Managing Relationships with Environmental Stakeholders: A Study of U.K. Water and Electricity Utilities*

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ABSTRACT. In this paper we report a study of the approach of six U.K. water and electricity companies towards managing the relationship with their 'green' stakeholders. Stakeholders are accorded increasing importance in political discourse and stakeholder theory is emerging as a promising framework for the analysis of corporate social performance.

We studied the companies' general approach towards green stakeholders, their dealings with specific stakeholder groups and whether they emphasised the consultation or the information aspect of stakeholder management. We found that none of the six companies had a systematic stakeholder approach that extended to all potential green stakeholders. Rather, the importance of specific stakeholder groups seemed to be determined by managers' intuition and by the stance that the stakeholders themselves displayed towards the company.

Green stakeholders with an institutional power base – government via legislation, environmental and industry regulators – emerged as the most immediately influential stakeholders. The Environment Agency, the environmental regulator, played an especially important role in the companies' environmental management. Customers and the general public – the source of corporate social legitimacy – were also considered to be important, but their influence was more long term and based on voice, rather than the potential for direct retaliation. Economic stakeholders were generally considered to be not very interested in the companies' environmental performance.

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Introduction

Environmental concerns are frequently at the top of the list of social expectations a company has to face. The demand from a diversity of sources for environmentally sensitive business practices is increasingly difficult to ignore. Yet, environmental issues are often complex, different environmental considerations may be at odds with each other, and it is not easy for managers to decide which environmental problems deserve priority in the face of limited company resources.

Similar problems of defining issues and deciding on priorities are, of course, typical for social issues management in general. Companies often resort to stakeholder consultation to resolve conflicting interests (Zadek, 1998) and stakeholder theory is increasingly being used by scholars to explain companies' social performance (Ullmann, 1985; Roberts, 1992; Clarkson, 1995; Litz, 1996; Mitchell et al., 1997). Similarly, the environmental management literature tends to place some importance on stakeholder consultation (e.g. Shrivastava, 1994; Stead and Stead, 1996). Starik (1995) even goes as far as suggesting that the environment should be considered a stakeholder in its own right.

Literature review

The relationship between a company and its stakeholders can be conceptualised in terms of agency theory (Donaldson, 1982; Hill and Jones, 1992; Jones, 1995), where firms can be seen as

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a nexus of (explicit or implicit) contracts between their top managers and other stakeholders, including shareholders. Woodward et al. (1996) suggest that this – implicit – principal-agent contract between a company and its non-owner stakeholders rests on the concept of social legitimacy and obliges the company to report on its social performance.

A number of authors have conceptualised the relationship between stakeholder attributes, the extent of a company's stakeholder orientation and the company's social performance. Ullmann (1985) suggests that (a) stakeholder power is positively correlated with social performance, and (b) companies that use an active posture to influencing the organisation's relationship with key stakeholders achieve higher social performance. Wood (1991) and Clarkson (1995) argue that it is possible to analyse and evaluate a company's corporate performance partly by looking at the way it manages relationships with its stakeholders. Logsdon and Yuthas (1997) suggest that companies go through stages of moral development, similar to the stages of individual moral development proposed by Kohlberg, and that the sophistication of the company's stakeholder orientation can serve to determine the stage of corporate moral development.

It is also recognised that in practice not all company – stakeholder relationships tend to be seen as equally important by managers. Some efforts have therefore gone into conceptualising the relationship between the attributes of various stakeholder groups and the attention they receive from managers. Mitchell et al. (1997) identified three dimensions of stakeholder salience for managers: (a) the power that a particular stakeholder group is perceived to hold, (b) the legitimacy that the stakeholder group is considered to have, and (c) the perceived urgency of the stakeholder group's demands. They argued that managers would pay most attention to the expectations of stakeholder groups that were perceived to show all three attributes and least to those stakeholders exhibiting only one dimension. A slightly different framework is suggested by Freeman (1984) and Huse and Eide (1996), who suggest that stakeholder power and influence can be based in one of several of the following: a formal or institutionalised basis; an economic basis; or a societal legitimacy basis. Rowley (1997) suggested that stakeholder influence is not only determined by the attributes of individual stakeholder groups but also by the way in which different stakeholder groups interact and form networks. Companies which were subjected to the attention of multiple stakeholders were likely to show stronger social performance, particularly if these stakeholder groups co-ordinated their efforts.

Freeman (1984) advocates that stakeholder considerations be incorporated into traditional strategic planning approaches. He proposes a four step stakeholder management process: (1) identification of all relevant stakeholder groups in relation to the issue being addressed; (2) determining the stake and importance of each stakeholder group; (3) determining how effectively the needs or expectations of each group are currently being met by the company; and (4) modification of corporate policies and priorities to take into consideration stakeholder interests that are not currently met. Polonsky (1995), as well as Altman and Petkus (1994) point out that the stakeholder management process involves both consultation and information and Hosmer (1994) argues that companies can rely on their stakeholders not only for co-operation but also for innovative developments and advice.

There is a growing body of empirical studies on stakeholder theory and management. Lerner and Fryxell (1994) studied the relationship between CEOs' stakeholder attitudes and a company's social activities and found it to be only minor. Greenley and Foxall (1997) found some relation between stakeholder orientation and a company's financial performance but this was dependent on a number of other factors, Dooley and Lerner (1994) found that CEOs' concern for stakeholder expectations was significantly influenced by the company's financial performance. Frost (1995) found that stakeholder analysis provided a useful tool for understanding ethical issues surrounding the mining industry in Australia. Sillanpää (1998) provides a case study of the Body Shop's approach to integrating stakeholder values in its social auditing process. Generally, empirical work into stakeholder orientation and management shows a great diversity of topics studied and, perhaps due to the newness of the field and the relatively small body of literature available, little attempt to build systematically on previous findings or theoretical work in the field.

