted by the company's activities. My primary contact in this company, who had a major role in overseeing stakeholder relations, was very definite that stakeholders and iwi groups should not be considered as the same thing. Iwi were, therefore, accorded special status as tangata whenua, and were not considered as "just another stakeholder group". This approach appeared to have been driven by iwi attitudes.

We used to regard tangata whenua as a stakeholder and we got a very swift kick up the arse that 'no, tangata whenua aren't a stakeholder [from iwi], they are a treaty partner'. ... Now we go to great pains in any correspondence to say we are speaking with tangata whenua and the key stakeholders. And we do treat them separately because tangata whenua don't particularly like being, our experience is, they don't particularly like being involved in the stakeholder forum (PGB3).

This distinction, however, was not universally recognised. When other interviewees described just who might be considered as a stakeholder, iwi interests were frequently mentioned.

This cluster of interviewees described their interactions with stakeholders in ways that indicated a stakeholder engagement approach, as opposed to a stakeholder management approach. As one interviewee noted:

I don't think that we manage the stakeholders, I don't think that's possible, people have their own thoughts. I think what we really try to do is manage the relationship, so that the relationship focus is about the things that are actually important, or what we see as important, and trying to understand what the stakeholder sees as important (PGB6).

The company appeared to take a proactive and sustained approach to interacting with their stakeholders, not resorting solely to initiating contact when the company requires something of the stakeholders but maintaining an on-going level of contact.

We maintain relationships with them, particularly the landowners, we need to be comfortable that we're not doing things wrong. We keep them informed of everything that's going in, if it's going to have some sort of material impact on them (PGB2).

However, not all the interview participants perceived their company's approach so favourably.

I don't see a lot of strategic stakeholder relationships as such going on. Those discussions even when there's nothing actually happening, which I think is sort of long term, where you'd probably want to go (PGB8).

The interview participants, by and large, considered their stakeholder relationships to be poised at the more collaborative end of the confrontational-collaborative continuum, or at worst in the middle ground between the two ends.

We fit more at the collaboration end. There are a few that will never happen, and that's the way that it is. With 90% of the people we're doing alright sort of thing. In the majority of cases, PGB is known as a respected community member, and that is reflected from the council type stakeholders, right down to

our landowners and iwi and people like that who have a different interest. So, as a whole, PGB is at the collaboration end where we work with people (PGB2).

Oh, it varies, it depends on your relationship really. If you've got a good relationship, it can be somewhere in the middle and generally move sideways either way, generally about middle of the road. If it tends to be not a very good relationship, they tend to be one way or the other, and there is no middle ground. I would say the majority of our issues and our ... in this particular area, is already pretty much middle of the road (PGB7).

There was, however, some recognition that it was impossible to please all stakeholders all the time and there were going to be instances where an issue created a confrontational relationship.

Ninety nine per cent of the time, we would be at the collaboration end of it, and I could probably count on one hand the times when we've actually reached a complete kind of impasse where we've strongly believed something, and then someone else has strongly believed something else, and we've had to go to some form of arbitration or mediation, and whether that's the Environment Court or a district council, or whatever. But certainly for us that's ... that's really a last option (PGB6).

In addition to perceiving company-stakeholder relationships as tending towards the collaborative, there was also acknowledgement that sound economic reasons existed for ensuring that this was the case as often as possible.

The relationships were described as generally being of a more on-going nature rather than purely ad hoc/event-driven, although a significant event could make the company aware of new stakeholders who had not been on the company radar previously.

Stakeholders and sustainability

The discussions around the idea of whether stakeholders were a force for sustainability illustrated a variety of perceptions. The overall tenor of responses was that stakeholders were not typically concerned with all dimensions of the sustainability concept and may only be interested in one or two areas. However, sustainability was seen to be becoming increasingly important to some stakeholders.

I think increasingly they are [concerned with sustainability]. We're living in a much more aware society than we were 20 or 30 years ago (PGB4).

If you talk to them individually they are, when it comes down to the crunch, no, everyone's in it for their own gains (PGB7).

The final area of discussion is the idea of whether or not stakeholders influence company decision-making in general and, in particular, in pursuit of sustainability. This cluster of interviewees were unanimous in perceiving that stakeholders influence decision-making “*Yes, yes, definitely*” (PGB2). However, in keeping with the responses to the questions relating to whether or not stakeholders were concerned about sustainability, the ability of stakeholder to influence company decision-making was perceived as somewhat piecemeal and might have resulted in minor changes to operational procedures rather than any significant change in company policy towards a wider sustainability goal. Stakeholders, it appeared, were more likely to influence decision-making during a project planning phase than to influence existing operations.

Summary of the internal stakeholders' views

Concern about sustainability issues, while not the primary point of interest for all interviewees, was seen as important – especially as the company relies on the natural environment and community goodwill for commercially advantageous operating conditions. Sustainability was also seen as becoming increasingly important to stakeholders.

The interviewees representing PGB indicated that the company took a very proactive approach to its stakeholder relationships and that company policy was to continue to strengthen these relationships in the interest of the company's continued success.

Views from outside the company

This section of the chapter provides a summary of PGB's stakeholders' perceptions. The stakeholders interviewed for this research represented a range of stakeholder organisations, and as such held a range of views on the topics discussed. The stakeholder views are presented in the clusters used to classify individual stakeholders, in the following order: iwi, environmental, community, and regulatory.

Iwi stakeholders

As mentioned above, PGB differentiated its iwi relationships from what it described as its stakeholder relationships. As a result of this, my primary contact at the company was very guarded in directing me to iwi representatives for this research as he did not want his iwi contacts to feel that they were considered "just another stakeholder" by the company. Therefore, the interview detailed below represents the opinion of only one iwi representative spoken to in relation to PGB. This iwi contact was made at the suggestion of another PGB staff member interviewed.

Sustainability

This interviewee expressed views that were in keeping with other iwi representatives (interviewed in relation to PGA and PGC) demonstrating a long-term perspective to sustainability ... *Well for [us] it means leaving the environment in a better condition, than it is at the moment, for the next generation (BI1)*. In addition to the distant temporal horizon identified here, this interviewee was also mindful of taking a broad view of the possible flow-on effects of business activities, for example:

On the land base side of things we are concerned about the direction that this council, well the direction that this community, seems to be taking in its development ... and that worries us because here we think it is part of the holistic cycle of life, and the removal of the trees means the birds need to change their patterns, there is nowhere for them to land, there is nowhere for them to nest, there is nowhere for them to breed and those sorts of things. It doesn't seem to have been a great deal of thought put into that (BI1).

BI1 endorsed the idea that sustainability required a balance between the three dimensions of society, the environment, and the economy, expressing the view that our actions today need to be about improving the current situation rather than merely maintaining, particularly the environment, as it is now.

Stakeholders

Interactions between the power generators (in general) and iwi were not seen in a flattering light by this interview subject. BI1 expressed a somewhat sceptical view of the consulting activities of the companies, with stakeholders being described:

As an obstacle for those power generators to get around, in the easiest most economic and most effective and efficient way, with the least possible cost. If that can be achieved through confusing ... 'well we consulted with this Maori group, they told us that they were the mana whenua, oh well we spoke to this Maori group, well we don't know who is, well there's 10 iwi there and oh well we don't know who to consult with, and oh well you know, oh it's too hard, we give in.' And that's just absolute rubbish, it is absolute rubbish but I don't believe that we're viewed really in a very positive sense at all (BI1).

BI1 also expressed some frustration at the consultation process in general, being desirous of a less formal and, for this interviewee, a more productive interaction based on genuine relationships not driven solely by commercial need.

... there is no appropriate consultation there, and I hate that word consultation. If someone is going to do something that is going to impact on your area they should come and talk to you about it, in an open, genuine fashion (BI1).

One of the impediments to the sort of discussion envisioned by BI1 was the sheer volume of information provided to the iwi. As part of one proposal relating to a power generation scheme, the iwi received scientific and technical reports amounting to 1,500 pages. The interviewee considered that the iwi's ability to digest and understand this level of documentation was limited and would have preferred a more personal level of communication.

The driver for entering into a relationship with PGB was first and foremost related to the iwi's interest in the land, and the resources embodied in it, that are affected by PGB's operations.

For this interview participant whether or not the relationship between the iwi and PGB was perceived as stakeholder management rather than stakeholder engagement was dependent on the individuals involved in the relationship rather than the company *per se*. The attitude of the individual representing the company was seen as vitally important and while BI1 saw the relationship with PGB as generally being managed rather than engaged, there were individual company representatives that were perceived as engaging in more genuine relationships. However, BI1 was critical of other company representatives who were seen as using bullying tactics:

There are people who can be quite firm about saying things and people appreciate that, that's considered to be honest, open, and affirmative, but then there are people who move past that level to saying oh well we are a big company, you know, and if people don't follow what we do, we'll just have a power cut. If we don't get the water out of the river, you people, you are all going to have power cuts, that's really to the next stage of intimidation (BI1).

Again, where the relationship between the iwi and the company sat on the collaborative-combative continuum was dependent on the individual PGB staff

members involved. BI1 conceded that the relationship could be classed as tending towards the collaborative end of the continuum, but with room for improvement.

... and that's complimentary ... I would say probably 7 on our rating from 1 to 10. I would say it's at 7 with the potential for a better rating with a closer relationship ... Other PGB people that I have dealt with ... I've had very poor feelings about their attitude and their openness and their honesty and their tokenism (BI1).

The relationship was seen as ad hoc and event-driven; the primary catalyst for any contact was legal requirements under the RMA.

Only when they have a Resource Consent issue do they want to talk with us. If it wasn't for the Resource Consent Act they wouldn't be there (BI1).

The ability of the iwi to influence the company's decision-making processes was seen as existing, but with limits. The iwi had access to a finite level of financial resources that could be directed at engaging with the company on any particular issue. However, if the iwi chose to get involved with an issue, BI1 felt they could have an impact – if only via holding up the company's plans.

If we don't agree with the consent we have to pick our battles because of our limited capacity. We've been to the Environment Court a couple of times and we've had a wee bit of success. Okay it's time consuming and money, it was a huge expense. Having said that, I think at the present time we may have a little effect because of our capacity to follow it through the process, financially (BI1).

The overwhelming inference I have taken from my discussion with BI1 is just how vitally important the role of the individual is in all stakeholder-company relationships.

If there were more people there with an honest and open approach like [an individual at PGB] and we can sit down again and say 'look we need the

relationship because of this'. Then there only needs to be an annual thing, but that's the sort of relationship we'd like (BI1).

Conclusion of the iwi stakeholder's views

Sustainability was a familiar concept to this interviewee with the elements of an holistic approach and a long time horizon being raised in the discussion. For this interview participant, the iwi relationship with PGB was seen as variable depending on which individuals at the company the iwi was dealing with at any particular time.

Environmental stakeholders

The following discussion reflects the views of interviewees I classified as environmental stakeholders of PGB. These participants belonged to a variety of environmental organisations ranging from government departments to a small, very localised special interest group.

Sustainability

All of these interviewees demonstrated a depth of understanding with regard to sustainability; this was not to be unexpected from a group with environmental issues at the forefront of their responsibilities and interests. However, one less expected finding was that this cluster of stakeholders universally referred to sustainability as being focused on the preservation and/or enhancement of “the resource”. The opinions expressed in these interviews did not reflect a concern for an intrinsic value of the environment; but rather for a more utilitarian focus on a particular aspect of the natural environment that was relevant to either the interviewees' private interests or professional responsibilities, for example:

My definition is one of maintaining the resource into the future indefinitely and I guess specifically I would interpret it to mean maintaining the resource

and the amenity derived from that, particularly the public amenity so as to ensure that the options if you like, for the future, are retained (BE2).

When considering the difference between balancing or prioritising the three or four dimensions of sustainability, this cluster of interview participants gave considered opinions that reflected their personal beliefs, tempered with their professional obligations. Most of this cluster saw a balancing of interests as desirable, but not reflective of current practice, or as part of their individual mandates. For example,

I think we are definitely talking about balance, but I would see the economic side of things, at the moment from my experience, as having an overriding imbalance in that, that is given a whole lot more consideration and ... I would say that that's been very, very detrimental (BE6).

One of the strong themes that emerged in this cluster of interviews was that the participants saw themselves as “a voice” for the environment, and that in their professional roles they were not required to give consideration to the other aspects of sustainability.

The function [of my organisation] we do not need to concern ourselves about the economic and social aspects, and we have a mandate to represent environmental interests ... so we don't have to concern ourselves about anything else (BE5).

Another interesting observation made by some in this cluster was the cumulative effect of incremental impacts on the environment.

On a small scale, of which the individual consents are not a big deal, but they're commercially important to those people, ... but the net sum of that is actually quite significant (BE2).

These environmental stakeholders of PGB held consistent views regarding the meaning of sustainability and how the three or four dimensions of sustainability relate to one another. This consistency was apparent when comparing comments within this

cluster as well as with the environmental stakeholders of the other two power generators.

Stakeholders

I now discuss the responses to the questions on stakeholders in general and these stakeholders' relationships with PGB in particular.

This cluster of interview participants relied on the concept of interests to define stakeholders, as has been the common stance taken throughout the interviews conducted for this research. BE3 noted that stakeholders must be identifiable and have some sort of validity behind their interest:

I guess I would define a stakeholder as a person or an organisation or an entity, which has a particular interest in a resource or an issue or a topic. It may not necessarily be an interest greater than the public interest generally but it is one that is identifiable, and has some validity I suppose that they can claim, that the entity can claim an interest if you like for whatever reason, whether it be cultural, whether it be economic or commercial or for some other reason. I guess it is an identifiable entity (BE3).

BE6 identified the need for stakeholders to be willing to put in some effort on behalf of their issue, in which they must hold more than just a passing interest. This view resonates with the concept that along with the rights associated with being a stakeholder go the attendant responsibilities.

I think a stakeholder should really be anybody who has an interest and is prepared to put effort in to try and get a positive outcome. Not just for the sake of having nothing else to do, but is sincerely interested in getting a positive balanced outcome, should be able to be stakeholders. ... seriously committed, and prepared to put quite a lot of effort into resolving issues, and researching things, not just coming from what you think but trying to get

research going to backup or to support or to come up with alternatives to really get a good result for the future (BE6).

Moving to the discussions around the drivers behind these stakeholders' relationships with PGB, I found that this cluster of interviewees was primarily concerned with the impacts that power generation had on waterway ecosystems. The principal mechanism the stakeholders used for getting involved in discussions with the company was the RMA and the resource consenting process.

What we try and achieve, is to minimise their effects. Power generation by its very nature has huge environmental impacts (BE1).

One thing I'd say about our system at the moment is that it's very heavily weighted towards the consenting process (BE2).

On the issue of stakeholder management versus stakeholder engagement this cluster of interviewees were consistent in their responses. For all these interview participants, their relationship with PGB were seen as moving between management and engagement, for example ... *engaged, although it is bordering on management (BE1)*. This response may have been dependent on a particular issue at the heart of a period of interaction or as a result of the evolution of the relationship over time.

In keeping with the responses regarding the engagement-management continuum these respondents saw their relationships with PGB as moving along the continuum from collaborative to combative, again, depending on the issue at hand or the stage in the process their interactions were at.

It depends on the circumstances, in that respect, someone like PGB3 is quite good because ... I see him as reasonably professional, and his colleagues as well ... it does vary a bit ... Obviously as we get closer to a head-on, it's going to be more difficult I suspect but I am sure both parties will try ... (BE2).

I think now I would describe it as positive and productive and I think it takes place in a climate of mutual respect. But I wouldn't say it has always been

that way, it hasn't always been that way, it has taken a while to develop (BE3).

Well our relationship with PGB is very collaborative ... That's not by accident (BE5).

All of these interview participants described their relationships with PGB as being of an ad hoc/event driven nature rather than as on-going with regular contact. The reported level of interaction was, by and large, seen as satisfactory for these stakeholders, who felt no great need for more frequent or regular contact.

The ability of stakeholders to influence the company's decision-making was a topic that elicited some interesting responses from this cluster of interview subjects. BE2 was quite certain of his organisation's influence: *Oh absolutely, I have no doubt about that, we're taken very seriously* (BE2).

BE3 felt that a relationship, and a stakeholder's credibility, had to be built up over time:

Probably in an accumulative fashion yeah, not first up necessarily. I think that some organisations are fairly determined about the outcomes that they are seeking and may try and be quite unwavering about it, which means that they are not really consulting in an open fashion. They're giving people an opportunity to say things but they've pretty well made up their minds what it is they want to do. And we've struck that from time to time. But I think once a stakeholder has established their credibility, and their bone fides I guess, then they're more likely to be taken seriously. Their views are more likely to be taken seriously and, therefore, influence the outcome (BE3).

The role of expert advice from a mutually acceptable source was also seen as an important factor by BE4. If the two parties had agreed on having an independent party to conduct research into an issue, then the outcome of that research had to be accepted by both parties.

We're a very science based organisation and people like ... the big power companies, they're very technically driven as well. So the standard approach is to commission some independent research that is free of organisational bias and agree on it, and if you agree on it there isn't a lot more to do. Often we end up arguing about small rats and mice stuff ... (BE4).

On the other hand, BE5 saw his own organisation's size and technical expertise as a source of influence in this area.

Well the power we have is basically exerted through the RMA, the fact that we have an internally scientific and evidential basis to support what we have to say, the fact that we are resourced ... to get involved with this stuff, which means other stakeholders ... might want to get involved in something but decide they don't have the resources to pursue it (BE5).

For BE6, the deciding factor on stakeholder influence was the visibility of the issue and therefore how much community support and interest it could produce.

For the most part, these interview participants appeared to be reasonably satisfied with their groups' relationships with PGB. The interviewees expressed a belief that stakeholders have a responsibility to contribute to any relationship they are party to as well as seeking some benefit from that relationship. The level of contact between the company and its stakeholders, while not high, did appear to be acceptable to the stakeholders interviewed.

Stakeholders and sustainability

The general view held by this cluster of interview participants was that stakeholders were not concerned with the over-arching concept of sustainability. These interviewees considered that stakeholder interests may well be in keeping with sustainability, but the stakeholders themselves had a narrower focus and were concerned with their own particular issue. This point was conceded by some of the interviewees even with regard to their own concerns which had an environmental

focus and were more likely to be aligned to sustainability concerns than other issues might have been.

Well most of them, if you asked them are they for sustainability, most of them would be of course. But when you actually probe them a bit often it doesn't stack up and it is not very rational. ... That's very, very common, that they say they are for sustainability, but they don't know what to do about it in practical terms ... (BE5).

No, I mean even ourselves, although we want sustainability of the waterways ... our objective, at the end of the day, is to ensure that the recreational activity is there; so that's what's driving us (BE1).

As was noted by other interview participants, these stakeholder representatives considered changing circumstances, particularly changing economic imperatives, were seen as influential on stakeholder concerns.

One of the interview participants also pointed out that for many stakeholders things had already changed beyond the point of no return, by the time issues could be raised.

I don't think people, from my understanding, the majority of New Zealanders don't even think about it until it is too late. ... It is not 'til something pretty drastic happens that they suddenly say wow, what's going on here, and by that time it is far too late (BE6).