In an article that is relatively closely related to the work reported here, Fineman and Clarke (1996) studied how companies in four different industries looked at environmental stakeholder groups, and identified four groups of environmental stakeholders: (1) groups whose manifest mission it is to care for the planet (national and local green pressure groups and individual champions); (2) regulators and government; (3) stakeholders with vicarious green interests (financial shareholders, customers, suppliers, and the media); and (4) internal stakeholders. Their findings suggested that companies may be more willing to engage with those green stakeholder groups that they find co-operative and non-threatening to the company's activities. They concluded that this tendency may limit the environmental changes that companies feel compelled to undertake.

Research questions

The present study looks at the drivers of environmental change ("corporate greening") in a number of U.K. water and electricity companies. It examines the perceived importance of various potential green stakeholder groups and the ways in which companies interact with them. As a theoretical framework for the research we use Mitchell et al.'s (1997) three-dimensional model of stakeholder power, legitimacy and urgency. More specifically the article looks at the following questions:

- What is the general attitude of managers towards environmental stakeholders?
- How do they approach the management of environmental stakeholder relationships?
- What stakeholder groups are perceived as most important by managers?
- How is this perceived importance related to perceived stakeholder power, legitimacy and urgency?

Methodology

This research is based on a comparative case study methodology and follows largely the qualitative methods suggested by Miles and Huberman (1994). While each case in a comparative case study is by necessity treated in less detail than a single case study, "multiple cases offer the research a [. . .] deeper understanding of processes and outcomes of cases, the chance to test (not just develop) hypotheses, and a good picture of locally grounded causality" (Miles and Huberman, 1994), p. 26.

Data was gathered in six U.K. water and electricity companies. These recently privatised utilities are thought to constitute a good 'test bed' for our research, as we assume that they started from relatively similar positions at the time of privatisation and have since had the opportunity to develop differently, for example, in the area of environmental management. So while we expect that companies in these industries do things differently, they will at the same time have a relatively similar history, thus making them comparable.

We carried out case studies in two water and sewerage companies, two regional electricity companies (RECs – companies set up to deal with electricity distribution although some have invested in limited generation capacity), and two multi-utility companies, comprising both water and electricity utilities. On the basis of company publications, such as annual reports and environmental reports, independent studies, press reports, and personal contacts, we identified companies which were thought to have reached different stages in their environmental management and 'greening' process. Considerations of access and physical location also influenced the final choice of companies. For competitive reasons the companies did not want to be identified in this article and are referred to as Water 1, Water 2, Electricity 1, Electricity 2, Multi-utility 1 and Multi-utility 2. While top managers at all the companies made it a condition of participating that we would not divulge any competitively sensitive information no restrictions on reporting were made in practice, presumably because the questions we asked were not considered to touch commercially sensitive areas.

Data was gathered mainly through semi-structured interviews, augmented by documents such as policy documents, environmental performance reports, strategy documents, and similar. In each company we interviewed between 12 and 15 individuals, selected from different levels in the organisational structure and hierarchy. Our respondents were chosen through theoretical and snow-ball sampling and included group directors, group environmental and other staff, divisional directors and senior managers and divisional environmental staff. Details of the number and position of respondents in each company is given in Appendix 1. Respondents' demographics, such as age, gender or ethnic background were not considered relevant in the context of our study, where the focus was on attitudes prevailing within and across organisations. (But Appendix 1 does give some indication of respondents' gender and whether they had worked in the company since before privatisation or joined afterwards. Of our sixty respondents only one was non-white and only five were women. This reflects the traditional composition of these companies rather than any sampling bias.)

Interviews lasted between 45 minutes and two hours. As a general rule interviews were tape recorded and fully transcribed. In a small number of cases, however, this was not possible. Interviews 17, 29 and 40 were our first contacts with senior and top managers of the respective companies, designed to negotiate access as well as gather information. Tape recording did not seem appropriate in these cases. In three cases the respondents were not happy to be tape recorded (interviews 31, 38, 54) and in three cases background noises made recording impossible (interviews 11, 33, 37). In these cases extensive notes, running to several pages, were taken during and immediately after the interviews. While this obviously misses out some detail of the responses we feel that our notes were extensive enough so that the lack of tape recording in these cases did not affect the analysis significantly. Short second interviews (sometimes via telephone) were carried out with some key respondents, mostly group environmental managers, to clarify factual questions. We did not feel it was necessary to have second interviews with the majority of our respondents as factual questions could generally be clarified by the environmental manager. As interviews were of different lengths and took somewhat different routes depending on the background and interests of the individual respondents, having second interviews with some respondents but not with others would not appear to have impacted on the analysis in any significant way.

Analysis consisted of searches for themes related to stakeholder management and within-case and between-case comparisons as suggested by Eisenhardt (1989) and Miles and Huberman (1994). To this we added some comparisons between the two industries from which our cases were drawn. A matrix display and analysis (Miles and Huberman, 1994) was carried out and some of the matrix tables are shown in the results sections of the article. Throughout the analysis we decided to work with words rather than convert them into numbers through content analysis as "[. . .] although words may be more unwieldy than numbers they render more meaning than numbers" (Miles and Huberman, 1994). Content analysis (Holsti, 1969; Krippendorff, 1980) which focuses solely on the numbers can easily shift attention from substance to arithmetic and while probably suitable to the analysis of large quantities of documents would seem to run somewhat to counter the essence of qualitative field study.

General green stakeholder approach

Managers in all six companies mentioned at least some green stakeholders and recognised that the company needed to address the concerns of these groups.[1] This recognition seemed to be grounded in three different streams of thinking. One was the realisation that certain stakeholder groups could have a significant negative effect on the company if not taken into account.[2] The second rationale was an emerging realisation that certain stakeholders can also affect the company's environmental management positively, for instance through giving advice on issues where the stakeholder had particular expertise, such as wildlife management,[3] or by reinforcing the company's credibility with other stakeholders, for instance in the case of a regulator supporting a water company's campaign to persuade the general public to consume less water.[4] The third rationale was a feeling that addressing stakeholder needs was morally the right thing to do.[5] This seemed to apply particularly to the local community and the company's customers.

At the same time, the companies in our study did not appear to have a very systematic approach to stakeholder management in general and environmental stakeholder management specifically. Some managers felt that their company in general did not have a very clear idea who their stakeholders were and what was the best way to approach them or, indeed who the audiences for their environmental performance reports were.[6] While companies had regular contacts with some stakeholders, particularly where these were required by legislation, this regularity did not extend to all stakeholders. Managers sometimes expressed the feeling that their environmental stakeholder management process should be more systematic.[7] Yet, at the time of the interviews none of the companies interviewed seemed to have developed an environmental stakeholder map, made a systematic attempt to determine the importance of each stakeholder group or initiated a systematic consultation process that included all relevant stakeholders. These findings are summarised in Table I.

Managers identified a number of organisations or groups that they considered to have some interest in environmental issues. These were the British parliament and government and the European Commission and parliament through legislation and regulatory frameworks,[8] industrial (OFWAT and OFFER)[9] and environmental regulators (Environment Agency),[10] other state regulators and agencies (English Nature, English Heritage, the Countryside Commission),[11] local authorities,[12] shareholders,[13] employees,[14] customers,[15] investors and City analysts,[16] the local community,[17] the general public,[18] wildlife trusts[19] and local and national pressure groups.[20]

Stakeholder power

The question of stakeholder power was briefly discussed above. Ullmann (1985) argued that stakeholder power was positively related to a company's social performance. In an argument that goes back to Weber's thoughts on social

TABLE I
General stakeholder approach

	Water 1	Water 2	Electricity 1	Electricity 2	Multi-utility 1	Multi-utility 2
Stakeholder needs recognised	Int. 1	Int. 9, 10	Int. 18, 20, 21, 22	Int. 30, 32, 34	Int. 40, 42, 43	Int. 57, 58
Potential negative impact of stakeholders	Int. 1	Int. 10, 11	Int. 20, 26, 27	Int. 32, 34, 38	Int. 41, 46, 56	Int. 57, 59
Potential positive impact of stakeholders					Int. 43	
It is morally right to address stakeholder needs	Int. 1, 2, 3	Int. 9, 11, 12	Int. 17, 18, 19, 20	Int. 29, 32, 35	Int. 40, 42	
Unclear about stakeholder needs & approach			Int. 18	Int. 30	Int. 42	
Stakeholder management should be more systematic		Int. 9	Int. 18	Int. 30	Int. 42	

dominance, Freeman (1984) suggested that stakeholder power could have (a) a formal or institutionalised basis, (b) an economic basis or (c) a social legitimacy basis, whereas Mitchell et al. (1996) saw stakeholder power as different from stakeholder legitimacy.

Throughout our research it became apparent that managers tended to consider stakeholders with institutionalised power as most immediately influential. Legislation was a powerful driver for environmental management. This was particularly true for the water companies, which were faced with significant European environmental legislation (Urban Waste Water Directive, Bathing Waters Directive, etc.). Compliance with this legislation was written into their operating licenses and the necessary capital expenditures agreed with the industry regulator, OFWAT.

The regional electricity companies, distributors of electricity as opposed to generators, faced considerably less specific environmental legislation. Compliance with legal obligations was therefore considered to be a less challenging part of environmental management and some managers in the sector saw this as the absolute minimum that they must achieve.[21] The need to comply with legislation was widely accepted by our respondents, although some felt that certain legislative requirements could be somewhat inappropriate. For instance, respondents in Multi-utility 1 stated that their customers and they themselves felt that the elimination of foul-flooding was more important than cleaning up bathing waters but that existing legislation demanded that the latter take priority over the former.[22]

Legislation is personified in the regulatory bodies whose task it is to enforce it. In accordance with the importance of legislation in driving environmental management, managers tended to consider the Environment Agency, the U.K. environmental regulatory body as their most immediate and tangible environmental stakeholder. While prosecution by the EA was often mentioned, particularly by managers in the water & sewerage industry, as the most likely stakeholder retaliation that the companies faced,[23] many of our respondents explicitly stressed that the relationship with the Agency tended to be co-operative[24] rather than threatening or adversarial. However, this opinion was more evident in companies that got few prosecutions than in those (some water companies in particular) that had been heavily prosecuted by the EA for breaching discharge licences. Managers in Electricity 1 also thought that the EA was quite stretched in terms of resources and relied on companies' co-operation to be able to prosecute them at all.[25]

Industry regulators are the companies' other stakeholder with a clearly institutionalised power base. These regulating bodies were set up at the time of the privatisation of the U.K. water and electricity industries to safeguard the interests of consumers and society. Managers by and large agreed that the industry regulators had a significant influence on the environmental management of their companies, mostly by setting price and investment levels for the companies. While the regulators thus effectively determined the level of environmental expenditure, our respondents did not generally feel that the regulators were themselves driven by environmental concerns beyond the requirements of the law. Rather the main concern of both the water and the electricity regulator was to keep prices down for consumers. Some managers in the water industry suggested that this resulted in conflicting goals between the Environment Agency and the industry regulator. While they felt that the EA would like to see them do more in terms of environmental protection and go beyond legal requirements, the industry regulator was concerned about the rising cost to consumers that the heavy capital investment entailed and wanted to steer in the other direction. Managers felt that their companies were caught in the middle but implied that, ultimately, they had to follow their industry regulators.