The stakeholders interviewed in this cluster appeared to see the link between sustainability and stakeholders as tenuous, at best, and prone to being undermined by other more immediate and pressing (financial) concerns for many people.

Conclusion of the environmental stakeholders' views

These interview participants expressed an understanding of sustainability that appeared predicated on the notion of the natural environment as a resource. For the

most part, they seemed satisfied with their groups' relationships with PGB, in terms of both the level of contact and the attitude of the company. For this cluster of interviewees, the idea that stakeholders could contribute to sustainability was seen as an ideal that was not supported by their experiences.

Community stakeholders

The following discussion reflects the views of interviewees that I classified as community stakeholders of PGB. The interview participants in this section came from a variety of types of organisation, all of which were community-based, with quite localised concerns.

Sustainability

Asking these interview participants to define sustainability generated responses that incorporated the familiar concepts of long-term thinking and consideration of future generations. The concept of sustainable management used in the RMA definition was referred to by BC2 as providing an adequate definition. BC4, on the other hand, was quite focused on the sustainability of the organisation she represented and the socioeconomic survival of the town she lived in.

These interviewees generally tended towards thinking that the dimensions of sustainability needed to be balanced. BC1, however, considered that the environment was of primary importance:

Okay if you get the environment right the others fall into line. I've got a saying in my farming life, it is that you get a cup full of soil, if that's a good living soil, there is more critters in that soil than what there are people on this earth, and they're working for free for you and me. If you don't look after them, you are not looking after yourself, and then all those other things are secondary to that (BC1).

Spirituality was also mentioned by two of these interviewees. For BC3 spirituality was an important foundation from which to consider sustainability.

I think also for me there is another issue, there is a fifth thing that's sustainability that would be for me and it is spiritual and I don't mean religious spirituality. I mean the spirituality that each of us has which relates to those topics that you just talked about and I think that's as important as any one of those. Because I think that we need to feel comfortable within ourselves, within our family, within our own personal environment, to be able to consider those other areas that we talked about. I think they're all important, ... I don't think that there is any one of them for me that stands out. I think there are certain cases and certain issues where one will put its head above the other, but I think it is the mix of all of them, I think you can't have one without the other (BC3).

As these interview participants represented community interests, it was not surprising to observe a strong focus on the social dimension of sustainability, although the environmental dimension of sustainability was also mentioned.

Stakeholders

When trying to define the term stakeholder, two of these four interviewees reverted to listing who they saw as stakeholders, rather than providing a definition as such, for example:

A stakeholder is someone who is on the receiving end of the power that's generated, they're a stakeholder. Another one could be the one that's involved with land or property, and another one is a person who... has a business connection with them, they are all stakeholders. We look at stakeholders when we talk about ... the community, they are all stakeholders of the business because they live in the community, so that's a very wide definition (BC2).

Other interviewees defined stakeholders in terms that have become familiar during this research, that is, the interests and effects bases of being a stakeholder. BC4 recognised that stakeholders had responsibilities as well as rights, and should be:

Someone who has put money or effort into a project, contributed in a major way, or with an on-going effort and was someone who you are accountable to (BC4).

This cluster of interview participants offered no insights into what might represent the foundation of the “stake” in a stakeholder relationship beyond the idea that it was an interest or the impact implicit in the relationship.

These interview participants represented community groups that had coalesced around specific issues. BC1 chaired a group that was formed to develop a pastoral irrigation scheme using the same water source that PGB proposed to use for electricity generation. As a result BC1 and PGB had entered into a relationship to negotiate the shared use of this water course. In this instance the community group was in a strong negotiating position and as BC1 remarked:

We are in a good position in terms of dealing with them and it is quite pleasant dealing with them as a result of that (BC1).

The relationship between BC3 and PGB had formed around sponsorship funding by PGB of the charitable work carried out by BC3’s organisation. This relationship was seen in an extremely positive light by BC3.

Well I just hope ... and I think you understand how I feel about PGB ... they really were, they took us to another level ... so yeah, we just can't speak highly enough of them really (BC3).

BC2 had a perspective that was in keeping with a broader concept of sustainability, and acknowledged the impacts (positive or negative) that an organisation the size of PGB could have on a local community:

An understanding and cooperation and I guess an understanding that our community are involved in this whole business ... So we want an understanding of the issues, if you like. The other one is, I guess, they are a business that are in our community and we would like to see them be good corporate citizens and put money back into the community ... as a stakeholder, I like to see that happen. And also I suppose in the wider sense I want them to be successful because if they're successful we're successful (BC2).

In contrast, BC4 was somewhat cynical about the drivers behind PGB's involvement with her organisation. BC4 represented a small community organisation that received sponsorship funding from PGB. This interviewee considered that the company got more than its money's worth in that it was a *'take' relationship and that PGB got the profile* (BC4).

The distinction between being managed or engaged with elicited responses that appeared to depend on the relative strength of the stakeholder organisation with respect to PGB. BC4 represented a small non-profit organisation that received significant (for BC4's organisation) funding from PGB. BC4 considered that as a stakeholder they were *managed, if that*, implying that the relationship as it existed was negligible.

This cluster of stakeholders all viewed their relationships with PGB as being towards the collaborative end of the continuum; while there may have been incidents over the years that had been somewhat contentious, overall the relationships were seen in a positive light.

I'd like to think that it is ...a very comfortable relationship. I can pick up the phone anytime ring PG4 and say I'm looking at doing this, what do you think. He'll say yeah that's great, send us a proposal or Christ that's a load of bullshit ... what are you thinking about that for? (BC3).

Whether or not these relationships were seen as being driven by specific events or as having a more routine on-going nature varied between interview subjects. BC1 saw

the relationship as being more event-driven, but was quite comfortable with the level of interaction. BC2, on the other hand, described the relationship as more on-going:

I could honestly say that they are good at just talking about things and if you are doing this specific thing there are other issues that come up and they're reasonably good at that, I think that they're on-going relationships. It's not one that just "I need this, and so could you help me with this" ... and not the other way either, I don't only make contact with them if I need something either (BC2).

Two of the four community organisations received sponsorship funding from PGB, BC3 and BC4. BC4 described her organisation's interaction with the company as *ad hoc*, whereas BC3 described a more regular and frequent level of contact revolving around multiple charitable events throughout the year.

Whether or not stakeholders could influence PGB's decision making processes generated somewhat ambivalent responses. BC4 considered it was possible provided *you have the weight of numbers* behind stakeholder concerns. Alternatively, BC1 felt stakeholders could have some impact but only within economic parameters dictated by the company.

As a group the only thing we changed was that we have said that we want all our members to get this water ... in small ways with different ideas and suggestions and things we do have quite a bit of influence over them in the sense that they are receptive to good ideas (BC1).

It appeared that none of these stakeholder groups had significant influence on company decision-making, but there were some opportunities for these groups to have input into company thinking.

Stakeholders and sustainability

The question of whether or not stakeholders were concerned with sustainability generally elicited negative responses from these interview participants. This cluster of interviewees considered that most stakeholders were concerned only with their own agendas which might or might not be in keeping with sustainability.

BC3 considered that groups similar to his (a charitable non-profit organisation) contributed to sustainability through both environmental and community work, whereas BC4 was more circumspect noting that *we can't rely on stakeholders to achieve sustainability* and that *PGB was only concerned about their own economic sustainability not environmental sustainability* (BC4).

BC1 was also somewhat cynical when considering the drivers behind and effectiveness of some stakeholders' involvement with companies, even those that professed a concern for sustainability or environmental issues.

The idealist person, in terms of the environment or in terms of sustainability, won't succeed because there is nothing in this world that is ideal that I have come across yet. The political type ones won't succeed because their agenda is more personal; political people tend to have a personal agenda, and they're the two main types of people in that environment, everybody else is just going along for the ride (BC1).

This cluster of stakeholder representatives did not consider that there was a strong link between stakeholders and sustainability, with some doubting that such a link existed at all.

Conclusion of the community stakeholders' views

These interview participants were from small community organisations that were either interested in issues associated with PGB's activities or were recipients of funding from PGB. These interviewees expressed a variety of opinions on the topics

of sustainability, stakeholders, and the company. Sustainability, for this cluster, was primarily related to society although the importance of the environment to society was also recognised. These interview participants acknowledged the need for stakeholders to contribute to stakeholder-company relationships, rather than just be recipients of any benefits flowing from those relationships. Stakeholders were seen as having the ability to exert some influence on the company, but only to a limited extent. The interviewees considered that any link between stakeholders and sustainability was tenuous at best, and that individual stakeholders were more likely to be pursuing their own ends rather than promoting a broader sustainability agenda.

Regulatory stakeholders

The following discussion reflects the views of interviewees classified as the regulatory stakeholders of PGB. The interview participants in this cluster held a variety of roles within local authorities throughout the country.

Sustainability

By and large, this cluster of interview participants reverted to relying on the RMA definition of sustainable management of natural resources to frame their understandings of sustainability. The familiar themes of considering future generations, and sustainable resource use were prevalent in these discussions.

There was a mix of perspectives regarding whether sustainability should focus on preserving what is currently available or on improving the current situation, for example

Sustainable business practices are about being able to carry on and do things and probably improve what we are doing. Lessen our impact, lessen the size of our footprint if you like (BR5).

For this cluster of interview participants, the notion of balancing the dimensions of sustainability versus prioritisation was seen as context-specific. While they all agreed that each of the three or four dimensions was important, which one(s) garnered the most attention was seen to depend on the situation at hand.

I think that at the end of the day it is a reasonable balance and I think an individual's balance will differ depending on their starting point or viewpoint (BR5).

These stakeholders relied heavily on the RMA as their reference point for the discussion around sustainability, which is understandable given that their professional positions involve working directly with this legislation on a regular basis.

Stakeholders

When asked to define stakeholders these interviewees responded by reflecting on the range of interests and/or effects that stakeholders may have or be subject to with regard to an organisation's activities. The discussions followed a similar path to that experienced in most of the other interviews.

Of note, however, was the lack of comment on stakeholder responsibilities. This omission may have been a product of the fact that all of these interview participants worked in local authorities that were engaged with their own stakeholders to a significant degree. This type of engagement focused on satisfying stakeholder concerns rather than promoting the local authorities' interests.

Pinning down a definition of the "stake" proved difficult for most of these interview subjects. However, two responses were worth noting. BR1 surmised that *the stake is the natural resources that they are using, to run their business* (BR1), whereas BR7 acknowledged that:

You don't have to have a financial stake in that particular business or activity, but when it is a business activity it could have an effect on a person or a

community, in the short or long term and so I'd still class that as a stakeholder of the present or the future living environment, yes I would (BR7).

The primary drivers behind these stakeholders engaging in their relationships with PGB were derived from the RMA. These interviewees were concerned about granting resource consents and/or monitoring compliance with existing consents. The legislation, therefore, had a significant impact on the existence and maintenance of these relationships.

Most of these interviewees considered that their relationships with PGB typified stakeholder engagement rather than stakeholder management. The company was seen as taking a proactive and transparent approach to keeping these stakeholders informed about operational issues.

BR2 noted that the company was (quite legitimately) likely to manage its approach to stakeholder engagement, as opposed to trying to manage stakeholders.

The one dissenting view, from BR4, may have been due to the nature of his role in dealing with PGB, which was to get involved in a troubleshooting capacity rather than being involved in more routine interaction with the company.

I'd say to date it's sort of the 80/20 thing I apply, 80/20 it is one way, that it is managed, so I'd say engagement is 20%. And if you find that I am very lenient and liberal then I would say 20% is quite liberal for me to say that they've engaged us, 80% is management (BR4).

Most of these interviewees viewed their working relationships with PGB in a positive light, seeing the interactions as far more cooperative and collaborative than combative. This position did not imply that the stakeholders had not had issues of serious debate with the company, but that the two parties had been able to work together to resolve points of concern.

I find them extremely cooperative, I find them an excellent company to work with. They are very environmentally aware, they have their own environmental officer ... who looks after all their power stations ... and the

manager for [this area] I find him extremely approachable and honest I would say. I've got to say honesty throughout all the staff, if they are having a problem, first thing they will do is ring me and tell me. Rather than us find out through some devious means, they are very up front and that's the thing that I asked of them. That if they do have a problem for goodness sake let us know. We would sooner know about it, know what the reason for the problem being created was and if we know what it is and it is something that is beyond their control, of course, well it is just an accepted thing. But cooperation of PGB staff and the company as a whole I found first class (BR3).

Again the one interviewee who was less than effusive about his relationship with PGB was BR4, however, the relationship was not described in hypercritical terms:

I'd say it is virtually in the middle, because we are not ... I don't think that we are in a very rosy or cosy sort of relationship, because ... we have got some issues that we have to put in front of them for them to sort out. And those issues may not be, or the solutions for those issues may not be, palatable for those companies. But that's a thing that we are sorting out through our Resource Consenting process with them, so it won't be really palatable to them. But equally they've got to push their own barrow and they have to pull their own business ethics and business interest and so we have to come to a middle of the road agreement, as to how we can balance out their own requests and to uphold our water plan and Resource Management Act (BR4).

The question regarding whether these interview participants considered their groups' interactions with PGB as on-going or as ad hoc drew varied responses. For most of the interviewees their groups' relationships with PGB were driven by legislative requirements, either due to consenting activities or post-consent compliance monitoring. The level of contact was not described as frequent for any of these stakeholders.

Discussing the capacity that stakeholders had to influence company decision-making drew some interesting observations from this cluster of interviewees. For these specific stakeholder groups, their role in the regulatory regime granted them a degree

of power that other stakeholders may not be in possession of. The RMA and its resource consent process played a significant part in providing both the means and the ends of these stakeholders' influence on the company.

The time that stakeholders, in general, could bring the most influence to bear was seen as being during the application stage of resource consenting.

I think when a resource consent is being applied for they certainly have very strong power, and it is mainly when they would exercise their powers, with the granting of the resource consent. But they have the right to complain if for instance there is some environmental damage being caused by an activity on the consent that we've granted. We have the right to review them every 12 months, there is a review clause on all our resource consents. It's not been necessary in the case of PGB to have to review any of them but we certainly have that power to do so (BR3).

Another point made by BR1, was the role his group could play in drawing extreme views towards a middle ground during resource consent applications.

In some ways we are almost a moderator of that process, because if it was for say it was tangata whenua or it was Forest and Bird or somebody, they're probably asking for something a lot more extreme than maybe they expect, but to get what they expect they have got to go that way and then we can fall a little bit more in the middle and say well okay we understand what you are asking for, but we also understand the constraints that the company has in terms of finances they can put to this or the effort they can put to achieving what you're saying, and perhaps fall somewhere in the middle a little bit (BR1).

Stakeholders and sustainability

Stakeholders were not seen as being a specific influence in favour of sustainability by this cluster of interview participants. There was recognition of the ambiguous nature

of the term sustainability itself, causing some problem with the idea that that was a driving force behind stakeholder actions.

... for one thing the word sustainability has in some ways become very fashionable to use, and it can be interpreted in many different ways. ... There is a number of people who feel that business people grab what they can and what they see as best if they can get at it for a financial gain, rather than the long-term benefit of perhaps the community's interests or environmental interests and that's certainly happened at times to some extent. ... But in general, for a good business to be sustainable, it has to have good practices. ... You must have the broader interest otherwise you will fail in your business and pay the consequences. ... Sustainability, and right back to the very start where it's sustainability of the community and our aim really is to enhance the quality of people's living environment and we can have all these fuzzy terms but that's what it comes back to at the end of the day is that the community, big business, individuals, all that work together for a common goal, but you have got to have that leadership to progress these and at the end of the day we have an enhanced living environment, and sustainable communities (BR7).

Also of note was recognition that nobody was likely to be against sustainability and that awareness of the concept and issues surrounding it had evolved over time.

I think everybody in their rightful mind would like to see sustainability with whatever activity is going on. It just makes good sound common sense. And there's certainly a very much changed view in the last 20 years about people's perception about environmental issues. I generalised and said well 20 years ago 20% of the people were environmentally aware and the other 80% couldn't have cared less, and they regarded those 20% as being a bit way out, they were long hair and beads and ear rings, and roman sandals and hairy legs and all this sort of drama, which typifies the real greenie. Well the old style greenie, or a hippie I suppose, whatever. That perspective of what an environmentalist is has completely changed. An environmentalist, they are just a normal, average run of the mill person who is aware of the environment and wishes to protect the environment and is conscious and aware of it (BR3).

Conclusion of the regulatory stakeholder views

The responses of this cluster of interview participants were heavily influenced by their professional roles, which dictated both the nature of their concerns and the context for their relationships with PGB. The influence of the RMA pervaded the perspectives of these stakeholders and their relationships with the company. Sustainability was generally defined in terms consistent with the RMA, and stakeholders were seen as interested or affected parties, again consistent with the RMA. Any link between sustainability and stakeholders was perceived by these interviewees as being more coincidental than intentional.

Chapter conclusion

The interviews with PGB staff and their stakeholders revealed a reasonably consistent approach, and attitudes towards, the interactions between these parties. For the company, stakeholder interactions were seen as an important part of their business processes. The stakeholders, on the other hand, generally described their interactions with the company in a favourable light. While not all of those interviewed agreed with the company on issues of mutual interest, there did seem to be a level of satisfaction on how the relationships were maintained by the company. Where criticism of the company was levelled by the stakeholders interviewed, it did appear to be aimed at individuals rather than at the company more generally.

Chapter 8

Power Generator C and its Stakeholders

In their own words

Introduction

This chapter relates to Power Generator C (PGC) and its stakeholders. The purpose of this chapter is to provide a sample of the interview responses collected during the fieldwork phase of this research project, with linking and explanatory commentary. To avoid undue repetition between this chapter and Chapters 6 and 7, the quotations drawn from interviews related to PGC focus on the points of difference between the interview responses related to this company and those covered in the preceding chapters related to PGA and PGB. The interview data are further analysed in Chapter 9. This chapter has the same structure as Chapters 6 and 7.

The logistics of stakeholder relationships

Stakeholder interaction, as described by the company representatives, was not conducted within an overarching, systematic approach company-wide. Individual business units were responsible for various groups of stakeholders, with apparently little or no coordination across the company. For example, the investor relations team had responsibility for shareholders; the corporate development team had responsibility for media stakeholders, and the operations team took care of community stakeholders and issues surrounding the natural environment.

We do, [have formal policies in place around stakeholder relationships], they're scattered, because they're scattered for different stakeholders, so that within the organisation there are different people who are, if you like, the guardians of that particular stakeholder (PGC4).

Coordination, such as it was, existed in the form of the senior management team, whereby senior executives met regularly. These meetings were described as the only likely avenue for a synchronised approach and discussion of stakeholder issues. However, the senior management team was not meeting solely to discuss stakeholder concerns, rather such concerns might be raised as an agenda item among many others. For example, when asked if there was an overarching framework where these various custodians all come together, one of the participants responded:

Not as a stakeholder custodians group per se. Because we're a very coordinated company, we're not big enough to have islands. I've been here just over 4 years and I've never seen islands appearing. The place where they come together is in the senior management team, which is all the general managers and the CE. That's probably where you get the overarching consideration of all the stakeholders (PGC4).

The lack of a focal point in the organisation to oversee stakeholder relationships was reinforced when I was seeking a list of contact details for stakeholders from the company. The initial list provided was very general and included generic terms such as “local authorities, central government, iwi, community, etc.” It took several requests, which had to be forwarded to a variety of company staff members, before a detailed list of stakeholder groups and contact people could be provided. In addition, once the list was received and I began making calls to set up interviews with the stakeholders, it became clear that many of the contact details were out of date, with some stakeholder organisations having been defunct for a considerable time.

The RMA heavily influenced the choice of stakeholders the company interacted with and how that interaction was conducted. Contact between the company and stakeholders was closely associated with resource consent applications for new and existing projects and activities, with significantly reduced contact outside of these times. The company appeared to take a strong, legalistic approach, relying on the legislation and ensuing court action to resolve many of the issues raised by stakeholder groups. This behaviour was alluded to by both the company personnel and the stakeholders interviewed. For many of the stakeholders interviewed,

interaction with the company was virtually non-existent outside the resource consenting procedures and timeframe.

It should be noted, however, that at the time of the interviews a new position at a senior management level had been created and filled, and the staff member in this position (one of my interview participants) was in the process of investigating current practices within the company with a view to improving and coordinating stakeholder interactions across the company.

Another feature of PGC's interaction with stakeholders, that appeared to be in sharp contrast with that of the other two companies, was the widespread use of external consultants during consultation processes. There was some harsh criticism of this practice from stakeholders, which is further illustrated in the stakeholder sections of this chapter. Several of the interview participants felt that the use of consultants did not provide continuity in relationships or the buy-in to the process that might be more forthcoming from a permanent company employee.

There was also a lack of enthusiasm for the practice of sporadically bringing in "high-powered" head office staff for some meetings, where stakeholders considered they had not had the opportunity to get to know these people and develop a relationship with them. Company representatives saw the presence of senior executives as adding weight to the meetings:

At some meetings I think the guys tended to want to have someone from [head office] sitting in on the process, so that they could carry the message back, and they provided some gravitas, I suppose, to the meeting (PGC1).

However, the intermittent appearance of head office staff was not always well received by stakeholders, with some interviewees viewing it as somewhat disempowering and intimidating, particularly if the consultant or head office staff member did not participate in discussions but just observed and took notes. This perception is revisited in the following stakeholder views sections of this chapter.

Views from inside the company

Most of the internal staff interviewed, whose views are represented in this section, held positions at senior management level, with the one exception being a staff member reporting directly to senior management. The interviewees were all directly involved in conducting stakeholder relationships.

Sustainability

The understandings of sustainability expressed by the interviewees were heavily coloured by both the RMA and the industry in which they worked. Sustainability was described in terms of resource utilisation and ensuring that that utilisation could continue into the future. The language of the RMA was prevalent in these interviews through the repeated use of word such as resources, future generations, avoid, remedy, or mitigate. For example:

Sustainability to me means managing resources in a way which provides for the foreseeable needs of future generations (PGC1).

Many of the comments made were in keeping with the weak sustainability model described in Chapter 1, that suggested we must also avoid being over-cautious now, as future technological advancements were likely to be developed that would enable the more efficient use of resources or enable us to use substitutes for depleted resources.

I don't think that means that we have to preserve everything, because I think that we're entitled to take a view that new technologies will come along in future generations which substitute the things which we depend on in today's environment. But I think it means a duty of care to not exhaust resources or to kind of take a balanced view about what future generations might reasonably need (PGC1).

Conversations around the preference for trying to find a balance between the three or four dimensions of sustainability or prioritising these dimensions revealed an inclination to place economic and environmental issues above social and cultural ones, with economic issues generally being seen as the “deal-breaker” in decision-making processes. The privileging of economic issues was, however, often qualified with reference to shareholders’ interests in company profitability.

I would probably go with the balance kind of approach to be honest. We have to make money, because our shareholders expect us to make money (PGC3).

Achieving a balance was also seen as an ideal and as somewhat unachievable on a pragmatic level, which contrasts significantly with other views that see the weak model as the pragmatic application of the strong model ideal.

I think in the ideal world you would say that you want a balance of everything, but I don't think the ideal world allows you to balance everything, because if you want to do something for economic benefit, it will have consequences probably on [the] environmental; it will probably have a consequence that is cultural ... (PGC5).

There were some insightful comments about the emergent status of the cultural dimension of sustainability and also the dynamic nature of culture begging the question of “What exactly are we trying to sustain?” in this respect.

I think the focus is on balancing environmental with economic. Having said that, over the last 7 or 8 years since I've been doing this work, I have become much more aware of cultural values (PGC1).

The cultural one is an interesting one because cultures aren't inert, so it's about the sustainability of what culture (PGC3).

The above discussion illustrates that these PGC representatives were aware of the recognisable features of the sustainability debate regarding the longer-term nature of

the concept and the acknowledgment that parties other than the company and its shareholders had an interest in the company's activities.

Stakeholders

Stakeholders were predominantly described as individuals or groups that may be impacted by the activities of the company. There was some reference to the broader notion that stakeholders may "have an interest" in company activities and there was definite recognition that stakeholdership was an attribute that went beyond the bounds of financial or contractual relationships.

One interviewee further recognised that stakeholdership established a justification or entitlement to some sort of participation in the company's processes:

I guess that's a person or an organisation that believes that they have almost an ownership of a part of the issue or whatever it is, that it could well have an impact upon them. So I've got a stake in this, it's something that's going to affect me, so, therefore I've got a right to tell you what I think and to have a say (PGC5).

The focus of much of the stakeholder interaction conducted by the company was on resource consenting issues. It is unsurprising, therefore, that when discussing what the company tried to achieve from stakeholder interaction the objectives mentioned were along the lines of *win-win* or *mutual benefit* outcomes, *smoothing the way for consent applications* and *clearing obstacles for consents*. Also consistent was the reference to finding the most economically efficient means of satisfying stakeholder concerns, assessing the cost-benefit analysis of different approaches, and being mindful of the shareholders' or customers' perception of any financial costs associated with satisfying stakeholder concerns.

Well, I think it would be, I mean basically, it's a win-win in the sense that, the company has to be mindful of all the stakeholders, and so... in my role I'm out there talking to parties in relation to getting the RMA consents (PGC1).

Well, perhaps to be brutally frank there are times when we need their support, such as right now, when we are going for our resource consents (PGC5).

In some instances, satisfying stakeholder concerns prior to legal action was seen as a way to ensure the courts did not impose harsher requirements than could be negotiated directly with stakeholders.

We've had to modify our stance quite a bit going through this resource consent process, taking on board points that people have raised, just to try and get through, and I guess trying to avoid the Court imposing an even more onerous ... I mean often we're in a situation where we want to do this, they want us to do that, and the fear is that the Court may impose something that's even worse than what they want. So sometimes it's best to move a little towards them, and they move a bit towards us, and we come to some common ground (PGC2).

One interviewee acknowledged that in the past the company had taken a mercenary approach, but had found this approach was financially expensive. A more collaborative attitude could have been more cost-effective and maintained better relationships for the long-term. This interviewee also stressed that all projects were ultimately assessed in financial metrics, but that the assessment was done over a long time frame.

I think it has changed over the years. I think we took a very mercenary view to the whole thing, in that we were very short-term driven. We did a whole lot of things that didn't necessarily help us through the consenting process we've been through. Our approach cost us millions and millions of dollars to implement the process as we did it. We could have, we should have been a lot smarter than that. I don't know, some would argue that's the short-term view that some people have of the world (PGC3).

The interview participants had a positive impression of their relationships with stakeholders, being confident that their interactions were more akin to stakeholder engagement than to stakeholder management. This was also seen as an evolutionary

outcome, with the company moving away from a more mercenary management strategy towards a more genuine, engaged approach. There was recognition, however, that the engaged approach had not always been the case:

Ah, that's an interesting one. I suspect we're probably more on the engagement end, although we have talked about, for example, trying to come up with a process of engaging more often with [CI2] for example, so that we don't end up only talking to them at times when either they want something from us, or we want their support for something, but having said that, we haven't actually progressed that past that stage of 'hey, we should actually do something in this one area' (PGC2).

I think we moved from the former [management], to the later [engagement] and I think that's manifested in a number of documents we now have which go to sort of deeds of understanding or trusts that have been created, where we believe we can work together for 15 or 35 years or share in our common concerns and issues. Especially with iwi that's the case now, we don't sort of try and deal with it on an ad hoc basis. We're trying to encourage a sort of an on-going relationship with iwi where we talk about things, see where we're up to and where iwi are at. And that's very much the way we're going. And I would say that the management process, we'd only really apply to the small one-off cases, where someone's got an issue that can be resolved quite quickly, and we don't need to have an on-going thing ... But big stakeholders like your iwi and your big recreational groups ... we've got an on-going process of monitoring and talking to them and managing things, so if things go wrong, it's all set up (PGC1).

This level of confidence may be somewhat misplaced given that, by these interviewees' own admissions, stakeholder interactions were heavily weighted towards the resource consenting process and tailed off significantly outside those events.

I find that they're very much event-based, and an obvious example is our consenting process. Prior to that we had discussions with [an] irrigation

company, because they utilise water from the dam, and we tried to negotiate a deal with them. Having sorted that out, I mean, I don't think we've spoken to them since, and possibly the next time we will talk to them is when some other event pops up (PGC2).

I'd like to say engage, but probably we manage. ... They have been, well with our primary stakeholders, they have been event-driven just lately with consents, our consents processes and stuff like that (PGC3).

There was consistent recognition that engagement was preferable to management and some onus was placed on the stakeholders themselves to bring forward genuine (as perceived by the company representatives) issues, rather than concerns of a more frivolous nature.

Now it's easier in some respects, in the sense that if you have good, genuine relationships when you are in a position where you want to engage in stakeholder management you are more trusted and respected, so that process is easier. It's easier or more efficient; people are less likely to get diverted by media and propaganda ... they know who they are engaged with so if they have genuine questions, rather than waving flags and shouting wildly, they know where to put them (PGC4).

When asked whether they would characterise their stakeholder relationships as more collaborative than combative, interview participants acknowledged that many relationships tended towards the combative end of the continuum. It should be noted, however, that this particular company had inherited a significant amount of animosity from the community, which derived from the manner in which some dams were built during the pre-corporatisation era. Many locals apparently still harboured resentment at how the government of the day had not dealt with community concerns regarding these structures. There had also been several major adverse events in the past 15 or so years that many locals considered were exacerbated by the dams, and they held PGC largely responsible for significant property damage and loss that occurred as a result of these events. These two features of this particular company's operating

environment had a marked influence on how stakeholders perceived and interacted with the company.

If you took collaborative at 1 and combative at 10, I would say 4 or 5, but I would like to move more towards 1 all the time (PGC4).

This view (shared by others in the company) was something of a contradiction of the perception, discussed above, that the company engaged with its stakeholders rather than managed them.

The opinions expressed by these company representatives acknowledged that the company had not always conducted its interactions with stakeholders in the best possible way. There was room for improvement and a desire by the company to achieve better relationships with a variety of its stakeholders.

Stakeholders and sustainability

The discussions around whether or not stakeholders were seen to be for sustainability and to, therefore, influence the company in pursuit of sustainability resulted in diverse opinions. While the individual stakeholders' conceptions of sustainability varied, there was a general agreement that sustainability was on the radar for many stakeholders.

For a large part I think they don't really think about it, they have a short-term view. And it's often media-driven, which is a very, very short-term view (PGC4).

The media featured as a significant influence on stakeholder views for these company representatives, in marked contrast to PGA and PGB, where the topic of the media did not come up during the interviews at all.

These interviewees considered that while some parties might have referred to sustainability, they were not necessarily advocating for a broad systems level concept

of sustainability but rather for the sustainability of their own particular interests. The power company was seen as having a long-term view by virtue of the fact that its operating plants had a long-term, life expectancy. Whether this view exemplified big picture sustainability or the sustainability of vested interests was debatable.

Stakeholders were recognised as having the ability to influence company decision making, but the interview participants were quite explicit in their recognition that most of this influence was limited to resource consent negotiations and the resulting operating conditions ensuing from granted consents. Again, reference was made to the weighing up of the costs incurred versus the benefits gained from making particular concessions to stakeholder requests, with an economic bottom line being the ultimate decider.

Oh, yes, very much so, you've got to remember that I'm only talking about RMA stuff. So, therefore, we were prepared to make ... you know, major concessions or settlements with them, to reach ... according to that issue. Whereas others we thought oh they're just a damn nuisance, but we'll keep an eye on them just in terms of the sheer pragmatics here, let's just fix the problem for them and they'll go away. I mean it sounds awful to be taking that view but that's the reality of it (PGC1).

The interviewees appeared to hold the view that their stakeholder interactions enabled them to gauge community opinion to a high degree and that they were, therefore, able to accommodate community concerns where economically feasible.

Summary of the internal view

From this cluster of interviews I was left with the distinct impression that while some in the company may wish to portray an image of an organisation engaged with its stakeholders in pursuit of mutually beneficially outcomes, there was a definite privileging of economic concerns above other considerations. While stakeholder views may have been listened to, it did not appear to me that these concerns would

have changed behaviour unless it was economically attractive to do so. Stakeholder interactions as described by the internal staff members of PGC were predominantly influenced by two major drivers – economic feasibility and legislative requirements.

The interview responses also implied some distinct discontinuities. Stakeholder engagement as it is framed in this research indicates on-going, collaborative relationships that are respectful. Some comments from the interview participants intimated that issues raised by stakeholders that were not perceived by the company as important would be easily dismissed.

I now turn to the views of the stakeholders themselves.

Views from outside the company

This section of the chapter provides a summary of PGB's stakeholders' perceptions. The stakeholders interviewed for this research came from a range of stakeholder organisations, and as such held a range of views on the topics discussed. The stakeholder views are presented in the clusters used in the previous chapters.

Iwi stakeholders

This section presents the views expressed in interviews conducted with the representatives of the iwi stakeholders of Power Generator C. The interviewees represented in this section were drawn from a variety of iwi whose tribal territory intersects with the operational activities of PGC.

Sustainability

As was evident in the interviews with iwi stakeholders of PGA and PGB, the views expressed by this cluster of interview participants illustrated a broad range of

perspectives on sustainability. These interviewees discussed how issues in one area could not be considered in isolation because they impacted in other areas. For example, a polluted river could be seen as an environmental issue but it also had cultural and social implications because people's health could be affected when swimming in or eating from the waterway, which in turn has economic implications due to the need for people to access the health service if they become ill. That said, the interviewees were quite upfront about their own special interests, whether that be a specialisation in water issues, cultural issues, or rebuilding the tribal resource base.

As an iwi we've got to look at what's sort of sustainable from a tribal perspective, balancing the spectrum from preservation through to extraction and use (CI1).

Sustainability is about on-going opportunities in the eco-cultural environment and also in the natural environment (CI4).

The long-term view of sustainability was also evident during these interviews, although perhaps not projected as stridently as by stakeholders of the other companies. Talk tended to focus on the impact of lifestyle options for current generations of children and the opportunities they may be denied compared to those in their parents' or grandparents' childhoods.

Whether or not the dimensions of sustainability should be balanced or prioritised was a more problematic question for these interviewees. There were somewhat ambivalent responses in this area. While seeking a balance of interests was seen as desirable, some of the subjects wistfully expressed a preference for their own special interest (for example, culture, water, or tribal resources). None of this cluster expressed the opinion that any one dimension should be prioritised, but there was mention of the predominance of economic interests and some reference to the need to achieve and maintain economic success for the tribe in question.

I definitely think there has to be a balance among those things; I don't think one of those things can take priority over the others. Although I work in the cultural area, I'd like to say cultural has to take priority ... But even with the

work that we do here we understand that all those other areas also ... you know without the economic side the country won't prosper and people won't prosper. So you got to weigh up all those things, they are all linked together, so I don't think you can put one above the others at all (CI2).

The language of the RMA was again a feature of these discussions, which was not surprising given the timing of the interviews – the company was involved in the resource consenting process at the time. The iwi representatives interviewed in this cluster had a broad perspective on sustainability that included environmental, social, cultural, and economic considerations, while recognising that they were inclined to focus on their own area(s) of concern in their dealings with the company.

Stakeholders

The familiar perspectives that stakeholders are individuals or groups with an interest in, or who are affected by, the activities of an organisation were evident amongst this cluster of interview participants. Although some variants on those characteristics were offered, such as *anyone ... with a strong passion (CI1)* or *someone that's got a vested interest (CI2)*.

The foundation for iwi stakeholderhood was firmly described as emanating from a cultural interest, with iwi activities being filtered through a cultural perspective. This perspective was strongly associated with a sense of place and historical, tribal affiliations with local resources and the wider environment which offered spiritual succour.

We have an association with the place and an enduring, on-going relationship with the resource that we share an interest in with PGC. And our members are actually affected by the activities, good and bad, of what they actually do (CI3).

There was some resistance to the term stakeholder, which was influenced by New Zealand's colonial history and the re-emergence and reinforcement of the status of the

Treaty of Waitangi as the founding document of this country. The existence of the Treaty encouraged some iwi to see most relationships from the perspective that iwi were in partnership with the Crown. This assertion tended to be made even when the relationship in question was between iwi and a private company. There appeared to be a strong preference for the concept of partnership rather than the more tenuous stakeholder relationship. Partnership seemed to imply more formal relationships, which may be based on developing mutually beneficial commercial endeavours.

I'm more in the same thinking pattern as [a local kaumatua] says, he calls it partnership. That's how we actually conduct our business here is in partnership – not “you will do that” or “we're a treaty partner” – you stay away from that. Because you sort of hit the wrong note straightaway when you say that, as soon as you say that “we're the treaty partner” you know what I mean. So no it's a partnership, between whanau, hapu, iwi, the community and the Crown, that's what it's all about (CI4).

The interview participants in this cluster noted that stakeholder relationships can be layered with different groups holding stronger or weaker stakeholder rights. This situation was seen as particularly appropriate when discussing the relationships that various tribes had with specific locations or natural features. For example, an iwi may have strong and proprietary rights over a river as it flows through their rohe¹⁰⁵ but a more limited right or affiliation with that water body when it reaches the coast or enters the rohe of another iwi.

Discussing what the stake stakeholders hold proved just a problematic for this cluster of interviewees as it had for the majority of the other people interviewed. The only insights offered were that the iwi held *a cultural stake* in the river (CI1) or that “stake” *is one of those catchwords that come along and then get replaced by something else* (CI4).

The predominant drivers for iwi-company relationships (from the iwi perspective) were based around cultural and environmental issues, with these two concerns seen as

¹⁰⁵ Territory

inextricably linked and vital for sustainability. The views expressed were a mix of an holistic sustainability approach and the more anthropocentric view of needing to ensure that the environment was healthy in order to ensure that the people were healthy. Even for those interview participants with narrow areas of expertise, such as water quality, this expertise was tied into the broader picture of healthy water being vital for healthy life.

I guess first and foremost, usually the dialogue is borne out of an issue, so generally there's an effect, sometimes we just have a dialogue, just through the mutual relationship, but usually around a proposal to do something (CI1).