Shareholders and investors were seen to be in a powerful situation relative to the company but only marginally interested in environmental issues, although some managers felt that there was an awakening interest. One environmental manager described how her original appointment had been triggered by questions from major shareholders.[26] However, most managers felt that the majority of shareholders had no urgent interest in environmental issues and was more concerned with a reasonable return on investment.[27] Shareholder expectations, not unlike those of the industry regulators, thus impacted on environmental management more in the sense of a limiting force. City analysts and investors were generally seen in a similar vein. Some managers testified to the occasional interest from ethical and environmental investment funds[28] and managers in Electricity 2 thought that investment analysts in general were slowly waking up to the idea that a company's environmental performance could be an important factor in making future investment decisions.[29]

Customers in general have relatively little direct power over the companies in this study, as these still are in a near monopoly situation (despite some steps to make the electricity market, in particular, more competitive being taken by the U.K. government). Domestic customers are, however, seen as having very high legitimacy, as will be discussed in the next section. Large industrial and commercial customers of electricity have a wider choice of potential suppliers and thus more economic power vis-à-vis companies but our respondents in the electricity industry thought that these customers were not particularly interested in the green credentials of their electricity supplier, making their purchasing decisions based on price, and to some extent service.[30] Large customers are the most obvious target for demand side management (the deliberate attempt by a company to reduce demand for their product, particularly at peak times) and managers in Electricity 1 were reporting first steps in that direction.[31] In the overall scheme of things, however, large customers were regarded as a marginal green stakeholder.

All in all, it seems to us that stakeholders with an institutional power base, such as government through legislation and both environmental and economic regulators are by far the most immediately influential green stakeholders of the companies studied. This varied to some extent between the two industries, in so far as legislation emerged as a more important environmental driver for the water companies than the electricity companies. It also varied to some extent between companies in the same sector. Where managers felt the company had compliance issues under control, there seemed to be more emphasis on other green stakeholders, most notably customers, local communities and the general public.[32] These findings are summarised in Table II.

Stakeholder legitimacy

The stakeholders with institutionalised or economic power, identified above, were generally also considered to be legitimate. However, an equation of institutional power and perceived legitimacy is not automatic. This was illustrated in one comment by a manager in Water 2, who suggested that the industry regulator ultimately derived his authority from representing consumer interests and that, as soon as he ceased to represent these interests adequately, he would also lose legitimacy as a stakeholder.[33] Similarly, the legitimacy of shareholders' and investors' interests in the company, including its environmental management, were not really questioned by any of the managers. However, several respondents stated that, due to the recent public service background of the industries, shareholders were still a relatively new and unfamiliar concern to them.[34] Some also suggested that the legitimacy of shareholder interests was not equally fully accepted by the general public, as evidenced by the widespread hostility that the privatisation of the water and electricity industries in 1989 had sparked.[35]

The public service background of the industries may also explain why the majority of respondents seemed to feel that the stakeholders with the highest legitimacy were their customers, local communities and society or the public in general. In fact, many managers would say that these were their most important stakeholders.[36] Due to the effective monopoly situation of these companies, the general public as well as local communities were also their customers, as were their own employees and indeed any pressure groups. Thus managers often spoke of customers and the general public interchangeably.

Customers and the local community were

TABLE II
Stakeholder Power

	Water 1	Water 2	Electricity 1	Electricity 2	Multi-utility 1	Multi-utility 2
Legislators as powerful stakeholders	Int. 1, 2, 3, 5, 7, 8	Int. 9, 10, 11	Int. 18, 19, 20, 21, 22, 24, 26	Int. 29, 30, 31, 32, 34, 37, 38	Int. 40, 41, 42, 43, 46, 51, 55	Int. 58, 59, 60
Legislative requirements are minimum standard to be achieved			Int. 17, 18, 19			
Environment agency as powerful stakeholder	Int. 1, 2, 3, 4, 5, 6, 8	Int. 10, 11, 12, 14, 15, 16	Int. 19, 20, 21, 22, 26, 27	Int. 34, 37, 38	Int. 41, 42, 43, 44, 45, 46, 52, 54	Int. 57, 58, 59, 60
Environment agency sanctions most likely stakeholder retaliation	Int. 1, 3, 7, 8	Int. 10, 12, 14, 15	Int. 26, 27	Int. 31, 32, 37	Int. 41, 43, 44, 46, 56	Int. 57, 60
Industry regulators are powerful stakeholders	Int. 1, 2, 3, 4, 5, 6	Int. 9, 10, 11, 13, 15	Int. 18, 20, 23	Int. 29, 30, 32, 34	Int. 42, 43, 45, 48, 51, 54, 56	Int. 57, 58, 59
Shareholders/owners as influential stakeholders	Int. 1, 7, 8	Int. 14	Int. 17, 18, 20, 28	Int. 30, 31	Int. 40, 42, 43	Int. 57
Shareholders/owners are not very interested in environmental issues	Int. 1, 8		Int. 17, 20, 26	Int. 30, 31, 32	Int. 40, 43	
Good compliance record leads to less focus on regulator as environmental stakeholder	Int. 1, 2, 3, 7, 8		Int. 17, 18, 19, 20			

consulted regularly by most companies, often over local issues, such as planning permissions or nuisance caused by the company's activities.[37] The water division of Multi-utility 2 felt they had gone furthest in their consultation of customers in conducting a survey of all their customers which, among other things, helped them to determine priorities for discretionary environmental investments.[38]

Despite managers' frequently stated concern for 'the general public' or 'society', this seemed quite an ill-defined term and managers seemed to regard them largely as an homogenous mass with little differentiation between groups. The only differentiation occurred when respondents talked about local communities. In their role as members of a local community, members of the public became more clearly defined and identifiable to managers. Companies tended to come into contact with local communities over specific issues, for instance during the planning phase of a new projects, such as a sewage treatment works or an electricity sub-station, or over specific concerns, such as odour, noise, or electromagnetic fields. It was in their dealings with local communities where managers frequently seemed to have the clearest idea of stakeholder expectations and methods of establishing and maintaining regular contacts. There were certain legal obligations in terms of involvement of local groups in the planning process for new projects, but many managers told us that they had developed a more regular process, where they tried to gauge the communities' attitudes very early in the planning process or on a regular basis, in order to identify problems early and also to bring over the company's position on certain issues.