For this cluster of interview participants, opinions varied on whether they saw their group as “managed by” or “engaged with” by PGC. It appeared that relationships that had been developed over longer time periods had moved from the mechanics of management through to a status of engagement. There were some reservations, however; as the iwi tribal authority structure had developed in New Zealand, and these authorities had become “the place” to go for consultation with iwi. This level of interaction has had a significant impact on the authority’s resources and there appeared to be some dissatisfaction with a trend towards using consultation as a cheaper means of accessing expertise and knowledge that would, in other circumstances, have to be paid for.

I would have to say it's probably... would still tend to be managed. ... And that's always the issue, how do you have a robust relationship that doesn't cause undue stress or work pressure on us. So I think when you talk about managed through to engaged, I think there is a balance particularly from an iwi perspective. I think there's a midway in that spectrum, I don't see why you shouldn't have an annual meeting just for the sake of having an annual meeting, which is more based on engagement and on building that relationship – but you don't necessarily want or need a monthly meeting. It also comes down to the resources, if there's greater expectation from the power company that they wanted to have a more regular dialogue, somebody that was more regularly available to them to discuss issues, from our perspective we would start to see that as something they should be resourcing.

At the end of the day that starts to get into the realm, from our perspective, into the realm of providing technical advice, information that allows them to undertake their business (CI1).

Whether or not the iwi stakeholders perceived their relationship with the company to be managed (by the company) or more representative of an engaged relationship appeared to be closely related to whether or not the relationship was seen as more towards the combative or the collaborative ends of a continuum. For example, CI1 and CI3 described their relationships as managed and said:

Generally we've found the relationship difficult ... there's very much an arrogance in attitude that 'these things are here and pretty much here to stay, so suck it up and live with it' (CI1).

Issue driven, cos have we got a relationship now? No I don't think we have. ... Our perception was that this is heading to court, it's not collaborative, it's consultative, that's what your role is, we are consulting, we're consulting you and that's it. No I definitely wouldn't call it collaborative (CI3).

CI2, on the other hand, described the relationship as engagement and noted *We'd sit more towards the collaborative end of it (CI2)*. CI4 also felt engaged with and that the iwi's interactions with the company were based on *a collaborative approach (CI4)*.

In the main, the relationships seemed to be based around ad hoc events, again primarily related to resource consent issues, rather than being based around some form of regular contact outside of the consenting processes.

During discussions about whether or not stakeholders had the ability to influence company decision-making, the unique status of iwi organisations as representatives of tangata whenua raised some interesting issues. It was perceived that iwi were seen, by companies, as not only a group that must be consulted over issues but also a group that can achieve desirable outcomes. This perception reinforces the earlier comments

highlighting the fine line between being consulted with and providing consultation services.

Oh definitely, I mean iwi obviously have a bit of a different status than other groups ... everyone refers to iwi as the big player in environmental things. Fish and Game and DOC, if they want something – an outcome – and they don't think they can achieve it, they'll come to us because they think 'oh iwi can achieve that', you know what I mean (CI2).

The iwi representatives interviewed in this cluster reinforced the perspective that Maori as tangata whenua in New Zealand held a position that is different from and given preference over other stakeholder groups, an opinion that was expressed by a variety of other participants interviewed during this research. Different interviewees in this cluster had significantly different experiences in their interactions with the company; some described the company's actions in glowing terms and others saw them in quite a negative light.

Stakeholders and sustainability

When responding to the question of whether stakeholders are 'for' sustainability, these interviewees were somewhat ambivalent in their answers. There appeared to be an optimistic slant that, in general, people were concerned about sustainability, but when it came to interactions or negotiations around a particular issue specific, narrower interests were likely to dominate.

I think most of them are for sustainability, obviously there's a lot of people out there that are for getting the most out of a resource we can, that they can use and that – they definitely want more power and those sort of things. Because you've got to weigh it up, I mean as a stakeholder, me myself, I can see the environmental side of things, but I still love to go home and have a shower, I love to put the kettle on, you know what I mean, I love to use power. And I always have to remind myself what I do for a job. But for most stakeholders, I think they are for sustainability, obviously a lot of those other

ones, a lot of the big irrigation companies up there that also take a lot of water out of the waterways and things like that, they definitely just care about the economic side of things, more than the sustainability side of things (CI2).

As with all of the other clusters interviewed for this research, this cluster did not identify a strong link between sustainability and stakeholder-company interactions.

Conclusion of iwi stakeholders' views

The iwi stakeholder representatives interviewed expressed their views and experiences filtered through their particular cultural lens. There was a recognition and expectation of the degree of privileging of the iwi position as tangata whenua. However, different iwi groups appeared to have had different experiences in their relationships with PGC. By and large the longer a relationship had been in place, the more likely it was that it had evolved into a genuinely engaged relationship, while newer relationships were still described as managed and more contentious. The evolution of relationships is in keeping with the findings of the other stakeholder clusters for the other companies.

Environmental stakeholders

The interview participants in this section came from groups that were both local branches of national environmental organisations, and local community groups that had formed around a local environmental issue.

Sustainability

The understandings of sustainability, for this cluster of interview participants, were firmly embedded in the environmental camp – as would be expected. The views expressed strongly advocated the need for a long-term perspective to be taken around economic development decision-making. There was some despair at the current

approaches, which were seen to be unsustainable and short-sighted, and likely to be detrimental to future generations.

We have sufficient resources available for future generations. Absolutely long term view. We're getting too much of that sort of resource [water] locked up from future generations (CE3).

These stakeholders expressed opinions that were in keeping with the strong model discussed in Chapter 1; for example, *the environment is the foundation for society and the economy it's not interchangeable with them (CE6)*. The need for an holistic approach to considering the impact of development, which included a decision-making process that was not limited to a project by project focus, was also mentioned, for example, *... but of course the engineers just look at each situation and say let's work with this, here's a river let's dam it (CE1)*.

The views expressed by these participants, with regard to balancing the environmental, social, and economic aspects of sustainability versus prioritisation of any of them, were quite mixed. Two of the six environmental stakeholders were in favour of trying to balance the three dimensions of sustainability.

Where prioritisation was seen as preferable, the environment was considered the most important feature from a broad perspective, with perhaps balance being sought on a case-by-case basis.

From [our] point of view once again I probably would prioritise them a bit and put them in just the order you've said to me [environmental, social and economic]. But I think that it is possible, of course, to find a balance in a lot of activities in a lot of cases (CE2).

The environment is the ultimate priority, because otherwise you don't have a foundation (CE6).

The discussions about sustainability with this cluster of stakeholders reflected a depth of understanding of the issues and concepts pertinent to the different aspects of

sustainability and the various themes that are prevalent in the sustainability literature, including: the need to consider more than just economic outcomes in decision-making; the impact that activities today might have on the future; and a broader notion that not only human life is worthy of consideration.

Stakeholders

This cluster of interviewees saw the stakeholder concept as having different layers. For example, stakeholders were described as *guardians* (CE1); as having *a vested interest* (CE2); as an *interested party* (CE3); as those *immediately affected* (CE4); as people able to have some *influence over what happens and what is done* (CE5); and as people having a *clear and strong interest* (CE6).

There was some recognition that being a stakeholder was not a passive pursuit and required the stakeholder to become involved, especially in the context of RMA processes.

The RMA has actually created a lot of stakeholders, in that it's given people from all facets of society and groups the ability to have input into all sorts of activities within society. So I think that anybody that has an input into activities that are going on, whether they be commercial or even residential, anybody that actually puts a submission in on someone's resource consent becomes a stakeholder (CE3).

As has been evident for most of the interview participants, the identification of exactly what was at stake was problematic for this cluster. However, for two of the interviewees the broader notion that we are all stakeholders in the country was clear.

When questioned about what they were trying to achieve out of their relationships with PGC, these interview participants were primarily concerned with environmental issues, tinged with a focus on the interests of the particular groups the stakeholders belonged to.

We try to limit the amount of adverse impact that their development plans and their operations have on natural resources like waterways, particularly rivers, fisheries, and recreational amenity values. So a critical focus is on waterways and our objective is to ensure that the continuing trend of developing rivers and leaving behind highly regulated waterways or lakes isn't complete, that some rivers are maintained in their natural state. So that you maintain that balance of landscape features really (CE6).

There was recognition that promoting the ideals of their particular stakeholder groups could raise a conflict of interest with other stakeholder groups, for example the potential clash between environmental protection or conservation and economic development.

We're there as a watchdog to sort of prevent our glorious outstanding natural landscape being absorbed in the endeavour to sustain our growing communities, growing cities, growing industry. And that is a difficulty, because in doing so we're probably saying to some communities 'hey whoa', or we might be saying to some industry 'hey whoa', you know 'hold on a minute'. And, therefore, I suppose it all comes down to the fact that 'is what they're doing to the landscape, as far as hydrogeneration goes, is that the wisest choice at the moment?' (CE1).

One particularly interesting observation by CE6 was with regard to the tendency to think of hydroelectric generation as being infinitely renewable, whereas at some point we can reach the limits of using this resource.

The wilful definition of hydro-development of rivers as producing renewable energy, it's no more renewable to develop rivers as to burn coal; because the number of rivers is limited and eventually when they're gone that will be the end. So they will have used a natural resource in exactly the same way coal is burnt (CE6).

This cluster of stakeholders reported a high degree of stakeholder management rather than the more inclusive participatory stakeholder engagement experience. Some even

went so far as to describe the approach taken by PGC as *manipulation* (CE1, CE2 and CE5). The general impression these stakeholders gave was that the company was inclined towards laying out its plans and if the stakeholders were not in agreement, then the next logical step for the company was to pursue the matter through the Environment Court.

The relationships between stakeholders and local employees of the company, those based in the generation regions, were described in more favourable terms, but the involvement of PGC staff from head office appeared to undermine good local relationships.

In the local scene, when I consider even with PGC5, those guys are willing to listen and they're willing to talk, and that's good. They then have a responsibility to their company and they have to report to someone higher up the chain and that's where the whole thing falls apart (CE4).

I think if they just generally tended to get more proactive ... where we feel it is that, they say 'we want to consult' so they send down a man from Wellington and the [local] man will come up and sit down round a table. The man from Wellington takes notes and doesn't say anything, doesn't budge; now that's not consultation to us. Consultation to us, is willing people getting round the table and talking about the issues. They'll say 'well we want to do this, we're looking at doing that, what do you think?' So we'll say what we think. But the end result is the man will take the notes, he'll go away, and even at the same meeting, he'll say 'well okay we don't see eye-to-eye, we'll see you in the Environment Court.' Now that's not being proactive in a good neighbourly or a good community sense. I mean they should be saying, 'well okay we disagree with you on this but how can we find a middle ground, how can we find a balance, let's work on it.' Find that workable solution, work together cooperatively to see it through. And we'd be very much happier if that sort of thing took place (CE1).

Given that these stakeholders reported their relationships as manipulative and managed rather than engaged, it is not surprising that interactions between the

stakeholders and the company were described as sitting towards the combative end of the collaborative-combative continuum. [Dealing with the company] *does tend to be a fight at times* (CE5).

I would say, hopefully I'd sit towards the collaborative, but if time after time you see that there's only lip-service paid towards genuine cooperation you tend to swing more and more towards dispute (CE4).

There was recognition, by the stakeholders, that they themselves had a part to play in the relationship, but that an aggressive stance taken by the stakeholders was often in response to a like attitude displayed by the company.

Combative because we perceive ... that this particular company is very hard-nosed and tough and doesn't want really to be very interested in somebody's affairs that go contrary to their own (CE2).

The interactions between the company and its stakeholders were not static, but changed over time and across issues. This dynamism was also evident in the manner of contact between the two parties. Some issues were on-going and resulted in regular contact, whereas others were event-driven and resulted in ad hoc interactions.

For most of these stakeholders (CE2, CE3, CE4, CE5 and CE6) interaction was described as ad hoc and driven by the company ... *I think it's pretty much as they want to, if they want to hear from us mostly* (CE5).

Whether or not stakeholders had the ability to influence the company's decision-making processes was seen as dependent on a number of factors. The size of the stakeholder group, and its relative power were important factors. In particular, local branches of national organisations were in a stronger position than a stakeholder group that had formed locally over a specific issue.

For the smaller stakeholder groups, the interviewees' perception was that they could bring some influence to bear, but that it was limited. *A minimal influence, because at*

the end of the day it's their culture (CE4). The processes available through the RMA were seen as important avenues for participation and influence.

In a limited way, yes, in a fairly limited way. Through the RMA and also through supporting pressure groups, community organisations and social groups (CE5).

CE5's comment was interesting because it raised the issue of different stakeholder groups joining forces to support each other. Also of note were the comments by CE1, who discussed the role his group had played in raising issues and options that might not have otherwise been considered by the company.

The views offered by this cluster of stakeholder representatives reinforced the idea that the legislative framework in New Zealand, specifically the RMA, had a great deal of influence on the ability of stakeholders to get involved with companies and perhaps have some influence on the companies' decision-making processes. These stakeholders reported sometimes difficult relationships with PGC that were not indicative of collaborative stakeholder engagement.

Sustainability and stakeholders

This cluster of interview participants was somewhat optimistic that stakeholders were concerned with sustainability in their interactions with the company. This optimism could have been a reflection of the fact that, as environmentally aware stakeholders, they were closer to sustainability concerns, in general, than other stakeholder groups might have been. The broader understanding of sustainability discussed at the beginning of this section was also reflected in the comments made around the potential links between stakeholders and sustainability.

There was also recognition that sustainability has become a more widespread concern in recent years and that the population in general had a much better grasp of the concept at the time of the interviews than might previously have been the case.

Conclusion of environmental stakeholders' views

The stakeholders in this cluster exhibited a deep understanding of sustainability issues. The experience these interviewees had with PGC was not always seen as positive and productive. There was repeated mention of the tendency for the company to pursue its goals through legal processes, rather than trying to negotiate an agreement or reach a consensus with the stakeholders that could accommodate both parties.

The relationships between stakeholders and company personnel varied, and a particular area of discontent for the stakeholders was the impact of company staff from head office attending some meetings but not contributing to the development of relationships in a concerted or meaningful way, from the perspective of the stakeholders.

The overall impression from this cluster of stakeholders was that their relationships with the company were often contentious and that there was significant room for improvement.

Community stakeholders

This section of the chapter presents the views expressed in interviews conducted with the community stakeholders of Power Generator C. This cluster of interview participants was the largest single cluster of all stakeholder clusters across all three companies.

Sustainability

Defining sustainability was problematic for some of the interview participants in this cluster. The term seemed unfamiliar to them and they responded with comments like *Give us a clue ...* (CC8) or *Well, you've got me here ...* (CC3). For others in the cluster, the common themes of long-term time horizons, conservation or preservation

of the natural environment, and concern for future generations were evident, for example:

Sustainability is the opportunity for your grandchildren to enjoy the things that we would enjoy, that's the simplest description I've heard (CC14).

The discussions around sustainability with these interviewees raised a couple of particularly interesting points. First, was the recognition that multiple views of sustainability exist:

The answer is going to be given to us by what people want I guess, at the end of the day they will tell us what they want and you have a meeting of a 100 people you are going to get 100 different opinions, that's one of the things of life (CC5).

Second, this variety was reinforced by the issues that were important to the individuals interviewed. Their specific concerns ranged across: *cultural heritage (CC1); sustainable use of the resource of this landscape (CC2); keeping the community up and running (CC3); the ability to sustain, in perpetuity, the water resource and the utilisation of that water resource (CC9); and we would probably like all the rivers to stay exactly as they are now or without any of them being taken away any further (CC15).*

Whether or not the environmental, economic, social and cultural dimensions of sustainability could or should be balanced or prioritised was also a subject of varied opinion amongst these stakeholders. Some considered that a balance was desirable, especially in light of a perception that economic interests were favoured.

These stakeholders were particularly aware that all activities in any one area were going to have an impact in another area(s). Therefore, it was necessary to be aware of those impacts so that any decisions requiring a trade-off between the sustainability components were made in an informed manner. While seeing a need for some sort of balance, these interviewees also acknowledged that we had to recognise the nature of

society as it existed. We have become dependent on a certain level of technology and any aspiration towards sustainability has to somehow accommodate that fact.

As a society I guess we have to acknowledge and accept that there is going to be an impact in the environment that we are living in just by the fact that we live in it, use it and consume it. We can't become Luddites and try and return the world to what it was 300 years ago, which perhaps some people would like to do. So there is inevitably going to be some environmental impact from our corporate activity and our social activity and even recreational activity. So it does have to be in a balance. And if we want electricity, we as a community have made judgements that make us dependent upon it, then we need it. And if not burning fossil fuels and creating carbon dioxide and ozone problems then we are having adverse effects on landscapes by using hydro but it is a matter of trying to minimise the environmental, or adverse, effects, and try and make the industry as efficient as possible and as environmentally friendly as possible and in terms of habitat to be as pollution-free as possible (CC2).

... it's a matter of degree, which involves that issue of balance but I don't think it's an approach of necessarily equal balance. ... So you end up with not an equal equation but one that considers the equity of the various components and in the light of historic and now. (CC9)

While sustainability was a mysterious concept to some of these interview participants, most of the stakeholder representatives in this cluster had a reasonably sophisticated grasp of sustainability issues. While aspiring to a world where there was a harmonious balance between environmental, social, economic, and cultural activities, these interviewees acknowledged that achieving this balance was challenging and there was a need to accommodate current social norms in some way.

Stakeholders

Interview participants, in this cluster, defined stakeholders as individuals or groups impacted by an organisation's activities or who had an interest in those activities. There was recognition that there may be a hierarchy amongst an organisation's

stakeholders, with some groups having a more pressing claim than others. For example:

I think of the ones directly impacted as the key stakeholders, if you want to make a label. The other ones, if they're not directly impacted, at least they like to know what's going on, they need to be consulted, because of their interest or their responsibilities. So it's a two-tier system I think there are key stakeholders and there are others (CC1).

There were some notable perspectives expressed by individuals in this cluster. The concept that a stakeholder was someone who placed something at risk was alluded to by CC7. Also closely related to the concept of risk is that of reward; in light of that there was mention that stakeholders were individuals or groups that derived *benefits from an activity* (CC2).

The issues of rights and responsibilities also got a mention, from three perspectives. First, that the individuals interviewed were representing a wider group and they had responsibilities to their constituents to have input into the process; second, that stakeholders needed to have a degree of legitimacy before they had a right to be involved; and third, that stakeholders need to have a level of knowledge or expertise about what they are advocating for. This line of reasoning was twofold, that stakeholders have a responsibility to be informed, and that they have access to limited resources, which must be used to the greatest benefit of their group.

Pinning down the nature of the stake was as problematic for this cluster as it had proven for all stakeholder clusters interviewed. The only insight offered was that the stake related to a sense of *well-being* or *security* for current and future generations (CC7).

When I broached the subject of what these stakeholders (individually) were trying to achieve out of their interactions with PGC, I got some rather interesting responses from several of the interviewees. Six of the respondents said that they really had not had any meaningful contact with the company at all. Given that they were stakeholders identified by the company, this lack of contact certainly brings into

question the company's commitment to maintaining functional relationships with those groups it sees as stakeholders.

Of the interviewees who did have some sort of interaction with the company, the concerns they were trying to address were mostly of a very specific nature, such as: addressing siltation issues caused by the hydroelectric dams (CC10); maintaining or enhancing recreational water use (CC15) and (CC5); and protecting residential areas from flood damage (CC11).

However, some of these interviewees did express aims that could be seen as more strongly corresponding to wider sustainability concerns and relating to how businesses fit into society rather than stand apart from it. For example:

We would like to see a company like PGC have a greater sense ... of appreciation and understanding of the needs of the community, of the needs of a company to work together with the community in a sense of cooperation, rather than with a sense of exploitation, which is the attitude that this community believes is what PGC's attitude is now (CC2).

These stakeholders did not always describe their experiences with PGC in as good a light as the company appeared to expect (see the internal views at the beginning of this chapter).

Across this large cluster of stakeholder representatives a diverse range of views and experiences was reported. Some of these stakeholder representatives (CC1, CC4 and CC14) considered that the level of relationship they had with PGC was so limited that they would not even describe it as stakeholder management, let alone stakeholder engagement.

Two of the stakeholder representatives, CC6 and CC8, considered that their relationships with PGC were of an engaged nature. Of the remaining interview participants who did have more significant levels of contact with the company, there was a split between whether the relationship was perceived as managed or engaged, with some recognising that relations were dynamic and could slide along the

continuum depending on the issue at stake and the temporal proximity to critical events.

Initially I think there was a stance undertaken by PGC, that there tended to be more of a management role as you described, but I think more recently in our discussions there has been more acceptance to listen and have an engaged way (CC7).

There was some frustration expressed that the company was not as proactive as it could be in interacting with stakeholders, especially when the stakeholders believed there had been ample opportunity for the company to do so.

The level of contact between the company and the stakeholder groups was described by the stakeholders as ad hoc, where a flurry of activity would occur around a critical event, either resource consenting issues or adverse events for example, but outside of those drivers, interaction was limited or non-existent. Some of the stakeholders expressed a desire for a more on-going and continuous relationship.

There was no uniform response to the question asking stakeholders to place their relationship on a continuum between collaborative or cooperative and combative. For some, the relationship tended to be seen as more combative with the stakeholders expressing the concern that the company was not displaying good corporate citizenship in its approach.

Combative. I personally, and I think that our community feels, that ... how could I put it ... let's say corporations, companies, large or small, carrying on business in a community should be good community citizens and recognise that they are benefiting by being in that community because that community's providing the labour and resources, and they should be contributing, as a corporate citizen, they should be contributing something worthwhile back to the community in which they are living (CC2).

At the extreme, some found their interactions with the company *emotionally devastating* and they were *beside themselves in terms of stress* (CC9). It should be noted that this particular experience related to a major adverse event which of itself was an emotional and stressful situation even without the difficulty of dealing with the company in question.

For others, the relationships they had experienced were more collaborative and cooperative:

Oh I think we would head towards cooperative, without revealing too much of the arguments that we are facing with the consents issue. I mean we opposed the consents for the three structures ... but of course, we are talking to them all the time and I think we're being collaborative (CC5).

There was strong recognition from some in this cluster that relationships were dynamic and changed over time and depended on the issue in question

Right now with PGC it is collaborative, but that could change in the space of a few weeks because at the moment we are waiting for someone to come back with a quote on what a mitigation project is likely to cost ... but up until now the whole research and feasibility study has been very collaborative, and very good (CC6).

The determining factors that could move a relationship, particularly from combative to collaborative, were *perseverance or persistence* (CC7). Many of these stakeholders discussed their relationship with PGC in terms of their (the stakeholders) own strategies and the need to take a pragmatic approach to their interactions with the company. *I think it would be fair to say that we are very conscious of the need ... to not adopt a passive view* (CC7).

The ability of stakeholders to influence corporate behaviour was seen by this cluster of stakeholders as being possible in one of two ways. The RMA resource consent process was seen by most as the primary avenue for stakeholders to have some impact on an organisation's decision-making and operating processes. This was a widely

held view, with CC1, CC33, CC5, CC6, CC8, CC10 and CC11 all mentioning their individual inputs into consenting activities.

The resource consent process was not necessarily seen as an easy option for the stakeholders, however, and the process was seen as weighted towards legal expertise, with limited recognition of any legitimacy of non-professionals to contribute to the process:

We're going to give it a dam good shot, we've got the evidence, but it is not easy as laypeople, because when you get to the court system the judges basically won't listen to laypeople. They'll only listen to legal people (CC10).

The other way the stakeholders characterised their ability to persuade the company was by bringing to light issues that might not have been obvious to or contemplated by the company. Not everyone in this cluster, however, considered that they could bring influence to bear on the company. While they might raise issues and make the company aware of community concerns, there was some doubt expressed that this translated into any tangible action on the part of the company.

This cluster of stakeholders was familiar with the terminology and concepts surrounding the idea of stakeholders. The experiences the individual stakeholders had with PGC varied considerably, with some interview participants talking in positive terms about their own interactions with the company, while others were less than complimentary in their accounts of their interactions with the company.

Stakeholders and sustainability

While some of the stakeholders in this cluster expressed a somewhat lukewarm optimism that stakeholders were a force for sustainability, such as, *yeah, I am sure they must be, yeah (CC4)* and *Yes, I suppose yep (CC6)*, for the most part these stakeholder representatives had some reservations that sustainability was a consideration for the majority of stakeholders. There was recognition that some

groups were more interested in sustaining their own particular interest, rather than any wider sustainability concern.

I think it depends on the stakeholder and where they are coming from.

Obviously the stakeholders out there pursue their own interests which might be that they don't want sustainability (CC1).

The above view was in keeping with the opinions expressed by many of the stakeholders interviewed in this research project.

Conclusion of community stakeholders' views

This cluster of stakeholders appeared to be reasonably well-versed in the concept of sustainability. Where the relationships with PGC were seen in a positive light, this perception appeared to be the result of long-term interaction between the parties. On the other hand where the relationships were described in less glowing terms, this perception appeared to be related to instances where interaction was more intermittent and driven by galvanising events rather than a sustained effort on behalf of the company.

The consultation process, especially around resource consenting issues, was seen as both vitally important and flawed. It was seen as important because it offered an avenue for community concerns about corporate activities to be aired, but flawed because the legal process was not always conducive to non-expert opinions being granted legitimacy.

The overall impression from this cluster of stakeholders was that those with a good working relationship with the company were well satisfied that their concerns would be heard and considered. However, for those whose experience was less favourable, the company was seen as having an overwhelming advantage due to its size and available resources.

Regulatory stakeholders

This section of the chapter presents the views expressed in interviews conducted with the regulatory stakeholders of Power Generator C. The stakeholder representatives interviewed in this cluster held positions in central government agencies and district and regional local authorities.

Sustainability

The stakeholders interviewed here expressed an understanding of sustainability that was in keeping with their particular positions, often referring to the specific Acts of Parliament that regulated their individual roles. For example:

Well it's about having, protecting and enhancing the well-being of community I suppose, from our perspective. And that's in the wider sense of the environment, the Local Government Act has the four elements ... the environment, the economy, social and cultural aspects of the community. And it's ensuring that the actions that people take either maintain or enhance that level of well-being as it is now and into the future (CR5).

The themes of maintenance, enhancement, and endurance were evident in the responses from these interviewees, with a sense that sustainability was about the long-term and avoiding degradation of resources.

Sustainability is the process that the council wishes to use to ensure that the quality of nature in the district that we operate in is there for others to enjoy; that people can take advantage of the economic opportunities while still leaving two other things in place. One is the landscape in the wider sense and secondly the social infrastructure (CR3).

Balancing the three or four dimensions of sustainability was seen as a desirable outcome by most of these interview participants. However, there was recognition that achieving a balance was difficult to quantify and achieve.

A number of these interviewees also pointed out that the concept of balance was subject to temporal interpretation. Something that may have been seen as environmentally damaging over a short time period could be viewed as environmentally neutral over the longer-term. There was also the opinion that certain dimensions of sustainability might need to be given priority at different times depending on the circumstances.

The way sustainability was discussed by these interview participants tended to be filtered through their professional lens and, as a result, focused on the sustainability of particular aspects of economic, social, environmental, or cultural dimensions. The interviewees were aware of the dimensions of sustainability (environmental, social, cultural, and economic) and recognised that the priority afforded any particular dimension was dynamic across both time and place.

Stakeholders

When considering how to describe a stakeholder this cluster of interviewees referred to the familiar concepts of impacts and interests in an organisation's activities. This cluster appeared to be more comfortable with a broader notion of stakeholdership, rather than a more narrowly conceived idea of direct impacts or financial links.

There was recognition that while everybody could be described as a stakeholder, doing so was impractical when it came down to developing organisation/stakeholder relationships.

At the broadest level our stakeholders are the New Zealand public, being public servants. But it's not practical to have them as your stakeholders so we have the representative groups. ... We have to aggregate up a level so we can actually have useful stakeholders that we can meaningfully interact with (CR4).

Defining the nature of the "stake" held by stakeholders was as problematic for this cluster of interview participants as it was for most other clusters. The one

comprehensive answer drew on the shareholder analogy that was the genesis of the term stakeholder:

The stake is probably maintaining the future value of the asset, so it's using the same language [as shareholder-speak], but it's looking at a value being held more widely or an asset being held more widely than those who've got a direct economic interest in it (CR7).

This cluster of stakeholders held a range of public service roles and as such the drivers behind their relationships with PGC were strongly influenced by the legislation they (the stakeholders) operated under and an overarching responsibility to promote and protect community interests. There was a significant focus on risk management for these interviewees. Given that the company in question operates large hydro-schemes, the need to plan for and deal with any civil emergency events, particularly relating to flooding, loomed large for these stakeholders. In addition, the RMA resource consenting process was an important aspect of many of the relationships discussed with this cluster of interviewees who were involved variously as consent approvers or submitters on PGC resource consent applications.

There were also some specific issues that gave rise to interactions between the company and the stakeholders, for instance mutual concerns relating to infrastructure corridors, largely due to the fact that power-lines and roading networks are strongly interrelated in New Zealand. There were dealings over an historical land ownership settlement that predated the existence of PGC and over general community issues, such as maintaining public access to waterways through land that was controlled by PGC.

These stakeholders were reasonably evenly split between considering their relationships with PGC embodied stakeholder management or stakeholder engagement practices on the part of the company. CC1 and CC5 felt comfortable describing the relationship as engaged, whereas CC2 and CC4 felt the relationship was more managed. There was also recognition that both types of interaction occurred depending on the circumstances.

When asked to describe where their relationships sat on a continuum between collaborative and combative, again these interviewees related different experiences.

At the collaborative end, one interviewee commented:

Oh, incredible, I've never had a bad word, I've never argued with them at all. I think we're beyond that, we've got a good understanding, good relationships (CR1).

However, there were less glowing accounts of other stakeholder-company interactions:

... hail-well-meet guys/people; bloody-minded business approach; incredibly staunch in their beliefs. Slow to move to recognise anybody else's perspective. But having said those things, and they sound quite damning, apart from the frustrations of those things I would say I enjoy working with them (CR6).

I would see them being probably on the combative end, again it depends ... on a daily basis they're fine, they're quite collaborative but when it comes to the crunchy issues like consenting issues it's quite combative (CR7).

All of these interview participants recognised that individual personalities had a part to play in the stance taken by parties to the relationship, and there was also mention of the influence that stakeholder behaviour had as well. One particular interviewee was quite scathing in when recounting his belief that the company relied too heavily on external advisors and that this proclivity had a part to play in the lack on establishing good working relationships with stakeholders.

In some respects I don't know whether that's them themselves or the advisors they've chosen actually. But yeah I've got some fairly strong opinions on how they handled that and none of them positive, and I think they're self-defeating as well. In my last case in [an area], where we were fighting them over the [resource] consents, they ended up I think costing themselves a bloody bundle because of the way they handled things. They built up a huge degree of mistrust which ended up building a very combative response. I just think

they're going the wrong way about it. Totally self-defeating and I think it's quite ill-advised (CR7).

The interactions with the company, experienced by these interviewees, were primarily seen as being ad hoc and driven by operational or resource consenting events. The stakeholder representatives considered that there was no systematic regular contact, but that this was not necessarily a negative thing as the interviewees had full schedules themselves and did not feel the need for more frequent contact.

Whether or not these stakeholders thought they could influence the decision-making of PGC was something of a paradox. As these stakeholders held positions in a variety of government authorities, they held both the legitimacy and power to influence the company. Others, however, saw their roles as representing the local community

We're not actually a regulatory authority with regard to PGC, we're actually a pure stakeholder, stakeholder in the community sense. And we have the resources to do something about it, a lot of people don't (CR7).

This cluster of stakeholder representatives reported diverse experiences in their interaction with PGC. While some interviewees described their interactions with the company as positive, collaborative, and engaged, other interviewees were less impressed and saw the company as more combative and inclined to try to manage its stakeholders.

Stakeholders and sustainability

It would be reasonable to say that these stakeholders were highly sceptical of the idea that stakeholders were a force for sustainability. I gained the distinct impression that their views were coloured by their experiences with their own stakeholders in their regulatory roles. The observation that they tended to hear only from dissatisfied stakeholders was prevalent. The local authorities, in particular, did not hear from people who were happy with how things were going. The following comments were

typical of the responses made by these interviewees, when they considered the stakeholders of PGC:

No, I think stakeholders are for stakeholders is my primary view. Not always but primarily stakeholders, given a limited amount of information, are for the status quo. And it doesn't matter whether they're defending their camping spot ... or whether they're defending their piece of the beach at the ... foreshore or whether they're defending their property from high water it really is 'about me' to a large extent. My personal view is while a lot of them may couch issues in terms of sustainability most of them don't really have much of a clue as to what it means (CR3).

I think it's one of those issues that everyone supports, but the devils in the detail "how do I actually make a difference?" And that's where people struggle (CR5).

Only one of the interviewees drew a direct link between stakeholders and sustainability, without prompting from me, describing stakeholders as

... a player or a provider, you've got an interest, or you're actually producing something in some shape or form. So you're one leg of a three legged chair. Or they could be one of those stakeholder corners [in the sustainability model] you could have society that's using it, and then you might have the injured parties or whatever, or could be the environment or whatever, so they're just one part of it (CR1).

Another interesting observation made by one of these stakeholders was that companies could respond aggressively to too much pressure from stakeholders:

There are a lot of stakeholders and the more people crow about being a stakeholder the more they are just a blatant lobbyist. And lobbying, blatant lobbying, particularly of big business, which these outfits are, is an uncontrolled New Zealand pastime. And that so called stakeholder lobbyist

action is one of the, in my view, one of the major contributors to these organisations being stubborn bastards (CR6).

Conclusion of the regulatory stakeholders' views

Unsurprisingly, the regulatory stakeholders interviewed held views on sustainability and stakeholder engagement that were heavily influenced by legislation and the mandate that the regulators operated under. The relationships with the company were described by some as confrontational and by others as cooperative or collaborative. The relationships were described either positively or negatively and there appeared to be little middle ground for these interviewees.

Chapter conclusion

The analysis of the interviews conducted with the internal staff and stakeholders of PGC painted an interesting portrait of a company in the formative stages of developing its ability to initiate and maintain collaborative and meaningful stakeholder relationships.

For the most part, the company staff interviewed gave the impression that they thought the interactions between the company and its stakeholders were being conducted successfully. However, when the other side of those relationships was explored with stakeholders, a different interpretation emerged. The stakeholders interviewed did not have a uniform view of stakeholder-company relationships. However, the views that were expressed were quite polarised – they tended to speak of the company in definite terms, whether their views were positive or negative.

This concludes the data summary and analysis chapters. I now turn to offering deeper analysis of that data across all three companies.

Chapter 9

Analysis and Discussion

Axioms, Paradoxes and Self-Evident Truths

How can you not be concerned about sustainability?

It's like saying "I'm not concerned whether I take the next breath or not."¹⁰⁷

Introduction

This chapter presents further data analysis and discussion. The analysis includes further interpretation of the interview data and how that relates to the literature reviewed in Chapters 1 – 3. I start with a presentation of my observations of the interviewees' more general understandings of sustainability, stakeholders, and any perceived linkage between these two domains. The next section of this chapter is a comparison of the three focal organisations, explaining the contrasts between them, particularly the differing perceptions articulated by their stakeholders. These stakeholder perceptions are then integrated with the extant theory to reveal the insights I have gained from this research undertaking. The chapter concludes with a discussion of the key considerations that emerged from the interview data.

I now discuss the broader perceptions of the sustainability and stakeholder domains as articulated by the interview participants.

¹⁰⁷ Doug Clover, Office of the Parliamentary Commissioner for the Environment. Personal communication, 20 October, 2004

Understanding the sustainability and stakeholder domains

Understanding sustainability

Almost without fail, the interviewees identified three common characteristics of sustainability: a long time horizon, with particular reference to ‘future generations’; the need for balance between the (sometimes) competing interests of the environment, society, and the economy; and the conception that sustainability was fundamentally related to resource use.

The commonly articulated characteristics of sustainability in this research context can be seen as a result of the influence of New Zealand’s Resource Management Act 1991. As discussed earlier in Chapter 5, the RMA codifies a New Zealand approach to sustainability with an effects based process that allows for input from the wider community to development proposals and activities.

None of the participants described themselves as being stakeholders “for sustainability”. The alternative was not that they were “against sustainability”, but rather that sustainability was not their point of focus. Not surprisingly, environmental stakeholders had the closest affiliation with a broader conception of sustainability, with talk of ecological sustainability and the place of the natural environment as the foundation for both society and the economy.

Most of the interviewees identified with the weak sustainability model as opposed to the strong sustainability model, as articulated by Elkington (1998), the PCE (2002), and Turner (1993) among others. See Figures 1.1 and 1.3. Several people described the weak model as being the practical application of sustainability, whereas the strong model exemplified an ideal (but unattainable) state.

When comparing the 15 clusters of stakeholders (both internal and external to the companies), I found that the environmental stakeholders of all three companies tended to have a deeper understanding of sustainability than did other clusters. Of the company representatives interviewed, the staff from PGA demonstrated a more in-

depth knowledge of sustainability, which was in keeping with the publicly available information produced by this company.

Understanding stakeholders

Defining and describing stakeholders was again heavily influenced by the RMA. Most participants reverted to the descriptors of stakeholders as being “interested” or “affected” parties, terms used in a hierarchical sense in the RMA (Fourth Schedule, s 1 (h)). Further questioning in this area revealed that most participants saw “interested” parties as legitimate stakeholders but not as important as those deemed to be “affected” parties.

The term stakeholder has gained such wide usage that it was familiar to everyone interviewed – even more so than the term sustainability. There were some parallels among the more cynical views of both terms (stakeholder and sustainability) whereby they were seen as either useful terms understood by most people even though individuals would define them differently, or as fashionable jargon that is so broadly and variously defined as to be meaningless. As noted by Jonathon Porritt, the former director of Friends of the Earth in the UK, “Sustainable development is one of those ideas that everybody supports, but no-one really knows what it means in practice” (Cook, 2004).

The sustainability stakeholder nexus

The structure of the interviews I conducted was designed to lead to the question of whether or not stakeholder engagement was likely to encourage companies to pursue sustainability. I raised sustainability, then stakeholders, in that order with all interviewees. The discussion was designed to enable participants to comment on the link between sustainability and stakeholders if they saw fit. When interviewees failed to mention any link, I raised the question about whether they saw any possible linkages with them directly.