One stakeholder group whose legitimacy was questioned by a number of managers was the media. They were often considered to be hostile and unfair to the companies, particularly in the reporting on water shortages and leakage (water industry), perceived public health risks of electromagnetic fields (electricity industry) or post-privatisation executive salaries.[39] Keeping the company out of the headlines was often mentioned as one purpose of good environmental management.[40] Thus managers said they would generally try and avoid the media, unless they were approached in a way that made it impossible not to reply. One of our respondents said that he did not regard the media as a stakeholder of the company at all.[41]

Occasionally a respondent would question the legitimacy of environmental pressure groups, although the reaction differed considerably between different types of interest groups. Generally, the more mainstream and broad-based a pressure group was perceived to be by managers the more legitimacy it was considered to have. For instance, local wildlife trusts generally were considered as highly legitimate by managers in the water companies (due to their large landholdings these companies have a special legal obligation to engage in comprehensive land management for conservation and recreation).[42] Companies co-operated with these trusts and used their expertise in managing company owned land. Similarly, national environmental pressure groups, such as Friends of the Earth or the Royal Society for the Protection of Birds (RSPB) were generally considered to be legitimate stakeholders by managers, who perceived them to be 'reasonable' and co-operative'. A number of managers felt that such pressure groups had a valuable role to play for society in general[43] and could also be beneficial in keeping the company 'on its toes' in terms of environmental commitment, mostly due to their influence on public opinion.[44] Concerns regarding legitimacy were raised mostly about pressure groups that appeared to be hostile[45] or that were seen to have a very narrow agenda and thus failed to appreciate the wider picture within which managers felt they had to operate.[46]

Companies preferred to deal with stakeholders who they perceived to be co-operative and non-threatening. They had more regular contacts with such stakeholders and said they were more prepared to share company internal information with them in order to get the stakeholders' views and possibly advice. This confirms the findings of Fineman and Clarke (1996). Findings concerning the perceived legitimacy of stakeholders are summarised in Table III.

Urgency of stakeholder claims

Our respondents generally regarded the demands made by government (through legislation) and by the Environment Agency as urgent, in the sense that these were demands that they had to comply with within a given time frame. Apart from that issues that were of major public concern, such as electromagnetic fields,[47] water shortages and leakage[48] and sewage disposal,[49] and were consequently taken up by the press and by environmental pressure groups, also seemed to be considered as relatively urgent.

Several stakeholder groups were thought not to have very urgent environmental claims although they might be considered highly legitimate or to possess significant potential power. One of these were the companies' shareholders or owners, who were not considered to be very interested in environmental issues by most respondents.[50]

A rather confused picture emerged concerning the perceived environmental interest and awareness of customers, both domestic and industrial. Practically all members of the local public are also the companies' customers. However, that does not mean that people necessarily have the same priorities or act in the same way in their simultaneous roles as customers, members of the local community and members of the general public.[51] Managers frequently suggested that they got a message of significant environmental concern from the general public and the local communities.[52] However, as customers, the same people could be less concerned about the companies'

TABLE III
Perceived legitimacy of stakeholders

	Water 1	Water 2	Electricity 1	Electricity 2	Multi-utility 1	Multi-utility 2
Industry regulator receives legitimacy from customers		Int. 9				
Shareholders are new concern		Int. 15	Int. 17, 18, 28	Int. 29, 30	Int. 43	
Shareholder interest not fully accepted by public	Int. 2, 3	Int. 15			Int. 40, 43	Int. 57
Customers and community are important stakeholders	Int. 1, 2, 3, 5, 7, 8	Int. 9, 10, 11, 12, 13, 15, 16	Int. 17, 18, 20, 22, 23, 24	Int. 30, 31, 32, 36, 39	Int. 42, 43, 44, 48, 50, 51, 56	Int. 57, 58, 59
Customers and community are most important stakeholders	Int. 1, 2	Int. 9, 10	Int. 17, 18, 20	Int. 29, 30, 32	Int. 43, 50, 51	Int. 57, 58
Legitimacy of media as stakeholder questioned	Int. 1	Int. 9		Int. 34	Int. 40, 41	
Wildlife groups are highly legitimate stakeholders	Int. 4, 6	Int. 9, 10, 14			Int. 42, 43	Int. 60
Pressure groups derive influence from public opinion	Int. 1, 2, 5	Int. 9	Int. 17, 20	Int. 34		Int. 57

environmental performance, certainly if that meant higher bills.[53] Perhaps as a consequence, managers tended to state that customers were a very important environmental stakeholder but at the same time had little clear idea of any environmental actions demanded by customers. A number of managers also complained that customers/the public had little real understanding of the way in which water or electricity companies worked or of the environmental issues concerned and that their views and demands were therefore often not very well founded.[54] Managers seemed to place more emphasis on informing and 'educating' the public and customers than they did with other stakeholders.

A similar status of high legitimacy but unclear urgency of environmental claims seemed to adhere to companies' employees. While some managers considered employees to be generally interested in green issues and thought that working for a company with a good environmental record was motivating for many employees,[55] other respondents suggested that employees were generally not particularly well informed about or interested in environmental issues and were not easily motivated to take account of environmental issues in their work.[56] The impression that managers had of their employees' motivation for environmental management seemed to vary considerably between companies. For instance, Water 2 used employee participation in environmental actions and 'green groups' as an employee motivation tool and managers claimed that it worked well in that respect. Generally, managers in the water companies felt that a large number of their employees was intrinsically interested in environmental issues, which was the reason why they had chosen to work for the water authority.[57]

Despite their potential power international or national environmental pressure groups, such as Greenpeace or Friends of the Earth, were not considered a particularly urgent environmental stakeholder by most respondents.[58] None of our respondents felt that these organisations were particularly interested in their companies. Some managers in the water companies said that there had been more interest in the past, when British water authorities still dumped raw sewage into the sea (a practice since discontinued through European regulation) but that this interest had diminished considerably.[59] Many of our respondents felt that the big environmental pressure groups had 'bigger fish to fry' than local water or electricity distribution companies. Some of our respondents had had some informal contact with members of Friends of the Earth or other organisations[60] but most seemed content not to have attracted any unwanted attention from these pressure groups. The findings regarding urgency of stakeholder claims are summarised in Table IV.

Summary and conclusion

In the previous sections we examined the power, legitimacy and urgency of a number of environmental stakeholder groups as described by managers in six companies in the U.K. water and electricity industries. In summary, the following findings were the most salient:

- Stakeholders with an institutional power base, such as government through legislation and environmental and industry regulators, were seen to be most immediately influential. These stakeholders were considered to have significant power, legitimacy and urgency.
- The demands of these stakeholders could conflict with each other, in which case companies followed those demands backed up by legislation.
- Customers and the public were considered to be highly legitimate, and indirectly rather powerful stakeholders, but their claims were

TABLE IV
Urgency of stakeholder claims

	Water 1	Water 2	Electricity 1	Electricity 2	Multi-utility 1	Multi-utility 2
Issues of major public concern are considered as urgent	Int. 1, 2, 3, 5	Int. 9, 10, 12, 15	Int. 17, 18, 19, 20, 26, 27	Int. 30, 34	Int. 41, 42, 43, 44, 45, 46, 49, 51, 54	Int. 57, 58, 59
Public shows significant environmental concern	Int. 1, 2, 3, 7	Int. 9, 10, 12	Int. 17, 19, 20, 22, 26, 27, 28	Int. 31, 37, 38	Int. 40, 41, 42, 43, 46, 50, 51	Int. 57, 59, 59
Customers are reluctant to accept higher bills for environmental protection	Int. 2	Int. 10	Int. 17, 20, 23	Int. 34	Int. 40, 43, 50	
Employees show environmental concern	Int. 1	Int. 11, 12, 14	Int. 18, 19, 20, 24, 26	Int. 31	Int. 41, 42	Int. 58
Water employees show particular concern for environment	Int. 2, 3, 6	Int. 9, 11, 12, 15			Int. 40, 41, 42, 43	Int. 57, 58, 60
Pressure groups have no urgent interest in water or electricity companies	Int. 1, 2	Int. 9, 10	Int. 17, 18, 22	Int. 30, 32, 34, 35		Int. 58

often seen to be neither very coherent nor particularly urgent. Managers put more emphasis on 'educating' these stakeholders than they did with other groups.

- Employees were also considered to be very legitimate environmental stakeholders but their power and the urgency of their environmental claims was somewhat uncertain.
- Shareholders and owners were considered to be both powerful and legitimate but not generally very interested in environmental issues and consequently not a driver of environmental management, except in a constraining sense.
- There was a tendency to avoid potential stakeholders that were considered to be hostile and/or whose claim were not thought to be fully legitimate. This applied to sections of the media and some environmental pressure groups.

The overall picture that emerges is one of a partial green stakeholder management process where some green stakeholders receive a fair lot of attention whereas others are not considered to be very important. Within Logsdon and Yuthas's (1997) classification, this would put the companies in the study somewhere between the conventional and the post-conventional stage. While the requirements of the law clearly influence stakeholder management (a sign of the conventional stage), there is also evidence that companies give some consideration to stakeholder claims which are not backed up by law (a sign of the post-conventional stage). Public opinion seemed to be as powerful a motivator as legislation to many managers. In the light of this one might question whether a simple three-stage model can really capture the essence of stakeholder relations as exhibited by a firm, particularly given the varying nature of stakeholder backgrounds and claims.

All three dimensions of stakeholder influence suggested by Mitchell et al. (1997) had an impact on managers' perceptions of, and reactions to, different stakeholder groups. Stakeholders that were seen to have significant power, legitimacy and urgency – e.g. the Environmental Agency and the industry regulators – were clearly given high priority in the managers' minds. Where stakeholders only showed one of the three dimensions clearly – e.g. customers or employees with high legitimacy but limited perceived power or urgency – managers tended to speak highly of them, as seemed to befit their high perceived legitimacy but these stakeholders seemed to have only limited direct influence on managers' actions.

Mitchell et al.'s (1997) framework thus seems useful in interpreting managers' constructions of stakeholder influence in an environmental management context. It should perhaps be stressed again here that our study only looked at the way in which managers perceived stakeholder power, legitimacy and urgency, not at any objective measurement of these three constructs. Operationalising the three dimensions in a way that would allow objective measurement would seem to be very difficult and also perhaps unnecessary, given that managers will respond to their perceptions of stakeholder influence, not any objective measurement outside this perception.

Some questions remain about the extent to which the three dimensions are independent of each other. There seem to be a number of instances where power and legitimacy may not be all that easy to separate, although we have also found instances where high perceived stakeholder legitimacy was not accompanied by an equally high perceived stakeholder power, e.g. in the case of customers and employees. Further research using the Mitchell et al. (1997) model would improve our understanding of this facet.

The results of this study suggest that stakeholders who are not perceived to have power, legitimacy *and* urgency are less likely to make their claim on companies, regardless of how well justified these demands may be. Stakeholders that have no power to impose sanctions on companies, that are not perceived to be legitimate – which may just mean that they are non-traditional – or which don't shout very loud may not be totally ignored, but their claims are not likely to be treated with the same seriousness.

Stakeholder demands which are not yet well established may go unheeded. Many environmental issues may fall into this category, given that environmental understanding is constantly evolving and many issues have indeed not yet gained widespread acceptance or been institutionalised into powerful and legitimate stakeholder representation. This would explain the often reported reluctance of companies to take on board emerging environmental issues.