With one exception, interviewees did not offer any strong link between stakeholders and sustainability. The exception was AI6, whose perspective was that we are all stakeholders in sustainability. A few of the interviewees did express the view that their group and the company concerned were both stakeholders in something beyond the focal issue, for example, stakeholders in a particular river or in the country as a whole.

The discussions that followed my prompting, by explaining the link offered in literature around stakeholders and sustainability, fell into two camps. Participants considered either that they had not given the issues enough thought to offer an opinion, or that if a link existed, it was due to the influence of a wide range of interests coming from stakeholders as opposed to stakeholders promoting sustainability on an individual basis. Stakeholders (in general terms) were not seen as being against sustainability; rather, they were not standing up for it and were involved with companies to pursue their particular interests. Some groups' interests are in fact directed by legislation. For example, The Department of Conservation (DOC) is charged with conserving New Zealand's natural and historic heritage for all to enjoy now and in the future. DOC is mandated, via The Conservation Act 1987, to focus its attention on the impact development is likely to have on the conservation estate rather than to focus on the economic implications of development. As mentioned earlier this situation has resulted in DOC being one of the stakeholder groups that the focal companies believe they must engage with.

I now turn to a comparison of the three companies and how their interactions were perceived by the stakeholders involved.

Company comparison

As stated earlier in this thesis, one of my primary objectives in conducting this research was to discover what was happening in actual stakeholder-organisation relationships. To recap, I interviewed 98 people associated with three companies

within the New Zealand power industry. The interview participants were drawn from both stakeholders and staff internal of the three companies. An investigation of three companies and their stakeholders lends itself to cross company comparison. The three companies in question exhibited some distinct points of difference, which has facilitated the theoretical observations made.

Power Generator A

Power Generator A had dedicated staff responsible for the internal management of stakeholder relationships. The person with primary responsibility for these relationships was very well thought of among the stakeholder community. Stakeholders repeatedly referred to this person as someone who was honest, genuine, reliable, and reasonable, and as a person with integrity. Given that some of these stakeholder-organisation relationships were formed over contentious issues, this was high praise indeed. This company staff member was also an active member of many community groups and fulfilled a bridging role facilitating the stakeholder-organisation relationships.

From the other side of the relationship, staff internal to PGA, especially the staff member referred to above, spoke of the stakeholders in respectful terms, singling out some individuals as experts in their field whose views were always worth listening to.

Another consistent observation about PGA was the willingness displayed by its staff members to put the time into getting to know stakeholders and understand stakeholders' concerns. The company would become involved with a community very early in the conception phases of a possible proposal in order to have established stakeholder relationships long before any possible development was proposed.

Power Generator B

Power Generator B had a high profile in the communities in which it operated. This was in no small part due to a company's philosophy of being very active supporters of

the local communities its generation assets are located in. As a result of this company philosophy, the person with primary responsibility for stakeholder interactions in the field was also responsible for a significant amount of general community sponsorship. This dual focus appeared to have the impact of blurring the lines between community groups wishing to be involved with the company due to a particular issue and those involved with the company because of sponsorship ties.

Community groups who were the recipients of the company's financial largesse were generally full of praise for the company and its community spirit, although this was not a universally held opinion and some groups were a bit cynical in their perceptions of PGB's motives. The company was usually referred to in a positive light, but the individuals the stakeholders had contact with received mixed reviews.

While PGB had developed quite strong ties to the communities it operated in, not all (non-sponsorship) stakeholders felt that they saw enough of the company outside resource consenting periods. This perception led to some resentment and feeling that company representatives were only around when the company wanted something from the stakeholder groups.

The company personnel I interviewed expressed an understanding that they were still in the developmental stages of building their capacity to engage with stakeholders, but nonetheless appeared to recognise the importance of stakeholders to the company and articulated a desire to improve their relationships in the future. This desire was demonstrated by expanding the internal team responsible for interacting with stakeholder groups.

Power Generator C

Power Generator C was the company that displayed the lowest level of commitment and internal organisation around stakeholder engagement. Responsibility for stakeholder relationships was an add-on role for a staff member with responsibilities for environmental management, rather than stakeholder relationships being the primary focus for that staff member.

Stakeholders' perceptions of the company were often coloured by a perception that the company maintained contact only when it needed something from the stakeholder group. When contact was made it was often in the form of a flying visit from head office staff that local stakeholder groups did not know particularly well, and in many of the smaller rural communities, the arrival of the "suits from the city" was not always well received.

The negative perceptions towards PGC did not usually transfer to the company's local operations staff, who were seen as being members of their local communities, but also seen as being subject to the authority of head office.

Another perceived characteristic of PGC's approach to stakeholders was the inclination to resort to legal process very quickly. Some stakeholders felt the company's attitude was "accept what we say or we'll see you in court"; this view is hardly in keeping with stakeholder engagement that forges deep and lasting relationships. Many stakeholders made comments to the effect "that if they had just talked to us, we could have sorted this out".

Company summary

Of the three companies, PGA was described as by far the best at engaging with its stakeholders, with PGB being quite well received but seen as having room for improvement – something also acknowledged by the company. PGC came a distant third as far as its ability to establish and maintain constructive stakeholder relationships was concerned¹⁰⁸.

There appear to be two primary reasons for how the companies fared with their stakeholders. These are: first, the level of internal commitment to the stakeholder domain and the willingness (or lack of) of the company to apply resources to stakeholder relationships; and second, the appointment of key personnel to a

¹⁰⁸ The fact that the companies 'placed' A, B, C is purely coincidental as coded names were assigned before the analysis was completed.

dedicated role with responsibility for stakeholder relationship management. The pivotal role that individuals responsible for interacting with stakeholders play cannot be overstated.

The observations made by the external stakeholders were supported by my experiences interacting with the three companies during this research project.

As noted in Chapter 4, my primary contact at PGA provided me with a comprehensive list of the company's stakeholders. The list included contact details (names, addresses and phone numbers), organisational affiliation of the stakeholders and the position they held within the stakeholder organisation. In addition to providing me with detailed information, PGA also wrote to the stakeholders on the list introducing me and the research project and advising stakeholders that the company was supportive of the project.

My primary contact at PGB provided me with a comprehensive list of its stakeholders. The list included contact details (name and phone number) and organisational affiliation of the stakeholders. As mentioned in Chapter 4, PGB were reluctant to include iwi representatives in their list of stakeholders, regarding iwi as "not just another stakeholder".

My primary contact at PGC initially provided me with a generic list of stakeholder organisations, which did not include any details of individuals (no names, no contact details). It took approximately 6 weeks before more detailed information was made available to me.

Drawing on the comparative analysis above and the analysis of the individual companies presented in Chapters 6-8, I now offer my integration of these empirical observations with extant theory.

Stakeholder theory

Throughout the published literature on stakeholder theory, authors have offered a variety of typologies and characteristics to explore, describe, and explain the relationships between stakeholders and focal organisations, as discussed in Chapters 2 and 3. From the plethora of characteristics of stakeholder-organisational relationships identified in published literature, I focus particularly on three continua:

- the frequency of participation on a continuum ranging from on-going/regular to ad hoc/event driven (Green & Hunton-Clarke 2003; Hund et al., 2002);
- the nature of interactions between the parties on a continuum ranging from collaborative to combative (Green & Hunton-Clarke 2003; Mattingly & Greening, 2002); and
- the nature of the relationship on a continuum ranging from stakeholder engagement to stakeholder management (Andriof & Waddock, 2002).

These three continua stood out in the analysis as being defining of relationships that were perceived by stakeholders either positively or negatively in a significant way. As signalled in the methods section of Chapter 4, this part of the analysis has focused mainly on the perceptions of stakeholders towards the companies they have relationships with.

My analysis leads me to believe that where a stakeholder-organisational relationship is perceived to sit on these three continua will dictate whether or not the relationship is perceived to be functional or dysfunctional. I took some time to settle on the descriptors for this observation. I was initially tempted to describe the continuum end points as successful and unsuccessful. However, I believe those descriptors are problematic, given the variety of meanings that can be assigned to terms like successful, unsuccessful, stakeholder, and sustainability itself. How are we to judge success in this context? Continuing profitability for the company? Preservation of the natural environment for environmental stakeholders? Protection of employment opportunities for a local community? And what of the frequent situations where a win for one side is gained at the expense of a loss for the other? Therefore, I have arrived

at my functional/dysfunctional descriptors, as I believe they allow for a broader range of circumstances and outcomes in the stakeholder-organisational relationship arena and contribute practical value to all parties considering entering into such relationships.

Functional versus dysfunctional relationships

The functional/dysfunctional terminology was not supplied by the stakeholders I interviewed. Rather, I applied the terms based on the overall tenor of stakeholders' descriptions of their respective relationships with companies. As the interviews were semi structured and guided by open-ended questions, the interviewees appeared to display a willingness to discuss their interactions with the companies at length and in a very unguarded manner. As a result of this openness, it was not difficult to assess strong attitudes, both positive and negative, towards the company in question. I use the terms positive and negative in the general sense of those words aligned with the appropriate functional and dysfunctional descriptor. It seems reasonable to describe a dysfunctional relationship as negative and, therefore, its antonym, a functional relationship as positive. The general tenor of each stakeholder's attitude towards the company in question has been used to determine my overarching assessment of the stakeholder-organisation relationship.

To test whether or not my perception held true, I conducted a simple trend analysis by tabulating the responses to my three direct questions relating to these characteristics alongside my analysis of whether or not the relationships were described by the stakeholders in a positive or negative light. The trend tables (Tables 9.1, 9.2 and 9.3, below) follow and should be interpreted with the following explanation in mind. I have used three continua to epitomise the characteristics of functional/dysfunctional relationships. These three features are:

Stance taken by parties: Interviewees were asked how they would describe their relationship with the companies in question using a continuum that stretched from collaborative to combative.

Level of contact: Interviewees were asked what level of contact they had with the companies ranging from regular (although not necessarily frequent) to ad hoc/ event-driven.

Nature of the relationship: After explaining the broad theoretical difference between stakeholder engagement and stakeholder management, I asked the interviewees whether they would describe their relationships with the companies as engaged or managed.

I have colour-coded the responses as follows: green depicts positive; red depicts negative; and yellow depicts the middle ground where respondents either answered that the relationship fluctuated between ends points (ambivalent), or that they had no real opinion (neutral).

Table 9.1 displays the specific interviewee responses aligned with my overarching assessment of the stakeholder-organisation relationships as described by the stakeholders of Power Generator A. The interviewees are listed within the classification clusters developed in Chapter 4.

Table 9.2 displays the specific interviewee responses aligned with my overarching assessment of the stakeholder-organisation relationships as described by the stakeholders of Power Generator B. The interviewees are listed within the classification clusters developed in Chapter 4.

Table 9.3 displays the specific interviewee responses aligned with my overarching assessment of the stakeholder-organisation relationships as described by the stakeholders of Power Generator C. The interviewees are listed within the classification clusters developed in Chapter 4.

Table 9.1 Stakeholder experiences with Power Generator A

PGA		Characteristics of Relationships										
Stakeholder	Collaborative	Ambivalent / Neutral	Combative	Regular	Ambivalent / Neutral	Ad Hoc	Engagement	Ambivalent / Neutral	Management	Functional	Ambivalent / Neutral	Dysfunctional
AI1												
AI2												
AI3												
AI4												
AI5												
AI6												
AI7												
AR1												
AR2												
AR3												
AR4												
AR5												
AR6												
AR7												
AR8												
AR9												
AR10												
AR11												
AR12												
AE1												
AE2												
AE3												
AE4												
AE5												
AC1												
AC2												
AC3												

Table 9.2 Stakeholder experiences with Power Generator B

PGB		Characteristics of Relationships										
Stakeholder	Collaborative	Ambivalent / Neutral	Combative	Regular	Ambivalent / Neutral	Ad Hoc	Engagement	Ambivalent / Neutral	Management	Functional	Ambivalent / Neutral	Dysfunctional
BR1												
BR2												
BR3												
BR4												
BR5												
BR6												
BR7												
BE1												
BE2												
BE3												
BE4												
BE5												
BE6												
BC1												
BC2												
BC3												
BC4												

Table 9.3 Stakeholder experiences with Power Generator C

PGC		Characteristics of Relationships										
Stakeholder	Collaborative	Ambivalent / Neutral	Combative	Regular	Ambivalent / Neutral	Ad Hoc	Engagement	Ambivalent / Neutral	Management	Functional	Ambivalent / Neutral	Dysfunctional
CI1												
CI2												
CI3												
CI4												
CR1												
CR2												
CR3												
CR4												
CR5												
CR6												
CR7												
CE1												
CE2												
CE3												
CE4												
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CC7												
CC8												
CC9												
CC10												
CC11												
CC12												
CC13												
CC14												
CC15												

This research is qualitative in nature, and I do not claim to present statistically sound conclusions. However, the trend analysis indicates a pattern that may be testable via research designed to investigate this phenomena specifically. As this is a grounded theory project, I did not begin with a set of hypotheses to be investigated. I did, however, set out to investigate what was happening in practice and how this may inform stakeholder theory, particularly with regard to sustainability issues.

After considering the stakeholder interviewees' responses recounting their experiences with the three companies and the analysis above, I have identified that interactions displaying the following characteristics appear likely to contribute to a functional relationship.

Stance taken by parties (Collaborative rather than combative)

As described by Mattingly and Greening (2002), groups on both sides of the relationship will tend to react to each other in a like fashion. If either side begins interactions with, or moves towards, an aggressive, combative stance, the other side may be inclined to react with a similar approach in order to defend its interests. Functional relationships are conducted in a collaborative fashion where all parties are seeking to understand, and where possible accommodate, the other party's views. Collaboration will not always result in all parties achieving all of their objectives. However, as noted elsewhere by Boutilier (2009) collaboration does imply that parties will work together to find a mutually acceptable outcome.

Level of contact (Regular rather than ad hoc)

Optimally, the level of contact between a company and its stakeholders will be regular. Regular contact does not necessarily mean frequent contact, but stakeholders must perceive that companies will develop and maintain some level of routine interaction. The strongest and most functional relationships are based on well-established contact that goes beyond getting in touch only when a resource consent application is pending. This need for regular, meaningful contact reinforces the

findings of Green and Hunton-Clarke (2003) and Hund et al., (2002). If stakeholders consider that companies are only in contact with them when the company needs something from the stakeholder, as opposed to keeping the stakeholder informed of developments, then resentment and cynicism are likely to build, on the part of stakeholders.

Nature of relationship (Engaged rather than managed)

Stakeholders were quite resistant to perceived attempts to manage them. It should be noted, however, that many of the stakeholder interviewees fully recognised the need for, and appropriateness of, companies taking a systematic approach to managing how they conducted stakeholder relationships in a functional sense. Stakeholders did not generally appreciate attempts to manage them *per se*, which were seen as implying a more manipulative approach aimed at achieving the company's objectives with scant regard for reaching a mutually acceptable outcome. This observation supports similar claims made elsewhere. See for example, Banerjee, 2000, 2001, 2007; Zadek, 2001; Zadek and Raynard, 2002. Stakeholder engagement implies a two-way relationship with both parties listening to and seeking to understand the others views and concerns (Andriof and Waddock, 2002). Many of the relationships described by stakeholders in the most positive terms included the involvement of an individual (who worked for the company in question) who appeared to fulfil the role of boundary-spanner, a concept proposed by Ansett (2005) and Gallagher (2004).

Drawing on the observations described above, I offer the following typology of characteristics that defines whether or not a stakeholder-organisational relationship will be functional or dysfunctional. See Table 9.4.

Table 9.4 Defining characteristics of functional and dysfunctional stakeholder relationships

	Functional	←→	Dysfunctional
Stance Taken	Collaborative	←→	Combative
Level of Contact	On-going/Regular	←→	Ad Hoc/Event-driven
Nature of Relationship	Engagement	←→	Management

These three characteristics are internally consistent and mutually supportive, although they may not be exhaustive. There are likely to be other characteristics that are essential to functional stakeholder-organisation relationships. The reliability of the characteristics I present is stronger at the ends of the continua than in the middle ground. My assessment of the interviews conducted with the 77 external stakeholders of all three companies shows that all of the functional relationships have at most one characteristic that respondents described in a negative fashion. Therefore, at least two of the characteristics fall into the positive or neutral zones.

In Table 9.4 I have focused on the three characteristics that I addressed directly in my fieldwork interviews. Table 9.5 offers additional characteristics that are likely to be significant in identifying functional/dysfunctional relationships. I have identified these characteristics as “potential” as they emerged from the interviews as a result of interviewee comments in the course of our conversations rather than as a result of direct questioning by me. I have not attempted to tabulate the potential characteristics as I did in Tables 9.1 – 9.3. The presence of data relating to the potential characteristics was less uniform than the data relating to the defining characteristics listed in Table 9.4. However, where the potential characteristics were in evidence in the data they were suggestive of the functional/dysfunctional relationship descriptors.

Table 9.5 Potential defining characteristics of functional and dysfunctional stakeholder relationships

	Functional	↔	Dysfunctional
Reciprocity	Give and take	↔	Take only
Flexibility	Willingness to change	↔	Reluctance to change
Inclusiveness	Transparent group meetings as well as one-on-one meetings	↔	One-on-one meetings only

Reciprocity (Give and take rather than take only)

Functional relationships require all parties to recognise that they have responsibilities to contribute to the process and the achievement of mutually agreed outcomes. If a party to a stakeholder-organisational relationship is focused only on its own (perceived) rights, mutually satisfying outcomes will be much harder to realise. This observation supports the contentions made variously by Elms, et al., (2011); Goodstein and Wicks (2007) and Phillips (2003).

Flexibility (Willingness to change rather than reluctance to change)

Functional relationships require that all parties enter into and contribute to the relationship with a willingness to find solutions to perceived problems, rather than focussing solely on achieving a “win” for their organisation. This premise has recently been reinforced by Hartman (2011) and Jones (2011). The defence of entrenched positions at all costs will lead to dysfunctional relationships that are unlikely to endure. Phillips, et al., (2011) note that “broadly oriented firms interact with stakeholders in ways that allow firms to capture the full benefits of trust and fair-

dealing” (p. 176); I would suggest the same is true of stakeholders and how they interact with companies.

Inclusiveness (Group and individual meetings rather than only individual meetings)

Meetings between stakeholders and organisations ideally include group (with multiple stakeholders in attendance) activities. Stakeholder interaction that is conducted solely on a one-to-one basis tends to lead to suspicion and rumour. Companies should realise that stakeholders talk to each other, especially in a country like New Zealand and in rural and small urban communities where many power generation activities are located.

The three characteristics shown in Table 9.5 are internally consistent, mutually supportive and compatible with the characteristics listed in Table 9.4.

Having identified the characteristics that can lead to functional relationships between stakeholders and organisations, I now turn to how those relationships may contribute to encouraging businesses to pursue sustainability.

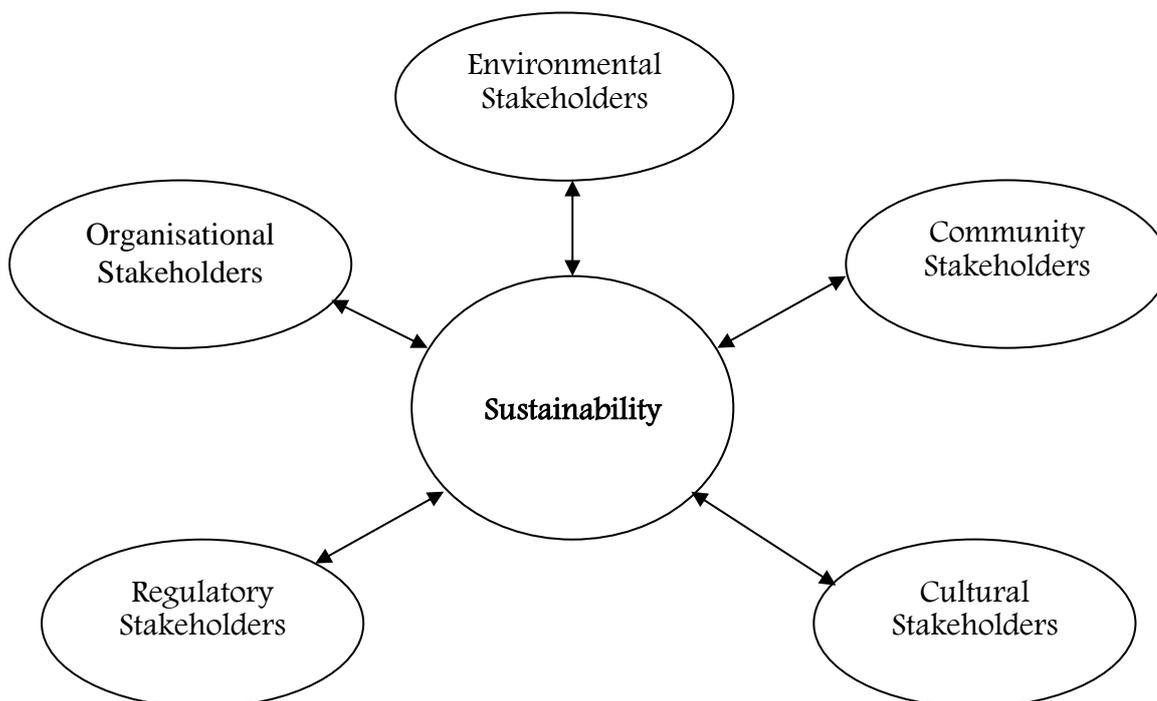
Functional relationships as a force for sustainability

Whether or not stakeholder engagement has the potential to lead to sustainability is a problematic question. Businesses are likely to consider a broader range of issues, than just growth oriented profit, if they operate within a wide network of stakeholders – that is axiomatic. The stakeholders businesses do engage with may not be remotely concerned with sustainability issues and that fact leads us into the paradoxical territory. In addition, if businesses define sustainability in terms of their own long-term future (rather than a broader planetary or societal definition of sustainability) then engaging with stakeholders to smooth the path of commercial operations will most likely contribute to that limited conception of sustainability. Here we have a self-evident truth.

However, functional relationships that recognise the tension points discussed above and seek to address them are more likely to contribute to sustainability on a broad scale. These relationships tend to be built over time and develop in an environment of mutual trust, reciprocity, and willingness to learn from and understand each other. With regard to the amount of contact that should be maintained, there is no hard and fast rule. Whether or not meetings should be held monthly or annually, or at some other frequency, is a matter for the parties involved. It is something that needs to be discussed and negotiated to a mutually satisfactory conclusion. Another element of functional relationships that is important is that the parties should not restrict their interactions to those times when either the company or the stakeholder wants something, for example, when a company is seeking resource consent approval.

The temporal issue is one of the most difficult and pressing tensions for the sustainability agenda (Bansal, 2002; Sharma & Kearins, 2011). Businesses are encouraged to believe that the market demands ever quicker responses, while stakeholder engagement takes considerable time, resources, and effort to get right. We also have the concern that negative impacts of human activity, on the ecological environment, may be reaching critical levels in some areas and that we are facing significant break-down of planetary systems in the foreseeable future. Do we have time to talk our way to a sustainable way of being?

Stakeholders and organisations need to interact with one another in group forums, not just at a one-to-one level. Businesses need to be decentralised within the network, in order for all stakeholders to be able to contribute to discussions and plans on how to achieve sustainability. Decentralisation requires a change of mind-set and motivation rather than a change of practice *per se*, as noted by Waddock and Smith (2000) “Such transition begins to place companies in their proper context in the overall ecology of societies, rather than at the centre of society, as free market economists would have it” (p. 59). One possible way to conceive of decentring business organisations is to integrate the concept of sustainability within the stakeholder model as shown in Figure 9.1.

Figure: 9.1: Centring sustainability in the stakeholder model

Source: Adapted from Freeman, 1984 and Werhane, 2011

Centring sustainability in the stakeholder model in this way serves the purpose of removing businesses from the focal (and privileged) central position and focussing attention on the concept of sustainability instead. In Figure 9.1 the peripheral positions are filled by stakeholder clusters used in this research; however, other configurations are possible. It would also be feasible to include an additional layer of complexity to depict network relationships between the peripheral positions in the figure.

So, to the big question of whether or not stakeholder engagement (as investigated in this research) is contributing to the goal of sustainability. While I would be delighted to answer this question with a resounding “Yes”, I consider that may be overly optimistic. Whether or not stakeholders are a force for sustainability depends on what the concerns of the stakeholders are, and how much weight organisations are inclined to give those concerns. The evidence in this thesis indicates that stakeholders are not

all concerned about sustainability issues and that the companies do not integrate all stakeholder concerns to a consistent degree.

If there is a contribution to be made to sustainability, I believe it will stem from organisations engaging with a wide range of stakeholders who hold a wide range of interests. The possible contribution stakeholder engagement may make towards sustainability remains a paradox. There is a risk that addressing stakeholder concerns may lead only to compromise rather than meaningful operational changes in the way a company conducts its operations, as suggested by Collins, et al., (2005). However, on the basis of the evidence presented in this thesis, there is a case for stakeholder engagement to be a contributing force for sustainability. Organisations that do engage with a range of stakeholders appear more likely to consider sustainability issues than those that do not engage.

The stakeholder case for sustainability

The business case for sustainable development has received a lot of attention in literature and practice, as discussed in Chapter 1. The concept of a stakeholder case for sustainability, however, has yet to be articulated. I suggest that reframing the case for sustainability to that of a stakeholder perspective may facilitate the shift towards a new paradigm that many see as so sorely needed. See, for example, Catton and Dunlap (1978a, 1978b), Egri and Pinfield (1996), Gladwin, et al. (1995), and Suzuki (1998). Table 9.6, below, presents the stakeholder case for sustainability and compares it with the business case for sustainable development.

The stakeholder case for sustainability is aligned to the strong sustainability model, particularly in that it recognises the nested environmental, social, and economic elements that are seen as the fundamental components of the sustainability domain. By considering sustainability from a stakeholder perspective, we are able to acknowledge that all sectors of human society (civil, government, and business) have an impact on sustainability issues and have a part to play in finding solutions to sustainability problems. No one sector of human society is especially privileged

above the other sectors; all are part of the wider social network. While these ideas are not new in themselves, the synthesis of them into “The Stakeholder Case for Sustainability” has not appeared elsewhere, to my knowledge.

Table 9.6: The stakeholder case for sustainability

Focal area	The business case for sustainable development	The stakeholder case for sustainability
Level	· Organisation/entity	· Community/systems
Goal	· Business survival, longevity and growth	· Developing the kind of society we want · Working together towards a mutually agreed understanding of sustainability
Premise	· Competitive advantage through opportunities for highly profitable innovative products and services that serve environmental and social needs · Competitive advantage through better processes · Trade-offs	· Decentralising economic activity and repositions it as a part of human society, not the core · Recognition that scientific rationality is not the ultimate arbiter of how society should evolve and that emotional, instinctive and spiritually based decision-making also have a place
Basis of achievement	· Cost savings through resource efficiency · Monetisation of externalities enables business to control these costs and mitigate their impact	· Solutions to existing problems are not likely to come from existing institutions especially ‘the marketplace’ · Enabling different sectors of society (political, economic and civil) to make valuable contributions to problem solutions based on their respective strengths
Benefits	· Effective risk management · Enhanced reputation · High staff morale/low staff turnover · Voluntary self-regulation eliminates the need for more stringent legislation	· Fostering conscious community cohesion · Enhancing the use of the Precautionary principle · Reigning in corporate power
Slogans	· Doing well by doing good · ‘Win-win’	· “Think Globally and Act Locally” · We’re all in this together
Rationale	· Enlightened self-interest	· Recognising that there may not always be ‘win-win’ solutions available and compromise by all parties is a valid outcome

I do not suggest that the list in Table 9.6 is unproblematic and offers an easy solution to what ails us. I do, however, suggest that it represents an opportunity for a significant shift away from the mind-set that privileges economic activity, often at the expense of human communities and the wider nonhuman environment.

Several tension points are immediately obvious are:

- We do not entirely escape the tyranny of small decisions whereby localised decision-making and problem-solving may not aggregate into broader sustainability solutions;
- Stakeholders and organisations are unlikely to be consistently equal in terms of resources and the ability to exercise power;
- There may be a continued reliance on trade-offs between the environmental, social and economic dimensions of sustainability; and
- Human nature will prevail and at times this will lead to combative and uncollaborative behaviour.

The stakeholder case for sustainability is itself aspirational and a goal to work towards rather than an existing phenomenon that is practised by a wide range of organisations.

In the following, and final, section of this chapter I turn to the broader perceptions of the sustainability and stakeholder domains as articulated by the interview participants.

Key considerations

In this section of the chapter I discuss the key considerations that I identified by analysing the data collected through the interview process, linking my findings with extant literature.

Context

The arena of stakeholder-organisation engagement and the relationships that stem from that engagement are very context-specific and dynamic as noted elsewhere by Sama, Welcomer and Gerde, 2004; and Wheeler and Ng, 2004. The importance of stakeholders (to organisations) and the importance of issues (to stakeholders) are dependent on both time and place. This feature of the stakeholder relationships examined is in keeping with Mitchell et al.'s (1997) typology of stakeholder salience discussed in Chapter 2. See Figure 2.2. As Mitchell et al. identify, the salience of stakeholders to organisations changes as stakeholders' motivations to engage with organisations wax and wane according to the level of concern stakeholders attach to issues.

Relationships

Time and again throughout the interviews many of the interviewees were quite clear that relationships were inter-organisational. Despite this assertion, the adjectives that frequently cropped up when describing good stakeholder-organisation relationships (from both sides) were trust, integrity, reliability, and honesty. These are not organisational characteristics; they are very human attributes. The presence or absence of these qualities was seen by interviewees as pivotal to the success or failure of relationships, which indicates that stakeholder engagement is ultimately about person-to-person contact and is heavily influenced by interpersonal aspects of the relationships. This finding concurs with the conclusions drawn variously by Egri and Herman, 2000; Mitchell et al., 1997; Warnock, 2005; and Zadek, 2001.

Unsurprisingly, a lack of the characteristics listed above was seen by many as a primary cause of unsuccessful (dysfunctional) relationships. So too was an over-reliance on legal processes, by either party, with threats to "see you in court" not being well received and having the potential to either damage a previously good relationship or as presenting a significant obstacle to developing a good relationship. Relying on legal processes to determine the outcome of stakeholder-organisation interaction is to take a defensive or reactive stance as highlighted by Carroll (1979)

and appears as less likely to lead to long-term cooperative relationships. As Mattingly and Greening (2002) note, stakeholders are likely to react in kind to the stance taken by organisations. Therefore, a penchant for relying on legal process to deal with stakeholder concerns is likely to engender a litigious response from stakeholders.

Homogeneity – the mythical beast

There is a tendency, in both literature and practice, to conceive of “like” stakeholder groups as having similar concerns and motivations for engaging with organisations (Obeng, 1994; Winn, 2001). I say ‘like’, with particular reference to the identifying clusters I have used in this research, that is, environmental, iwi, regulatory, and community groups. Even within these clusters, stakeholder groups have a wide variety of concerns and approaches. Perhaps the most striking examples of this phenomenon, that I witnessed, were within the environmental and iwi stakeholder clusters.

Some environmental groups were advocating on behalf of native species whereas some were advocating on behalf of introduced species. The objectives of these two areas of concern could be in strong opposition to each other. Within the iwi clusters, some groups were focused on advancing the economic well-being of their iwi group, whereas others were interested in preserving or enhancing the spiritual well-being of their people and/or their whenua¹⁰⁹. While these two objectives need not necessarily be mutually exclusive, there were instances of tension between iwi groups.

Another feature of the stakeholder landscape was that stakeholders are not all supportive of each other in a more general sense. I witnessed some very dismissive attitudes, from both stakeholders and company representatives, towards individuals and stakeholder groups that could be seen as marginal or fringe stakeholders, as identified by Benn and Dunphy (2005) and Fineman and Clarke (1996). As noted elsewhere by Burritt and Welsh (1997), Henderson (2001) and Jacobs (1997), there was no default position of everyone being entitled to, or worthy of, an equal voice.

¹⁰⁹ The land with which a particular iwi is associated.

Relative power

For most stakeholder groups, the perception was that companies were seen to hold the balance of power in the relationships discussed. This view was expressed in keeping with the resource-based view of power within relationships, as expounded by Frooman (1999) and Benn and Murphy (2005). This perception was reinforced by the ability of companies to “buy in” expertise, particularly with respect to the resource consent process. New Zealand has a relatively small population, and, therefore, a relatively small pool of expertise available in some specialised areas, for example, hydrology. Stakeholders considered that the companies’ ability to hire the recognised experts sometimes had the effect of excluding less well-resourced groups from having access to these “experts” to support their own resource consent submissions.

Alternatively, power was also seen to be exercised by some stakeholders who knew “how to play the system”. Groups with well-educated, professional members, particularly if those groups included members of the legal profession, were seen to exercise power far beyond the legitimacy of their interests – the canoeing and kayaking fraternities were suggested by several interviewees as specific examples of such stakeholder groups.

There were some exceptions to the stakeholders’ observations of the power imbalance, primarily associated with the regulatory stakeholders – groups that have significant expertise, size and legislative backing. Some regulatory stakeholders (as categorised in this research) have the authority to approve resource consent applications, without which the companies cannot operate. As a result of this authoritative power, the companies must satisfy the regulatory stakeholders’ concerns in order to continue their operations.

Representatives of the bigger stakeholder organisations did see the exercise of power as a factor in some stakeholder-organisation relationships, but considered that they themselves were on an equal footing with companies. Primary stakeholders (Clarkson, 1995) for all of the companies included “the Big Three” – Iwi, the Department of Conservation, and Fish and Game. The Resource Management Act

1991 does not specify who must be consulted, stating rather a proposal must include an:

Assessment of Effects on the environment [including] –

...

An identification of those persons interested in or affected by the proposal, the consultation undertaken, and any response to the views of those consulted (Fourth Schedule, s1, c(h))

“The Big Three” organisations were seen by the companies as groups that must be consulted with on any proposed development or reconstituting of existing operations.

There was a particular perspective expressed by some iwi representatives (although not all) that there is a hierarchy of stakeholders and that iwi were at the top of that hierarchy. This view was generally evident in discussions with iwi stakeholders of the power generator that was a State Owned Enterprise (SOE) and there appeared to be some conflation of the SOE and the Crown. This is symptomatic of the complex socio-political environment in New Zealand with regard to the relationship iwi have with the Crown and the focus of successive governments attempting to redress past adverse effects on Maori that arose during the era of colonial settlement in this country.

Another interesting twist on the stakeholder-organisation relationships was the attitude that some interviewees (from larger stakeholder organisations) held regarding the company in question. There was a certain amount of snobbishness displayed by stakeholders in some clusters along the lines of “Oh no, I’m not one of their stakeholders, they are one of mine”. This assertion implies the belief that there is a hierarchy in stakeholder-organisational relationships and that this particular organisation was not only central but more important than the stakeholders.

Reciprocity

There was a commonly held view among stakeholders that their interaction with companies was largely focused on trying to achieve their group's aims, with minimal regard being voiced for the aims of the company they were interacting with. From the company perspective, however, there was more mention of the need for stakeholders to recognise their (the stakeholders') responsibilities as well as their rights.

As the maxim says, "with rights come responsibilities". New Zealanders have a legislatively backed right to voice an opinion, in support of or against proposed economic development, in many circumstances. Significant stakeholder-organisation interaction has evolved (at least in most part) due to the legal requirements of the RMA. The RMA does not, however, dictate how stakeholder-organisation relationships should be conducted in the long-term. It is up to the parties involved to determine how they will proceed beyond the resource consent process. Several company (and a few stakeholder) representatives expressed the opinion that stakeholders tended to be focused solely on what they could achieve from the consultation/engagement process and did not appreciate the need to also contribute to the relationship. This trait has also been noted by Jacobs (1997) and Stead, et al. (2002) in other stakeholder-organisation relationships.

Consultation fatigue

Several stakeholders interviewed expressed a level of exasperation at the amount of consultation they were subject to. This observation has also been made by Banerjee (2001, 2003a, 2003b) and Svendsen (2000) in other research contexts. The level of exasperation expressed during the interviews conducted for this research was particularly evident among iwi representatives. Consultation with iwi, as a distinct and identified group, is required by law in New Zealand. It appeared, from the interviews, that many iwi organisations had limited resources (in terms of both time and funds) available to commit to the consultation process. Consultation with business organisations was not the *raison d'être* for the existence of iwi organisations (as was the case for many other stakeholder groups), but had come to represent an

increasingly large demand on their time. The other instance where consultation fatigue was mentioned was by stakeholders who had been engaging with the companies on an issue for an extended period of time – across a number of years – and as yet the issue was unresolved.

In addition to the (onerous, for some) time commitment required by both organisations and stakeholders involved in consultative relationships, there were also concerns about the quality of consultation. This criticism has also been recognised by Andriof and Waddock (2002), Banerjee (2007), and Boutilier (2009). In particular, some stakeholder interviewees were affronted by what the companies considered “consultation”. On occasion stakeholders would be privy to documentation that listed a company’s consultation activities. These lists might include items such as “phoned and left a message” as proof of consultation activities. Such inconsequential “contact” from a company was not seen as contributing to genuine two-way communication and engagement and may have had a negative impact on how the company was viewed by stakeholders.

Mitigation

One further area of tension for many stakeholders was the capacity of companies, and in some cases the activity, of mitigating stakeholder concerns by distributing money. The instances where this practice was frowned upon related to companies providing funds to stakeholders *in lieu* of making operational changes around the area of concern. Stakeholder groups were then free to apply the funds to other projects as they saw fit and in return would withdraw any objections to proposals through the resource consent process.

Stakeholders, who raised this issue, were referring to other stakeholder groups being the recipients of funds. The concern was that “buying off” other stakeholders enabled a company to continue to operate in an unsatisfactory (for the stakeholders raising this issue) manner and did nothing to mitigate the impact the company’s activities were having. This concern has been raised in the literature on numerous occasions. See,

for example, Banerjee, 2007; Collins et al., 2005; O'Dwyer, 2003; Stafford and Hartman, 1996; Welford, 1997; and Zadek, 2001, 2002.