This raises some interesting questions, both from a theoretical and from a managerial perspective. Could managers ensure a more equal representation of all stakeholder concerns, by adopting a systematic stakeholder consultation process as recommended, for instance, by Freeman (1984) and Hummels (1998) and which some of our respondents were considering? If so, would such a pro-active approach amount to the 'corporate leadership' in achieving ecological sustainability which is frequently advocated by writers on sustainable business and corporate environmental management (e.g. Post, 1991; Roome, 1992; Schmidheiny, 1992; Shrivastava, 1994; Stead and Stead, 1996 and many others)? What would be the practicalities of such an approach? Would such a pro-active approach help companies resolve conflicting stakeholder expectations? Would it help them to tap into currently underused sources of environmental expertise that might be provided by certain stakeholders? What would be the benefits and risks associated with such an approach both for the company and for the various stakeholder groups involved? Here seems a fertile field for further research, which should enrich our understanding of corporate social performance.

It is difficult to compare the findings of our study to the results obtained from studies in other industries as these are often very differently framed. Clearly the approach taken by our case study companies was not as systematic as that described by Sillanpää (1998) for the Body Shop, but the Body Shop approach is probably not typical for the cosmetics industry as a whole. Our findings correspond in many respects to those made by Fineman and Clarke (1996) in four U.K. industries – food retailing, automotives, power and chemicals – particularly in terms of managers' tendencies to ignore non-traditional and potentially hostile stakeholders.

One important aspect of the relationship between stakeholder influence and company behaviour has not been addressed in this paper. We have looked at the way in which managers construct stakeholder importance but not at the relationship between this perceived importance and companies' environmental performance. Both Ullmann (1985) and Clarkson (1995) suggest that there is a relationship between stakeholder influence and corporate social performance. This we have not tested. We found that managers seem to attach more importance to certain stakeholders, based on their perceived power, legitimacy and urgency, and it is not unreasonable to assume that they therefore produce more actions to address the concerns of those stakeholders considered as important. But whether this translates into real environmental improvements we do not know. Part of the reason for this is that a company's total environmental performance is difficult to measure and even more difficult to compare between companies. Nonetheless, future research could make a useful contribution to our understanding of stakeholder influence and corporate environmental performance by studying this link more explicitly.

Appendix 1: List of respondents

Resp No.	Company	Position	Joined company before or after privatisation	Gender
1	Water 1	Group Environmental Director	before	M
2	"	Environmental Management System Officer (Water & Sewerage)	before	M
3	"	Conservation Manager (Water & Sewerage)	after	M
4	"	Estates Manager (Water)	n/a (div. always in private sector	M
5	"	Regional Manager, Production (Water & Sewerage)	before	M
6	"	Regional Middle Manager, Supply (Water & Sewerage)	before	M
7	"	Director (Environmental Consulting Business)	after	M
8	"	Technical Control Manager (Waste Management)	after	M
9	Water 2	Environmental Information Manager (Group)	before	M
10	"	Director of Quality & Environment (Water & Sewerage)	before	M
11	"	Environmental Co-ordinator (Water & Sewerage)	before	M
12	"	Sewage Treatment Manager (Water & Sewerage)	before	M
13	"	Facilities Manager (Water & Sewerage)	before	M
14	"	Regional Sales Manager (Water & Sewerage)	after	M
15	"	Manager, Supply (Water & Sewerage)	before	M
16	"	Customer Service Manager (Water & Sewerage)	before	F
17	Electricity 1	Group Director of Regulation	before	M
18	"	Group Environmental Manager	before	M
19	"	Group Legal Advisor	before	M
20	"	Director, Systems Division (Electricity Distribution)	before	M
21	"	Director (Property Division)	after	M
22	"	Operations Manager (Generation Division)	before	M
23	"	Central Sales & Special Markets Manager (Electricity Supply)	after	M
24	"	Environment & Safety Co-ordinator (Customer Services)	before	M
25	"	Site Services Manager	before	M
26	"	Environmental Co-ordinator, Systems (Electricity Distribution)	before	M
27	"	Environmental Co-ordinator, Network Engineering (Electricity Distribution)	before	M
28	"	Transport Manager	before	M
29	Electricity 2	Chief Executive Officer	after	M
30	"	Group Environmental Manager	after	F
31	"	Group Corporate Communications Manager	nor known	F
32	"	Customer Operations Manager	before	M
33	"	Health, Safety & Environment Manager (Customer Operations)	before	M
34	"	Performance Standards Manager (Electricity Distribution)	before	M
35	"	Estates Manager	before	M

Appendix 1 (continued)

Resp No.	Company	Position	Joined company before or after privatisation	Gender
36	Electricity 2	Divisional Environmental Co-ordinator	before	M
37	"	Waste Management Officer	before	M
38	"	Generation Manager	after	M
39	"	Manager (Technical Services Marketing and R&D)	after	M
40	Multi-utility 1	Group Technical Director	before	M
41	"	Group Health, Safety and Environment Manager	after	M
42	"	Group Environmental Advisor	beforeF	
43	"	Environmental Co-ordinator (Water & Sewerage)	before	M
44	"	Water Supply Director (Water & Sewerage)	before	M
45	"	Waste Management Manager (Group)	after	M
46	"	Waste Management Manager (Water & Sewerage)	before	F
47	"	Conservation & Recreation Manager (Water & Sewerage)	before	M
48	"	Energy Services Manager (Electricity Supply)	before	M
49	"	Quality Manager, Energy & Telecoms (Electricity Supply)	before	M
50	"	Environmental Co-ordinator, Energy and Telecoms (Electricity Supply)	before	M
51	"	Quality Manager (Electricity Distribution)	before	M
52	"	Waste Recycling Officer (Facilities Management)	before	F
53	"	Procurement Services Manager	after	M
54	"	Waste Water Regional General Manager (Water & Sewerage)	before	M
55	"	Manager, Waste Management (Electricity Distribution & Supply)	before	M
56	"	Manager, Waste Management (Electr. Distribution & Supply)	before	M
57	Multi-utility 2	Technical Director, Environment (Water & Sewerage)	before	M
58	"	Environmental Policy Co-ordinator (Water & Sewerage)	before	M
59	"	Water Resources Manager (Water & Sewerage)	before	M
60	"	Conservation Officer (Water & Sewerage)	before	M

Notes

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[1] E.g. Interviews 1, 9, 10, 18, 20, 21, 22 30, 32, 34, 40, 42, 43, 57, 58.

[2] Interviews 1, 10, 11, 20, 26, 27, 32, 34, 38, 41, 46, 56, 57, 59.

[3] Interview 4.

[4] Interview 43.

[5] Interviews 1, 2, 3, 9, 11, 12, 17, 18, 19, 20, 29, 32, 35, 40, 42.

[6] Interviews 18, 30, 42.

[7] Interviews 9, 18, 30, 42.

[8] Interviews 1, 2, 3, 5, 7, 8, 9, 10, 11, 18, 19, 20, 21, 22, 24, 26, 29, 30, 31, 32, 34, 37, 38, 40, 41, 42, 43, 46, 51, 55, 58, 59, 60.

[9] Interviews 1, 2, 3, 4, 5, 6, 9, 10, 11, 13, 15, 18, 20, 23, 29, 30, 32, 34, 42, 43, 45, 48, 51, 54, 56, 57, 58, 59.

[10] Interviews 1, 2, 3, 4, 5, 6, 8, 10, 11, 12, 14, 15, 16, 19, 20, 21, 22, 26, 27, 34, 37, 38, 41, 42, 43, 44, 45, 46, 52, 54, 57, 58, 59, 60.
[11] Interviews 3, 4, 6, 17, 18, 19, 32, 41, 47, 59.
[12] Interviews 4, 6, 8, 10, 12, 15, 22, 26, 27, 31, 32, 34, 38, 43, 46, 47, 52, 55, 56, 59.
[13] Interviews 1, 7, 8, 14, 17, 18, 20, 28, 30, 31, 32, 40, 42, 43, 57.
[14] Interviews 1, 2, 5, 6, 8, 10, 11, 14, 16, 18, 19, 20, 23, 30, 31, 35, 37, 41, 42, 43, 60.
[15] Interviews 1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 20, 22, 23, 24, 30, 31, 32, 36, 39, 42, 43, 44, 48, 50, 51, 56, 57, 58, 59.
[16] Interviews 7, 18, 24, 28, 29, 30, 40, 41, 43, 49, 53.
[17] Interviews 1, 2, 8, 10, 12, 13, 14, 17, 20, 25, 31, 32, 38, 42, 43, 44, 45, 46, 51, 52, 58, 60.
[18] Interviews 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 17, 18, 20, 22, 26, 27, 29, 31, 32, 34, 35, 38, 39, 40, 41, 42, 43, 44, 46, 47, 50, 54, 57, 58, 59, 60.
[19] Interviews 4, 6, 9, 10, 14, 42, 43, 60.
[20] Interviews 1, 3, 5, 8, 9, 10, 12, 17, 18, 19, 22, 30, 32, 34, 35, 42, 43, 57, 59.
[21] Interviews 17, 18, 19.
[22] Interviews 40, 43.
[23] Interviews 1, 3, 7, 8, 10, 12, 14, 15, 26, 27, 31, 32, 34, 37, 41, 43, 44, 46, 56, 57, 60.
[24] Interviews 1, 3, 4, 8, 18, 22, 26, 34, 37, 57, 58, 59.
[25] Interviews 18, 26.
[26] Interview 1, 42.
[27] Interviews 1, 8, 17, 20, 26, 30, 31, 32, 40, 43.
[28] Interviews 18, 25, 32, 41.
[29] Interviews 29, 30.
[30] Interview 23.
[31] Interviews 18, 23.
[32] Interviews 1, 2, 3, 7, 8, 17, 18, 19, 20.
[33] Interview 9.
[34] Interviews 15, 17, 18, 28, 29, 30, 43.
[35] Interviews 2, 3, 15, 40, 43, 57.
[36] Interviews 1, 2, 9, 10, 17, 18, 20, 29, 30, 32, 43, 50, 51, 57, 58.
[37] Interviews 3, 6, 12, 15, 18, 22, 36, 42, 43, 47, 49, 57, 58.
[38] Interviews 57, 58.
[39] Interviews 1, 9, 34, 40, 41.
[40] Interviews 9, 34.
[41] Interview 9.
[42] Interviews 4, 6, 9, 10, 14, 42, 43, 60.
[43] Interview 57.
[44] Interviews 1, 2, 5, 9, 17, 20, 34, 57.
[45] Interviews 1, 9, 54.
[46] Interviews 17, 34, 42, 43.
[47] Interviews 17, 18, 19, 20, 26, 27, 30, 34, 41, 42, 49, 51.
[48] Interviews 1, 2, 3, 9, 10, 15, 41, 43, 44, 57, 58, 59.
[49] Interviews 1, 2, 5, 9, 10, 12, 41, 43, 45, 46, 54, 57, 58.
[50] Interviews 1, 17, 30, 32, 40, 49.
[51] Interviews 9, 16, 43.
[52] Interviews 1, 2, 3, 7, 9, 10, 12, 17, 19, 20, 22, 26, 27, 28, 31, 34, 37, 38, 40, 41, 42, 43, 46, 50, 51, 57, 58, 59.
[53] Interviews 2, 10, 17, 20, 23, 34, 40, 43, 50.
[54] Interviews 12, 14, 19, 22, 26, 34, 38, 41, 42, 43, 46.
[55] Interviews 1, 11, 12, 14, 18, 19, 20, 24, 26, 31, 41, 42, 58.
[56] Interviews 28, 29, 30, 33, 35, 37, 49, 51.
[57] Interviews 2, 3, 6, 9, 11, 12, 15, 40, 41, 42, 43, 57, 58, 60.
[58] Interviews 1, 2, 9, 10, 17, 18, 22, 30, 32, 34, 35, 58.
[59] Interviews 1, 41, 54.
[60] Interviews 1, 2.

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