It is intuitively attractive to imagine that sustainability may be advanced by engaging with a wide range of stakeholders. The resulting landscape could be likened to a Ken Knowlton mosaic portrait where an overarching image is composed of multiple, smaller images relevant to the high-level view. I conclude from this research that engagement between companies and their stakeholders is an essential component of the mission to move human society (particularly our economic activities) towards a sustainable way of being. However, such interactions alone are unlikely to overcome the challenge of how to make sustainability the overarching goal of engagement between companies and their stakeholders.

Conclusion

This chapter has featured analysis of the interview data collected during the fieldwork activities of this research set against extant literature and discussion of the findings. This analysis includes: insights gained from the interviews conducted; interview participants' perspectives of the three focal companies; the integration of my interpretation of theory and practice in this research setting. I now move to the concluding chapter which presents my contributions and their implications for practice and some reflection on my experience throughout this research project.

Chapter 10

Conclusion

Lessons learnt, reflecting back, and looking forward

Introduction

As I draw this thesis to its conclusion, it is time to reflect on whether or not this research project has met the objectives I set out to achieve. What did I set out to investigate and what have I discovered as a result of my research? In order to address these issues, this chapter first revisits the research questions posed in the introduction to this thesis and provides the answers I have developed. Second, I discuss the contributions I have made to theory as a result of this research. Third, this chapter presents the implications for practice that have emerged from this research. Fourth, I acknowledge the limitations of this particular research undertaking. Fifth, I identify the opportunities for future research that have become apparent as I reflect on what I have done. Finally, I consider the broader, more personal, lessons that I have learnt as a result of conducting this research.

Addressing the research questions

The overarching, primary question that has driven my research is:

Does stakeholder engagement encourage organisations to pursue sustainability?

In order to seek an answer to this primary question, I conducted research that investigated relevant views regarding what was happening in practice and how they compared with what extant literature leads us to believe should be happening.

Therefore the primary question is addressed by seeking answers to the four secondary questions which follow.

What does sustainability mean to stakeholders and company representatives?

The majority of people I interviewed defined sustainability as being concerned with balancing environmental, social, and economic concerns, and with considering the impact of current activities on future generations of people. These elements of the sustainability domain are common to most definitions and discussions of the concept and are articulated in New Zealand statute in section 5 of the RMA.

While there was a general level of agreement around the elements important when considering sustainability, there were differences in the specific areas of concern for individual interviewees. This observation is in keeping with the underlying premise in this thesis that sustainability means different things to different people and individuals' perspectives are founded in their primary area of interest – be it environmental, societal, or economic areas of concern. This leads to the next secondary question:

What is happening in the practice of stakeholder-organisation engagement?

All three of the companies examined in this research had extensive stakeholder interactions, which included a broad range of contact via telephone, email, newsletters, and meetings (both on an individual basis and with groups of stakeholders). The level of engagement between companies and stakeholders, in New Zealand, is heavily influenced by the RMA, as consultation with parties interested in or affected by a development activity is a requirement of the legislation. As a result there was a considerable amount of engagement between companies and their stakeholders. However, the quality of that engagement varied between the three focal companies.

The companies in question appeared to be primarily focused on engaging with their stakeholders to facilitate their commercial activities rather than being focused on embedding themselves within the wider community and advancing strong sustainability. The two companies that appeared to have a more proactive approach to stakeholder engagement were more highly rated by their respective stakeholders than the company that was, by comparison, very reactive. The level of interaction between companies and their stakeholders, in New Zealand, is strongly influenced by legislative requirements in the RMA for companies to consult with affected or interested parties. My overall impression is that at the time of this research the companies were essentially concerned with sustaining their business operations, rather than seeking to engage with their stakeholders in pursuit of wider sustainability objectives that may fundamentally change the way they conduct their affairs. What then of the reported drivers for stakeholders engaging with the companies? This leads to the third secondary question.

What are stakeholders trying to achieve through their interactions with companies?

By and large, interactions between stakeholders and organisations were focused around specific areas of concern rather than around a broader sustainability agenda. While the companies appeared to be focused on their continuing commercial success, the stakeholders had a wider variety of concerns. While some stakeholder groups were focused on reasonably broad issues, such as environmental protection or community well-being, most were concerned about quite specific issues, for example, silt build-up in a particular hydro-lake, land erosion on the banks of a particular waterway, or access to water resources for irrigation purposes.

The stakeholders interviewed were involved in a wide variety of stakeholder organisations and as a result the wide variety of issues concerning them is unsurprising. Stakeholder groups that were on-going organisations in their own right, such as local authorities, iwi groups, Forest and Bird, and Fish and Game, were more inclined to engage with the companies in durable relationships, for an extended period

of time, as opposed to engaging over a particular issue and then disengaging when the issue was resolved. So if stakeholders' interactions with companies are issue driven, is that issue sustainability? This leads to the fourth and final secondary question:

What linkages, if any, do stakeholders and company representatives make between sustainability and stakeholder engagement?

In general, the participants in this research did not perceive that a strong link between stakeholder engagement and sustainability existed. None of the interviewees offered the possibility of a link without my introduction of the topic. When the link was brought into the conversation by me, those who thought there might be a case for the link considered that it might result from the variety of perspectives that a range of different stakeholders bring to the engagement process, and by working towards finding a balance of those views. This balancing act was not seen as reliant on or indicating that stakeholders were promoting sustainability *per se* in their interactions with companies. Rather, it was the attempt to address a variety of concerns that was seen as encouraging the pursuit of sustainability.

So, returning to the primary question posed in this research: **Does stakeholder engagement encourage organisations to pursue sustainability?** My assessment of what was happening in the three organisations studied and their stakeholders is that current practice is far more advanced than it was, say, 40 years ago when some major electricity generation infrastructure plants (in particular) were built with no consultation with local communities, and at times in opposition to those communities' desires. The level of consultation and engagement between companies and their stakeholders has certainly increased during the last 20 years with the enactment of the RMA and the consultation requirements embodied in it.

Current practice is more inclined to encourage the pursuit of sustainability than was the case in the past. The integration of a wider variety of concerns than purely economic ones, into business decision-making activities may represent a shift towards focusing decision-making activities on sustainability issues. However, I would say that at best current practice is focused on the business case for sustainable

development, which is inherently concerned with sustaining business rather than making wholesale changes to the way businesses are operated in pursuit of broader sustainability goals. This research does not indicate that any major change to business practices is likely without further regulation to enforce such change.

I now move to the contributions to theory that have resulted from this research.

Contributions to Theory

In Chapters 6-9, I presented my analysis of the data collected for this research project aligned with the literature reviewed in Chapters 1-3 of this thesis. I now clarify the three contributions I have made to extant theory in the sustainability and stakeholder domains.

Characteristics of functional and dysfunctional stakeholder relationships

The first theoretical contribution I offer is the typology of characteristics of functional and dysfunctional stakeholder relationships. The typology I developed details six characteristic continua, in Tables 9.4 and 9.5 in the previous chapter. The characteristics are:

- the level of contact between parties to the relationship;
- the stance taken by parties to the relationship;
- the degree to which the relationship is perceived by stakeholders as engagement or management;
- the level of reciprocity in evidence in the relationship;
- the willingness of parties to be flexible with regard to developing collaborative goals; and
- the level of openness that parties display, to a wider audience, with regard to interactions between stakeholders and organisations.

Each of the characteristics has a range of possible positions that a stakeholder or organisation can take. I argue that where the parties to a stakeholder-organisation relationship are positioned on each continuum will contribute to whether the relationship is functional or dysfunctional. While this typology draws on the work of the numerous authors discussed in Chapters 2 and 3, it specifically builds on the previous research of Andriof and Waddock (2002), Green and Hunton-Clarke (2003), and Mattingly and Greening (2002).

The stakeholder case for sustainability

The second theoretical contribution I offer is the stakeholder case for sustainability. The stakeholder case for sustainability represents an aspirational framework that is in contrast to the business case for sustainability, which has widespread support and acknowledgement. See for example Kerr, 2004; Schmidheiny, 1992a, 1992b. The stakeholder case for sustainability decentres the firm and sees businesses as embedded in a network of relationships that contribute alternative viewpoints. The stakeholder case for sustainability reconfigures the focus onto wider human society and how that society fits within the wider nonhuman environment.

The stakeholder case recognises that human society contains many different perspectives and importantly many different strengths and areas of expertise. Sustainability is a complex issue that requires complex solutions. By using an inclusive stakeholder approach to problem-solving we may have a greater chance of developing solutions that are effective, widely accepted, and durable.

The stakeholder case for sustainability has the potential to be a logical adjunct to the strong sustainability model (PCE, 2002; Turner, 1993) described in Figure 1.3 in Chapter 1. The stakeholder case and the strong sustainability model both acknowledge that human society is embedded in and dependent upon the wider non-human environment and that economic activity, while important, is only a subset of human society.

Paradoxes and tensions

The third contribution to theory that I offer is an articulation of the fundamental tension points and paradoxes of the sustainability-stakeholder nexus.

Business organisations are managed to buy and sell products and services at a profit. In the current economic climate, over much of the planet, businesses are not only profit-oriented, but growth oriented as well. While the business community is not solely responsible for the state we are in, it is implicated and is a major force in shaping social behaviour. The drive to make ever increasing profits and to trade in ever increasing volumes presents some fundamental contradictions when we consider the issue of sustainability and any contribution stakeholder engagement may offer to it.

First, comes the dilemma that if stakeholders are not necessarily “for” sustainability, how can we then turn to stakeholder engagement as a mechanism to advance the sustainability agenda in business? On the other hand, how can we achieve sustainability without opening up business decision-making to a wider range of concerns, especially beyond the growth oriented profit motive?

Second, what if we do reorient business processes to incorporate wide-scale stakeholder engagement and run businesses in keeping with stakeholders’ concerns, only to discover that by and large stakeholders (that is the wider human community) do not want a sustainable world? It is conceivable that stakeholders concerns could focus on maintaining a level of material comfort that is not consistent with sustainability. There is also the possibility that stakeholders in general will not be able to conceive of a viable, sustainable alternative to our current social and economic practices.

Third, is the issue of privileging expertise and professionalism. In the current climate, concerns over sustainability issues must be proven by relevant technical experts. There is little room for emotion and gut feeling, as these can be seen as irrational and having no place in the business decision-making process. As was noted by several of those from smaller stakeholder groups, the companies were in a position to hire technical expertise, which in some cases precluded the stakeholders from being able

to do so, either due to a lack of funds on the stakeholder group's part or due to the relatively small pool of expertise available in New Zealand.

Fourth, there is another point of tension resulting from the small New Zealand population and the small pool of expertise in the area of environmental issues in general. There is something of a revolving door between the focal companies and councils. As individuals move through their working life they may change jobs periodically. I interviewed several people who had, over the course of their careers, worked for organisations on both sides of the stakeholder-organisation relationships. This raises some concerns about the ability of local authorities, in particular, to provide independent monitoring of company activities. I am not suggesting I witnessed any untoward behaviour, but a lack of arms-length relationships means that environmental oversight of company activities is heavily reliant on the integrity of the people conducting the monitoring.

Somewhat paradoxically, some of the strongest stakeholder-organisation relationships were grounded in just such circumstances, where individuals involved had known and worked with each other for many years in several different stakeholder-organisation contexts.

I now turn to the implications for practice that have emerged out of this research.

Implications for Practice

Stakeholder-organisation relationships are many and varied. Not all relationships will be enduring because not all parties to these relationships have a desire to interact with the other for an extended period of time. Some stakeholders will become involved with an organisation over a specific issue and will disengage once that issue has been resolved. However, many stakeholders and organisations are seeking to build on-going and lasting relationships. The following points are targeted at these more enduring relationships and highlight the key factors that emerged from this research project.

As noted in Chapter 9, the stakeholder-organisation relationships examined were embedded in a specific time and place. The perceptions of stakeholders towards organisations (and vice versa) were dynamic. As a result of this dynamism, organisations cannot rely solely on their previous encounters with stakeholders when past stakeholder engagement has been deemed to be successful or functional. A relationship that has been functional in the past must be maintained and nurtured by all parties, across time and place, to ensure success in the future.

The pivotal role of the actual people involved in the relationships has wide implications for both companies and stakeholder groups, with regard to who fronts their relationships. Relationships can fail due to interpersonal clashes that have little to do with the issue at hand. One particular facet of this dynamic is the difference in the role assigned to company representatives. Where a company representative was assigned dedicated responsibility for stakeholder relationships and provided with concomitant resources, the relationships were perceived (by stakeholders) to be far more functional and productive, compared to those with company representatives whose stakeholder relationship role was an adjunct to their primary responsibilities.

If companies wish to genuinely develop functional stakeholder relationships, they must ensure they have carefully selected staff fulfilling roles that are adequately resourced and supported by senior management. There is also a need for serious thought to be given to succession planning for both parties, as successful engagement may disintegrate with a change of staff.

Additionally, all parties to stakeholder-organisational relationships need to recognise that they have responsibilities beyond seeking short-term gains or successes for their respective organisations. If these relationships are to achieve “engagement” status and endure over the longer term, then the participants must consciously contribute to the relationship. Genuine engagement in pursuit of functional stakeholder-organisation relationships also requires all parties to cede their power to the engagement process rather than defending vested interests. Collaborative outcomes will be achieved only if all parties are willing to listen to and endeavour to understand each other’s points of view and concerns. If interactions are based on “talking past each other” then mutually-derived and mutually-acceptable results are unlikely.

There is tension here in that for companies to engage with stakeholders they must spend a considerable amount of time doing so. The challenge is to find a balance between too little and too much. The only successful way of finding this balance is to talk to each other and develop a level of contact that satisfies the needs of both parties.

As highlighted in Chapter 9, the perception that some stakeholders are “bought off” by companies can have a destructive and destabilising impact on other stakeholder-organisation relationships. One possible solution to this problem is to have full public disclosure of funds transferred between companies and stakeholder groups, with attendant disclosure of the ensuing actions of the stakeholder group in question, outlining what they applied the funds to. Company sustainability reports are a possible vehicle for this type of specific disclosure. Secretiveness can breed discontent, suspicion, and rumour.

The implications for practice discussed above can be summarised by saying that what is required to achieve functional stakeholder-organisation relationships that contribute to sustainability are goodwill, time, and conversation. Representatives of stakeholder groups and companies, alike, need to enter into relationships with a willingness to participate, find solutions, and learn from each other. While internal staff members may promote the idea of sustainability within companies, additional impetus to advance sustainability needs to come from outside the companies. Stakeholders are a viable source of this impetus and engagement with stakeholders by companies can be seen as a step in the right direction.

I now acknowledge the limitations embodied in this particular research project.

Limitations of this study

This research was conducted during a specific time and in a specific place. As such the research output is temporally and spatially bound to the situation that existed when data were collected. There are implications for the currency and

generalisability of my findings. There is no guarantee that a future research project could be conducted in similar circumstances. Even a new research project conducted using the same organisations may yield different results as their relationships with stakeholders may have changed.

Additionally, the participants in this research may have changed their views since my interviews were conducted and re-interviewing the same people could well produce different outcomes. This limitation may be particularly true for this research project, as due to a series of unfortunate incidents, there was a considerable delay between collecting data and completing my analysis. Issues of concern to the focal companies and their stakeholders may have changed in the interim. A case in point is the current prominence of a concern about climate change, which did not have such a high profile when I conducted the interviews.

I now turn to some of the areas on which I would like to focus those future research efforts.

Opportunities for further research

The model of Defining Characteristics of Functional and Dysfunctional Stakeholder Relationships presented in Tables 9.5 and 9.6 in the previous chapter presents significant opportunities for further research. This model has the potential to be specifically tested against existing stakeholder-organisation relationships. In particular, I would like to explore the possibility of returning to the three companies studied in this research project, to further develop and refine this model.

The Stakeholder Case for Sustainability introduced in Chapter 9 also offers future research opportunities of a more conceptual nature. The Stakeholder Case for Sustainability is a nascent theoretical contribution that needs further development. In particular, if the Stakeholder Case for Sustainability offers hope for a different mind-set behind business practice, I would like the opportunity to examine how this Case is

received by businesses and stakeholders alike and to identify barriers to seeing this approach adopted now.

I will now conclude with some reflection about what I have learnt on a more personal level as a result of this research project.

Closing Thoughts

I have been increasingly interested in and concerned about sustainability issues over the last 30 or so years. I consider myself to be reasonably well-read and well-informed on the topic and have had numerous vigorous debates with a wide variety of people over the years. I have always been quite firm in my understanding of the world and of the negative impact some human activity is having on wider human communities and the non-human environment. However, as a result of this research the ground has shifted under my feet.

I now find myself with the unsettling awareness that perhaps my way is not the right way, and it is most definitely not the only way, to view sustainability issues. I still believe that at the heart of sustainability is the scale of change and disruption human activity is bringing about on the ecosystems of the planet. However, I am less certain now that taking a battering ram to opposing views is likely to bring about any meaningful change. We truly need to engage with each other, to take the time to talk and to listen and to learn. We all have different aptitudes and different knowledge. If we can find a way to bring these talents together, then the incredible capacity of people to be imaginative and innovative could provide us with solutions we are incapable of developing in isolated domains of expertise and belief.

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Appendix 1

Interview prompts for interviews with the Power Generator staff members

Sustainability

- What does sustainability mean for this organisation and for you?
- How do you operationalise sustainability at this organisation?
- Do you balance/prioritise environmental, social, and economic interests in your decision-making? If so how?

Stakeholder relationships

- How do you define stakeholder?
- What is the nature of the “stake” held in the organisation?
- Why do you enter into relationships with stakeholders?
- How would you describe your relationships with stakeholder groups?
For example, is the relationship collaborative or confrontational, or ... ?
- Do stakeholders influence the organisation’s progress towards sustainability?
- Does the stakeholder group influence decisions made by the company?
- What structures exist within the company to identify stakeholders?
- Do you actively seek out stakeholders or wait until they contact you?
- How does the company prioritise various stakeholders?

- Are your stakeholders managed or engaged with?
- What structures exist within the company to manage stakeholder relationships?
- Are stakeholder relationships ad hoc or ongoing?
- How do you communicate with your stakeholders?
- What form does communication take?
- Do sustainability reports play a role in communication?
- Are stakeholder networks a feature of your landscape?
- Who else is in that network?
- How does the network work?

Appendix 2

Interview prompts for interviews with the external stakeholders of the Power Generators

Sustainability

- What does sustainability mean for this stakeholder group and for you?
- Is there a need to balance/prioritise environmental, social, and economic interests/concerns?

Stakeholder relationships

- How do you define stakeholder?
- What is the nature of the “stake” held in the organisation?
- Why do you enter into relationships with organisations?
- How would you describe your relationship with ABC organisation?
- Does the stakeholder group influence decisions made by the company?
- What effect does this relationship have on ABC’s progress towards sustainability?
- Are you managed or engaged with as stakeholders?
- Is the stakeholder relationship ad hoc or ongoing?
- How does the company communicate with you?
- What form does communication take?
- Do sustainability reports play a role in communication?

- How would you describe your relationship with ABC organisation?
For example, is the relationship collaborative or confrontational, or ... ?
- As a stakeholder group of ABC company, are you part of a wider network of stakeholder groups, or do you interact with the company as an individual group?
- Who else is in that network?
- How does the network work?